2013
ANNUAL REPORT

THE FIRST EQUATOR BANK IN CHINA

兴业银行
INDUSTRIAL BANK CO.,LTD.
Stock Code: 601166

25
1988 - 2013

CONTENTS

Chairman:
Gao Jianping

Chairman's Statement

In 2013, the Company actively grasped the development trends of interest rate liberalization, financial integration and information networking, persisted in making steady progress in business development and pursuing scientific development, continuously promoted the transformation, deepened the reform, stood up to the double challenges of slowdown in economic growth and drastic market fluctuation and reinforced its capacity of serving the real economy, hence ensuring the harmonious and healthy development of all its undertakings and laying a solid foundation for the realization of its five-year plan.

Improving corporate governance to promote its decision making quality and efficiency. Based on the shareholder structure characteristics after the additional share offering, under the basic principle of "according to the law and routine, keeping continuous work and being efficient and pragmatic", the Company successfully completed the transition of the board of directors and the board of supervisors, further optimizing the specialty and age structure and further strengthening its ability in making strategies and controlling the direction. Optimized the combination of special committees during transition of the board of directors, the Company appropriately assigned its decision making authorization and improved professionality and efficiency of its decision making. The Company also made overall planning and coordinated the long-term benefits and short-term returns of shareholders, and earnestly fulfilled its commitment of continuous and steady cash dividends, realizing the net profit attributable to the shareholders of the parent company of RMB41.2 billion in the whole year, making another record high in business performance, and being awarded as the "Asian Bank Offering the Greatest Return to Shareholders 2013". Moreover, the Company carried out capital market work and communication with investors with a broader field of vision, enhanced its benign interaction with clients, investors, media, the government and all walks of life and reinforced its image as a responsible mainstream listed bank, successfully ranking among the top 50 world banks, the top 500 enterprises of the world and the top 200 listed companies of the world.

Continuously deepening the reform to strengthen its operation management foundation. Sticking to "making steady progress in business development and pursuing scientific development", the Company further established its specialized operation system focusing on the three major businesses including corporate finance, retail finance and financial markets, and constantly improved its management systems and mechanisms such as planning & finance, risk & compliance and human resources suitable to the business specialization operation. The Company also improved its management refinement level, adhered to its motivation orientation centering on the return on risk assets, made good use of the asset increment and revitalized its stock asset, and promoted the continual adjustment and optimization of its structure of assets and liabilities, making its capital adequacy ratio conform to regulatory requirement and ROE of 22%, keeping an advanced level in the industry. Meanwhile, with its accurate judgment of the policy environment and market environment changes, the Company reinforced its overall risk management, especially the liquidity and safety management, intensified the risk management and examination of potential risk field in key areas and industries, steadily carried forward the construction of new capital accord projects and the application of new risk management instruments and avoided and disposed asset losses in a timely manner, keeping a leading position in asset quality in the industry with provision coverage ratio of 352%.

Intensifying synergistic operation to promote inclusive finance. Actively taking the policy opportunity, the Company was approved to establish CIB Fund Management Co., Ltd., increased the capital of China Industrial International Trust Limited and was approved to become a licensed bank in Hong Kong, with the business scale and business performance of its subsidiaries growing vigorously and the synergistic effect of comprehensive operation being further revealed. Meanwhile, the Company also actively fulfilled its obligations as a "corporate citizen" and stressed the differential operation and characteristic development, effectively promoting and carrying out the state's macro policies and enhancing its core competitiveness while realizing its own sustainable and healthy development. Comprehensively fulfilling its commitment as an "Equator Bank", the Company also made innovations on the development of the financial business of urbanization, constantly enriched the green financial product line and facilitated the construction of the "Beautiful China" through promoting the transformation of economic development mode and industry transformation and upgrading via optimizing credit resource allocation. By implementing the inclusive finance concept and providing more and better service to the general public, the Company accelerated the construction of community bank and retail credit factory, and cultivated business brands like small enterprise finance, tour finance and pension finance to provide much more convenient financial services for all walks of life. Through giving play to the innovative and leading function of the bank-to-bank platform, the Company delivered its management experience, financial products and technological capabilities to the vast small and medium-sized financial institutions, effectively covering both urban and rural areas, serving the "agriculture, farmers and rural areas" with increasingly obvious scale benefits.

In 2014, the Company will adhere to the operation principles of a modern bank group, persist in the market orientation, deepen our internal reform, improve our executive force, break the restriction of factors via operational transformation, reinforce and improve our financial services and transform the achievements of the reform and development into our core competitiveness so as to play our role in paving and bridging in the comprehensive economic and social reform of China. We will continue to seize and take the new round of historical development opportunities, and further promote shareholder returns, customer satisfaction and market reputation to facilitate our sustainable development.

Chairman:

President's report

In 2013, facing the complex and severe economic situation and the much more changeable market environment, the Company has diligently carried out various resolutions of the board of directors, and stringently implemented the state's macro policies and financial regulatory requirements. It continued to reform and innovate, steadily developed businesses, served entities and carried out differential development, thus achieving sustaining, harmonious and healthy growth in various businesses.

As at the end of the reporting period, the total assets of the Company stood at RMB3,677.435 billion, up 13.12% from the beginning of the period. The balance of deposits amounted to RMB2,170.345 billion and the balance of loans stood at RMB1,357.057 billion, representing increases of 19.69% and 10.40% respectively compared with the beginning of the period. The balance of NPLs was RMB10.331 billion. The NPL ratio was 0.76% with an increase of 0.33 percentage point over the beginning of the period, reflecting the influence of the real economy on bank asset quality during the transition period, for which the Company had increased the provision for NPLs to reinforce its ability against risks with provision coverage ratio of 352.10% and provision-to-loan ratio of 2.68% at the end of the period. The operating efficiency was consistent with the expectation. The operating income broke through hundred billion for the first time with profitability continuously outperforming and net profit attributable to the shareholders of the parent company standing at RMB41.211 billion, up 18.70% year-on-year.

The Company strengthened and improved its specialized operation system and continuously propelled the transformation of its management and business development model. With regard to corporate finance businesses, its investment banking business scale was continuously expanded with underwritten offering of debt financing instruments of RMB241.249 billion, ranking the first among the same type of joint-stock banks; and its green finance business was constantly upgraded with the financing balance of RMB178.097 billion at the end of the period and brand impact being further expanded. On retail businesses, the daily average scale of comprehensive financial assets of its retail clients grew rapidly to RMB666.776 billion; the development of its tour finance and pension finance kept a good momentum; and the construction of community banks and "retail credit factory" was launched with good implementation and operation. In respect to financial markets businesses, the scale benefit of its bank-to-bank platform was increasingly obvious with further exploration of development space; the net value of asset custody exceeded RMB3 trillion with a growth of approximately 90%, ranking the first among the same type of joint-stock banks; and its commissioned businesses such as interest rate swap, currency swap and precious metals trading maintained the dominant position continuously.

Centering on transformation development and market changes, the Company proactively strengthened business management, improved the operation and support safeguard level and actively coordinated with various external inspections, audits and researches, constantly improving its management standardization and transparency. Moreover, sticking to capital intensity orientation, the Company also improved its evaluation and resource allocation management, established and perfected a new liquidity management system, properly dealt with the rapid fluctuation of market liquidity, accelerated the establishment of a refined interest rate pricing system and actively coped with the challenges from interest rate liberalization. In addition, the Company comprehensively reinforced the risk management of emerging businesses, improved the institutional system, completed risk classification, made reasonable provisions and strengthened monitoring analysis. Meanwhile, the Company successfully opened up its Lanzhou Branch, prepared to establish Haikou Branch and Xining Branch, and was granted the licensed bank in Hong Kong. Besides, its third holding subsidiary—CIB Fund Management Co., Ltd. was successfully approved opening by authorities and started into business with its group-oriented and comprehensive operation management reaching a new level and the synergistic effect of business being further revealed.

In 2014, the Company will continue to carry out the state macro economic policies and financial regulatory requirements, and earnestly implement the business strategy and development plan defined by the board of directors. We will keep the steady development trend, accelerate transformation and innovation, and continuously promote the business specialization and management refinement level to achieve new progress and new breakthrough in various businesses.

President: 李仁杰

Director and President:
Li Renjie

Chairman of the Board of Supervisors:
Kang Yukun

IMPORTANT NOTICE

The Company's board of directors, board of supervisors, directors, supervisors and senior management members hereby warrant that the information contained in this report is free from any false representation, misleading statement or material omission, and assume joint and several liabilities for the truthfulness, accuracy and completeness of the contents herein contained.

The Company's annual report 2013 and its abstract were reviewed and approved at the fourth meeting of the eighth session of the board of directors on March 28, 2014. Fifteen directors should attend the meeting, and fifteen directors were in fact present. There were no directors, supervisors or senior management members who could not warrant or disagreed with the truthfulness, accuracy and completeness of the contents of this annual report.

The financial data and indicators contained in this annual report were prepared in compliance with the PRC Generally Accepted Accounting Principles. Unless otherwise specified, they represented the consolidated data of Industrial Bank Co., Ltd. and its wholly-owned subsidiary Industrial Bank Financial Leasing Co., Ltd., its controlled subsidiaries China Industrial International Trust Limited and CIB Fund Management Co., Ltd. The monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's financial statements 2013 in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditor's report with unqualified opinions.

The Company's chairman Gao Jianping, president Li Renjie and general manager of the financial department Li Jian hereby warrant that the financial statements in the annual report 2013 are true, accurate and complete.

The proposal of profit distribution for the reporting period considered by the board of directors: based on the total capital of 19,052,336,751 shares, cash dividend of RMB4.6 (inclusive of tax) should be distributed for every 10 shares.

Investors are advised to read the full content of this annual report carefully. Perspective and forward-looking statements regarding future financial conditions, operating performance, business development and business plan contained in this report do not constitute any substantive commitment of the Company to investors. Investors should pay attention to investment risks.

Financial highlights

Unit: RMB million

Annual achievements	2013	2012	2011
Net interest income	85,845	72,193	507,34
Net non-interest income	23,442	15,426	9,136
Operating income	109,287	87,619	59,870
Operating profit	54,078	46,068	33,532
Total profit	54,261	46,193	33,664
Net profit attributable to the shareholders of the parent company	41,211	34,718	25,505
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	40,998	34,585	25,315
Total dividend	8,764	7,240	3,991
As at the end of year			
Total assets	3,677,435	3,250,975	2,408,798
Total loans	1,357,057	1,229,165	983,254
Loan loss provision	36,375	24,623	14,314
Total liabilities	3,476,264	3,080,340	2,292,720
Total deposits	2,170,345	1,813,266	1,345,279
Equity attributable to the shareholders of the parent company	199,769	169,577	115,209
Share capital	19,052	12,702	10,786
Per share			
Basic earnings per share (RMB)	2.16	2.15	1.57
Diluted earnings per share (RMB)	2.16	2.15	1.57
Basic earnings per share, after deduction of non-recurring gains and losses (RMB)	2.15	2.14	1.57
Net assets per share attributable to the shareholders of the parent company (RMB)	10.49	13.35	10.68
Dividend per share (pre-tax, RMB)	0.46	0.57	0.37
Major financial ratios			
Return on total assets (%)	1.20	1.23	1.20
Weighted average return on equity (%)	22.39	26.65	24.67
Net interest margin (%)	2.44	2.65	2.49
Cost-to-income ratio (%)	26.71	26.73	31.95
Loan-to-deposit ratio (%)	61.95	66.50	71.46
Asset quality indicator			
Non-performing loan ratio (%)	0.76	0.43	0.38
Provision coverage ratio (%)	352.10	465.82	385.30
Provision-to-loan ratio (%)	2.68	2.00	1.46
Capital indicator			
Net capital	250,183	-	-
In which: Core tier one capital	201,153	-	-
Total weighted risk assets	2,310,471	-	-
Capital adequacy ratio (%)	10.83	-	-
Core tier one capital ratio (%)	8.68	-	-

- The Company ranked No. 428 in the "2013 List of Fortune Global 500 Companies" released by the US magazine, Fortune.
- According to the list of "Top 1000 World Banks 2013" of the British Magazine, The Banker, the Company rose to the 50th place by 11 positions over the last year in terms of total assets, and ranked No.55 in terms of Tier 1 capital, up by 14 positions over the previous year.
- According to the list of "Top 2000 World Enterprises 2013" of the US Magazine, Forbes, the Company rose to No. 142 by 101 positions over the last year.
- According to the International Financial Reporting Standards (IFRS), the Company ranked No. 47 among the top 100 world banks in terms of total assets.
- In the 8th Asian 21st Century Annual Finance Summit and Release Ceremony for the Research Report on 2013 Asian Banks Competitiveness Ranking, the Company ranked No.7 in terms of bank competitiveness and topped China's joint-stock banks. In addition, it also won the prize of "Asian Bank Offering the Greatest Returns to Shareholders 2013".
- The Company won the "Best Board of Directors" in the Ninth "Gold Prize of Round Table" of Chinese Boards of Listed Company.
- The Company won the "2013 Golden Shield Award of Best Investor Relations Among Chinese Listed Companies" in the Fourth Risk Management Summit of Chinese Listed Company.
- The Company ranked No. 2 in the 2013 Top 100 Enterprises with Capital Brand Value by China Center for Market Value Management (CCMVM).
- The Company won the "Prize of 2013 Outstanding Enterprise in Corporate Social Responsibility" in the Sixth China Corporate Social Responsibility Summit jointly sponsored by Xinhuanet and the Research Center for Corporate Social Responsibility of Chinese Academy of Social Sciences.
- The Company was awarded the "Prize of Financial Institution for Social Responsibility of the Year" and the "Prize of Best Green Finance for Social Responsibility" by China Banking Association.
- The Company was awarded the "Best Corporation Prize for Sustainable Development" in 2013 by China Urban Economy Sustainable Development Committee.
- The Company was awarded the "E-payment Service Star" and the "Best User Experience Prize for Internet Banking" by China Financial Certification Authority (CFCA) and Xinhuanet.

2013
Honors and Awards

- The Company won four prizes: “2013 Competitive Bank for Outstanding Supply Chain Financial Service”, “2013 Competitive Bank for Green Financial Service”, “2013 Competitive Bank for Personal Loans”, and “2013 Competitive Bank for the Development Potential in Private Banking” issued by Chinese Academy of Social Sciences and China Business Journal.
- The Company won the “Prize of Best Internet Banking” and the “Prize of Best Financial APP Product of China” by Securities Times.
- The Company was named the “2013 CFV—Best Innovative Bank for Trade Financing” and “2013 Prize of Best Bank for Custody Service” by China Business News.
- The Company was awarded the “Prize of Best Bank for Asset Custody” and the “Best Bank for the Development Potential in Private Banking” of the 2013 Assets Management Golden-shell Award of China sponsored by 21st Century Business Herald.
- The Company won the “2012-2013 Prize of Outstanding Bank for Custody Service” sponsored by The Economic Observer.
- The Company was awarded the “Prize of Retail Banking for Social Responsibility of the Year” sponsored by Financial Money.
- The Company won the “Prize of Best Retail Banking” sponsored by China Times.
- The Company was awarded the “2013 Prize of Best Bank Financial Product of China”, the “2013 Prize of Best Brand for Small Enterprise Financial Service of China”, and the “2013 Prize of Best Innovative Bank for Credit Service” sponsored by Money Week.
- The Company was awarded the “Prize of Best Financial Product” and the “Prize of Best Innovative Bank for Credit” in the financial circle.
- The Company won the “Prize of Private Banking for Growth of the Year” at 2013 Banking Industry Development Forum and the First Comprehensive Appraisal of Banks sponsored by Sina Finance.
- The Company won the “Prize of Best Bank for Wealth Management” and the “Prize of Best Platform for Precious Metal Transaction” sponsored by Eastmoneycom.
- The Company won the “2013 Prize of Best Private Banking of China”, the “Prize of Best Brand for Wealth Management” and the “Prize of Best Bank for Precious Metal Service” sponsored by hexun.com

DEFINITIONS AND IMPORTANT RISK WARNING

I. Definitions

In this report, unless the context otherwise specified, the following terms have the meanings set forth below:

Industrial Bank / the Company	Industrial Bank Co., Ltd.
CSRC	China Securities Regulatory Commission
CSRC Fujian Bureau	Fujian Bureau under China Securities Regulatory Commission
Central Bank	The People's Bank of China
CBRC	China Banking Regulatory Commission
CBRC Fujian Bureau	Fujian Bureau under China Banking Regulatory Commission
Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Industrial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Non-public Offering in 2012	the offering approved by CSRC, and on December 31, 2012, the Company offered 1,915,146,700 A shares in total to China People's Insurance (Group) Co., Ltd., The People's Insurance Company of China, China Life Insurance Company Limited, China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd.
New capital requirements	being measured in accordance with the Capital Rules for Commercial Banks (Provisional) (Implemented from 2013) of CBRC
Old capital requirements	being measured in accordance with the Administrative Measures for Capital Adequacy Ratios of Commercial Banks (Implemented from 2004 and revised in 2007) of CBRC
Yuan	RMB Yuan

II. Important risk warning

The board of directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Report of the Board of Directors" for risk factors the Company is subject to and the risk management analysis.

CORPORATE PROFILE

Legal Chinese name: 兴业银行股份有限公司 (Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

Legal representative: Gao Jianping

Secretary of the board of directors: Tang Bin

Representative of securities affairs: Chen Zhiwei

Address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Tel : (86) 591-87824863

Fax: (86) 591-87842633

Investor email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Office address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure:

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publishing annual reports:www.sse.com.cn

Location of annual reports filing: the Company’s office of the board of directors

Place of stock listing: Shanghai Stock Exchange

Stock abbreviation: Industrial Bank

Stock code: 601166

Changes of registration :

Date of first registration: August 22, 1988

Place of first registration: Fujian Provincial Administration of Industry and Commerce

Date of registration change: March 21, 2014

Place of registration change: Fujian Provincial Administration of Industry and Commerce

Corporate entity business license No.: 350000100009440

Taxation registration no.: State Tax Rongtai Zi 350100158142711

Local Tax Min Zi 350102158142711

Code for corporate legal entity: 15814271-1

Change of principal business: There is no change in the Company's principal business since its listing.

Change of major shareholders: The Company's largest shareholder is the Finance Bureau of Fujian Province, and there is no change since the Company was listed.

Other related information of the Company:

Certified public accountants firm engaged by the Company: Deloitte Touche Tohmatsu Certified Public Accountants LLP

Office address: 30th Floor, Bund Center, 222 Yan An East Road, Shanghai, PRC

Names of the signing accountants: Tao Jian, Shen Xiaohong

Sponsor performing continuous monitoring: Credit Suisse Founder Securities Limited

Office address: 15th floor, South Wing, Central Financial Street, No. A9, Financial Avenue, Xicheng District, Beijing

Names of signing representatives of sponsor: Guo Yuhui, Li Hui

Period for continuous monitoring: From January 8, 2013 to December 31, 2014

This report is prepared in both Chinese and English. Should there be any discrepancy in interpretation, the Chinese version shall prevail.

FINANCIAL AND BUSINESS DATA HIGHLIGHTS

I. Key accounting data and financial indicators of the previous three years as at the end of the reporting period

Unit: RMB million

Item	2013	2012	Increase/decrease in 2013 compared with 2012 (%)	2011
Operating income	**109,287**	87,619	24.73	59,870
Profit before tax	**54,261**	46,193	17.47	33,664
Net profit attributable to the shareholders of the parent company	**41,211**	34,718	18.70	25,505
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**40,998**	34,585	18.54	25,315
Basic EPS (RMB)	**2.16**	2.15	0.47	1.57
Diluted EPS (RMB)	**2.16**	2.15	0.47	1.57
Basic EPS, after deduction of non-recurring gains and losses (RMB)	**2.15**	2.14	0.47	1.57
ROA (%)	**1.20**	1.23	Down 0.03 percentage point	1.20
Weighted average ROE (%)	**22.39**	26.65	Down 4.26 percentage points	24.67
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**22.27**	26.54	Down 4.27 percentage points	24.49
Cost-to-income ratio	**26.71**	26.73	Down 0.02 percentage point	31.95
Net cash flow from operating activities	**209,119**	116,701	79.19	(7,885)
Net cash flow per share from operating activities (RMB)	**10.98**	9.19	19.48	(0.73)
	December 31, 2013	December 31, 2012	Increase/decrease at the end of 2013 compared with the end of 2012 (%)	December 31, 2011
Total assets	**3,677,435**	3,250,975	13.12	2,408,798
Shareholders' equity attributable to the shareholders of the parent company	**199,769**	169,577	17.80	115,209
Net assets per share attributable to the shareholders of the parent company (RMB)	**10.49**	13.35	-21.42	10.68
NPL ratio (%)	**0.76**	0.43	Up 0.33 percentage point	0.38
Provision coverage ratio (%)	**352.10**	465.82	Down 113.72 percentage points	385.30
Provision-to-loan ratio (%)	**2.68**	2.00	Up 0.68 percentage point	1.46

Items and amounts of non-recurring gains and losses:

Unit: RMB million

Item	2013	2012	2011
Gains and losses on the disposal of non-current assets	**(28)**	(2)	14
Government grants recognized in profit or loss	**162**	119	89
Write-back of assets written-off in previous years	**113**	54	124
Net non-operating income & expense in addition to the above	**49**	8	29
Impact on income tax	**(83)**	(46)	(66)
Total	**213**	**133**	**190**

Note: The Company implemented the profit distribution plan 2012 during the reporting period, distributed 5 bonus shares and cash dividend of RMB5.7 for every 10 shares with total shares changing into 19,052,336,751, increasing by 6,350,778,917 shares. The EPS during each comparison period had been recalculated according to the provisions of the No. 9 Rule for the Preparation and Reporting of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010) issued by CSRC.

The opening balance of net assets value per share attributable to the shareholders of the parent company and the net cash flow per share from operating activities in the same period of last year were not adjusted with the Company's new shares after the issuance of additional shares as dividends. In the table, the net assets value per share at the end of 2013 decreased comparing with that at the end of 2012, which was caused by the issuance of additional shares and equity expansion during the reporting period. Irrespective of this factor, the net assets value per share at the end of 2013 increased by 17.80% comparing with that at the end of 2012.

II. Supplementary financial data

Unit: RMB million

Item	December 31, 2013	December 31, 2012	December 31, 2011
Total liabilities	**3,476,264**	3,080,340	2,292,720
Placements from banks and other financial institutions	**78,272**	88,389	52,752
Total deposits	**2,170,345**	1,813,266	1,345,279
Incl: Demand deposits	**907,078**	748,299	598,852
Time deposits	**979,043**	820,468	571,238
Other deposits	**284,224**	244,499	175,189
Total loans	**1,357,057**	1,229,165	983,254
Incl: Corporate loans	**988,808**	912,187	703,948
Individual loans	**353,644**	299,936	260,641
Discounted bills	**14,605**	17,042	18,665
Loan loss provisions	**36,375**	24,623	14,314

III. Capital adequacy ratio

Unit: RMB million

	Key indicator	December 31, 2013	December 31, 2012	December 31, 2011
According to the Capital Rules for Commercial Banks (Provisional) (new capital requirements)	Net capital	**250,183**	N/A	N/A
	Incl: Core tier one capital	**201,153**	N/A	N/A
	Other tier one capital	**-**	N/A	N/A
	Tier two capital	**50,663**	N/A	N/A
	Deductions	**1,633**	N/A	N/A
	Total risk weighted assets	**2,310,471**	N/A	N/A
	Capital adequacy ratio (%)	**10.83**	N/A	N/A
	Tier one capital adequacy ratio (%)	**8.68**	N/A	N/A
	Core tier one capital adequacy ratio (%)	**8.68**	N/A	N/A
According to the Administrative Measures for Capital Adequacy Ratios of Commercial Banks, and etc. (old capital requirements)	Net capital	**253,548**	210,890	148,715
	Incl: Core capital	**197,320**	163,639	111,591
	Supplementary capital	**58,472**	49,209	38,839
	Deductions	**2,244**	1,958	1,715
	Risk weighted assets	**2,112,778**	1,737,456	1,344,130
	Market risk capital	**1,188**	867	258
	Capital adequacy ratio (%)	**11.92**	12.06	11.04
	Core capital adequacy ratio (%)	**9.21**	9.29	8.20

IV. Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2013	December 31, 2012	December 31, 2011
Loan-to-deposit ratio (converted to RMB)	≤75	**61.95**	66.50	71.46
Liquidity ratio (converted to RMB)	≥25	**35.79**	29.47	30.71
Proportion of loans to the largest single borrower	≤10	**7.06**	4.34	4.45
Proportion of loans to the top ten borrowers	≤50	**23.72**	21.81	23.54
Migration ratio of pass loans	-	**1.20**	0.77	0.54
Migration ratio of special mention loans	-	**30.48**	8.28	21.59
Migration ratio of substandard loans	-	**97.63**	72.34	63.94
Migration ratio of doubtful loans	-	**30.41**	20.02	14.18

Note: 1. Data in this table are those before consolidation, and data of Industrial Leasing, Industrial Trust and CIB Fund Management are not included in this table.

2. Loan-to-deposit ratio, liquidity ratio, proportion of loans to the largest single borrower, proportion of loans to the top ten borrowers, and migration ratios in this table are calculated based on data reported to regulatory authorities.

3. Pursuant to Document YJF [2008] No. 187, Document YJF [2006] No. 345 and Document YJF [2005] No. 253 issued by CBRC, loans originated from funds raised from the Company's financial bonds offering are not included in loan-to-deposit ratio calculation.

4. Pursuant to Document YJF [2007] No. 84 issued by CBRC, starting from 2008, when calculating the loan-to-deposit ratio, there is no need to deduct "discount" from "loans" in the numerator.

5. Pursuant to Document YJF [2010] No. 112 issued by CBRC, starting from 2011, the daily average loan-to-deposit ratio per month shall be additionally supervised. The index of the Company's daily average loan-to-deposit ratio of every month during the reporting period has met the supervisory and regulatory requirements.

V. Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Beginning balance	Increase during the period	Decrease during the period	Closing balance
Share capital	12,702	6,350	-	**19,052**
Capital reserve	50,021	-	3,779	**46,242**
General reserve	28,923	2,402	-	**31,325**
Surplus reserve	6,648	3,176	-	**9,824**
Undistributed earnings	71,283	41,211	19,168	**93,326**
Shareholders' equity attributable to the shareholders of the parent company	169,577	53,139	22,947	**199,769**

VI. Items measured at fair value

Unit: RMB million

<table>
<tr><th>Item</th><th>December 31, 2012</th><th>Gains and losses in the period from changes in fair value</th><th>Accumulated changes in fair value recognized in equity</th><th>Provision for impairment made in the period</th><th>December 31, 2013</th></tr>
<tr><td>Held-for-trading financial assets</td><td>21,540</td><td>(595)</td><td>-</td><td>-</td><td>42,295</td></tr>
<tr><td>Precious metals</td><td>4,976</td><td>163</td><td>-</td><td>-</td><td>276</td></tr>
<tr><td>Derivative financial assets</td><td>3,266</td><td rowspan="2">(722)</td><td>-</td><td>-</td><td>6,414</td></tr>
<tr><td>Derivative financial liabilities</td><td>2,996</td><td>-</td><td>-</td><td>6,864</td></tr>
<tr><td>Available-for-sale financial assets</td><td>192,057</td><td>-</td><td>(6,144)</td><td>-</td><td>263,681</td></tr>
<tr><td>Held-for-trading financial liabilities</td><td>-</td><td>12</td><td>-</td><td>-</td><td>1,216</td></tr>
</table>

1. Held-for-trading financial assets: the held-for-trading financial assets are primarily the RMB bonds held for the purpose of market making trading. The Company adjusted the position of its held-for-trading RMB bonds in a dynamical process, based on the trading activity level in the bond market and its judgment on the market movement. In the reporting period, the Company increased the investment in the held-for-trading bonds, and the changes of fair value had a minor impact relative to the scale.

2. Precious metals: being subject to impact of the proprietary precious metal trading strategy and market movement, the Company decreased its cash position of precious metal during the reporting period, and its balance in domestic precious metals spot trading at the end of the reporting period decreased by RMB4.7 billion compared with the beginning of the period.

3. Derivative financial assets and liabilities: the absolute values of derivative financial assets and liabilities increased compared with the beginning of the period. The overall offset balance decreased slightly, meaning that gains from the changes in fair value of the financial derivatives investment in the period decreased slightly.

4. Available-for-sale financial assets: the Company increased its investment in available-for-sale financial assets during the reporting period under the need of asset allocation and management, as well as its judgment on the bond market movement and analysis of the interbank market liquidity.

5. Held-for-trading financial liabilities: the Company's held-for-trading financial liabilities are mainly sale of bonds borrowed and short sale gold transactions. As at the end of the reporting period, the position was mainly the short sale of precious metals.

I. Discussion and analysis of operations during the reporting period

(I) Review of operations during the reporting period

1. Overall operations of the Company

During the reporting period, the macro-economic situation was complex and severe, and the market environment was under more changes. Facing the rather difficult business environment, the Company earnestly implemented the state's macro policies and financial regulatory requirements, carried out reform and innovation, kept prudent operation, served entities, prevented risks and stood up to the challenges of the downward pressure of economy, mass risk exposure in some regions and some industries, market liquidity and interest rate fluctuation, thus all the business segments witnessed a sustainable, coordinated and healthy development, with both the business scale and profit performance hitting a record high and the asset quality remaining stable.

(1) Breakthroughs were made in the Company's comprehensive strength. As at the end of the reporting period, the Company's total assets was RMB3,677.435 billion, up 13.12% from the beginning of the period; the balance of deposits in local and foreign currencies stood at RMB2,170.345 billion, up 19.69% from the beginning of the period; the balance of loans in local and foreign currencies was RMB1,357.057 billion, up 10.40% from the beginning of the period. The Company successfully completed targeted additional share offering, substantially improving its capital strength; the shareholders' equity attributable to the parent company as at the end of the reporting period was RMB199.769 billion, up 17.80% from the beginning of the period; the net capital reached RMB250.183 billion; the capital adequacy ratio was 10.83% and the core (tier one) capital adequacy ratio was 8.68%. The asset-liability ratio was in good condition, and all the main indicators were in line with the supervisory and regulatory requirements. During the reporting period, the net profit attributable to the shareholders of the parent company was RMB41.211 billion, up 18.70% year-on-year; the fee and commission income amounted to RMB24.736 billion, up 57.75% year-on-year; being subject to the equity expansion due to the targeted additional share offering, the weighted average ROE in 2013 was 22.39%, down 4.26 percentage points year-on-year, and the return on total assets decreased by 0.03 percentage point year-on-year to 1.20%. The asset quality remained stable, with the NPL ratio at 0.76%, up 0.33 percentage point compared with that at the beginning of the period; the provision coverage ratio was 352.10% and the provision-to-loan ratio was 2.68%, further enhancing the capability in withstanding risks. The full-year profit of its wholly-owned subsidiary Industrial Leasing was RMB873 million, and that of Industrial Trust was RMB1,106 million, up 30.88% and 43.26% year-on-year respectively, and profit was also realized by CIB Fund Management after establishment, indicating a steady development of comprehensive business operations across different segments.

(2) New results were achieved in the operational transformation. The Company further established its specialized operation system focusing on the three major businesses including corporate finance, retail finance and financial markets. With regard to corporate finance businesses, adapting to the financial disintermediation tendency, its investment banking business developed rapidly with underwriting amount and market share of debt financing instruments in non-financial enterprises ranking top of the market; the trade financing business followed up with trade financing business volume and international settlement amount hitting another record high; its green financial services were constantly upgraded with brand impact being further expanded; the cash management, small enterprise business and institutional business were steadily promoted with the foundation being increasingly solid. On retail businesses, the scale of comprehensive financial assets in retail grew rapidly; the development of its tour finance and pension finance kept a good momentum with expanding market influence; the operation benefits in credit card business were obviously promoted, and both of development and internal control management of private banking business were reinforced; and the construction of community bank and "retail credit factory" was launched with good implementation and operation. In respect

to financial market businesses, the scale benefit of its bank-to-bank platform was increasingly notable with further exploration of development space; the bond investment, fund trading and broking business maintained steady development, further strengthening the service support to the whole bank; proactively carrying out the supervisory and regulatory requirements, the asset management business also witnessed steady growth in scale and significantly improved business compliance and stability level; the asset custody business varieties was much more balance with swiftly developing scale, thus ranking forefront among other bank peers; and the futures custody business was also successfully started.

(3) New progress was made in improving management, operations and support capability. The resource allocation with combination of centralization and decentralization and matrix management, the evaluation, the risk & compliance and the human resource management system were constantly improved. Sticking to capital intensity orientation, improving its evaluation and resource allocation management, establishing and improving a new liquidity management system, properly dealing with the fluctuation of market liquidity, accelerating the establishment of a refined interest rate pricing system, actively coping with the challenges from interest rate liberalization, making clear the unified credit principle, implementing general risk control requirements, focusing on strengthening emerging business risk management, improving risk classification, reinforcing monitoring analysis, improving authorization and credit granting policy, enhancing the examination and disposal of risks and ensuring overall stability of asset quality, and thus promoting the integration of the compliance, internal control and operating risk, reinforcing audit supervision and completing the accountability system.

Safeguards for operational support were reinforced. Lanzhou Branch started operation during the reporting period, and the total number of institutions of the Company reached 826. Successfully upgraded E-banking functions, providing WeChat bank and “E-family Fortune” service, upgraded the client side of mobile phone banking, and expanded the telephone banking system. Moreover, the Company further optimized the payment and settlement management system, steadily promoted the accounting internal control and operation service level and made solid progress in the building of professional ability in information technology, accomplishing the removal of the machine room for same-city disaster recovery at Waigaoqiao, Shanghai and putting into operation, and initiating the construction of machine room and ring network in Chengdu.

(4) The Company’s market position and brand image were steadily improved. The Company successfully ranked among the Top 50 World Banks (listing by The Banker magazine of UK), the top 500 enterprises of the world (listing by Fortune magazine of USA) and the top 200 listed companies of the world (listing by Forbes magazine of USA). Meanwhile, the Company received numerous awards granted by various authoritative organizations at home and abroad, including the “Asian Bank Offering the Greatest Return to Shareholders 2013”, the “Award of the Best Commercial Bank Performing Social Responsibilities”, the “Award of the Most Innovative Bank” and the “Award of the Best Green Bank”.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB109.287 billion, and its operating profit was RMB54.078 billion.

(1) The Company divided its regional branches into ten segments by importance and comparability, namely, head office (including the headquarters and its affiliated operating units), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, Northeast and other regions in Northern China, Western China and Central China. Operating income and operating profit of various regions were as follows:

Unit: RMB million

Region	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	15,718	67.62	(1,860)	Negative in the same period of the last year
Fujian	14,313	24.48	8,935	22.89
Beijing	7,346	28.45	5,127	27.82
Shanghai	7,448	21.52	4,719	14.65
Guangdong	10,034	11.11	6,149	14.51
Zhejiang	5,069	7.10	655	(67.53)
Jiangsu	6,150	28.55	3,820	23.54
Northeast and other regions in Northern China	14,200	14.12	8,428	10.42
Western China	14,342	24.23	9,638	24.51
Central China	14,667	18.67	8,467	10.16
Total	**109,287**	**24.73**	**54,078**	**17.39**

(2) The amount, proportion and year-on-year changes of the items of operating income

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Year-on-year change (%)
Interest income from loans	82,505	38.55	10.41
Interest income from placements	6,998	3.27	(45.60)
Interest income from amount due from the Central Bank	5,831	2.72	28.66
Interest income from amount due from banks and other financial institutions	6,086	2.84	13.35
Interest income from financial assets held under resale agreements	50,231	23.47	23.01
Gain and loss, and interest income from investment	34,716	16.22	138.73
Fee and commission income	24,736	11.56	57.75
Interest income from financing lease	3,228	1.51	27.99
Other income	(313)	(0.14)	(137.22)
Total	**214,018**	**100**	**24.49**

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2013	December 31, 2012	Change over previous year-end (%)	Brief description
Total assets	**3,677,435**	3,250,975	13.12	Steady and healthy growth of various asset businesses
Total liabilities	**3,476,264**	3,080,340	12.85	Steady and healthy growth of various liability businesses, and steady growth of customer deposit and other core liabilities
Shareholders' equity attributable to the shareholders of the parent company	**199,769**	169,577	17.80	Transfer of the net profit earned in the current period
Item	**2013**	**2012**	**Change over previous year (%)**	**Brief description**
Net profit attributable to the shareholders of the parent company	**41,211**	34,718	18.70	Stabilized interest margin, leading to fast growth in interest-bearing assets; rapid growth of fee and commission income; and cost-to-income ratio maintained at a low level
Weighted average ROE (%)	**22.39**	26.65	Down 4.26 percentage points	The Company implemented non-public offering at the end of 2012 and raised the capital of RMB23.532 billion which was taken into the weighted average ROE for calculation from January 2013, and thus the year-on-year increase of weighted average net assets in 2013 was higher than the year-on-year net profit increase, and the weighted average net assets ROE decreased.
Net cash flow from operating activities	**209,119**	116,701	79.19	Steady growth of various businesses and increase of investment allocation by seizing market opportunity

(2) Main items with changes over 30% in the accounting statement

Unit: RMB million

Main accounting item	December 31, 2013	December 31, 2012	Change over previous year-end (%)	Brief description
Amount due from banks and other financial institutions	**62,845**	164,642	(61.83)	Adjustment of assets allocation in banks and other financial institutions, leading to decrease of the balance of amount due from banks and other financial institutions
Placements with banks and other financial institutions	**87,091**	214,812	(59.46)	Adjustment of assets allocation in banks and other financial institutions and decrease of the application of low-profit assets, leading to decrease of the balance of placements with banks and other financial institutions
Held-for-trading financial assets	**42,295**	21,540	96.36	Increase of held-for-trading corporate bonds
Available-for-sale financial assets	**263,681**	192,057	37.29	Increase of available-for-sale government bonds and increase of fund trust and other investments on the premise of keeping credit risk under control, leading to the increase of return on investment
Held-to-maturity investment	**117,655**	69,199	70.02	Increase of held-to-maturity government bonds
Investment in accounts receivable	**328,628**	111,360	195.10	Increase of fund trust and other investments on the premise of keeping credit risk under control, leading to the increase of return on investment
Financial leasing receivable	**46,094**	33,779	36.46	Growth of financial leasing business of the subsidiary Industrial Leasing
Financial assets sold under repurchase agreements	**81,781**	161,862	(49.47)	Flexibly organized various fund sources from banks and other financial institutions as required for asset allocation, leading to the decrease of financial assets sold under repurchase agreements compared with that at the beginning of the year
Interest payable	**26,317**	18,895	39.28	Growth of interest payable for deposits
Share capital	**19,052**	12,702	50.00	Implemente d the profit distribution plan 2012 and distributed 5 bonus shares for every 10 shares
Surplus reserve	**9,824**	6,648	47.77	Appropriation of statutory surplus reserve as per 50% of the share capital
Undistributed profit	**93,326**	71,283	30.92	Transfer of the net profit earned in the current year

Main accounting item	2013	2012	Change over previous year (%)	Brief description
Fee and commission income	**24,736**	15,681	57.75	Rapid growth of intermediate business income
Fee and commission expense	**974**	734	32.70	Growth of fee and commission expense
Gain (loss) from investment	**22**	(346)	Negative in the same period of the last year	Being highly interrelated, the overall losses of these three items after consolidation was RMB376 million, mainly because of the rise of market interest rate, the constant decrease of bond market price and the year-on-year decrease of held-for-trading bond related gain and loss during the reporting period
Gain (loss) from changes in fair value	**(1,142)**	339	(436.87)	
Gain from exchange	**744**	439	69.48	
Business tax and surcharges	**7,831**	5,748	36.24	Growth of taxable income
Impairment loss of assets	**18,188**	12,382	46.89	Growth of impairment loss of loans

(II) Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Company stood at RMB3,677.435 billion, up 13.12% from the beginning of the period. Of which, loans increased by RMB127.892 billion or 10.40% from the beginning of the period; financial assets held under resale agreements increased by RMB128.293 billion or 16.18% compared with the beginning of the period; and various net investments were up RMB358.291 billion or 90.56% compared with the beginning of the period.

The details of loans were as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2013	December 31, 2012
Corporate loans	**988,808**	912,187
Personal loans	**353,644**	299,936
Discounted bills	**14,605**	17,042
Total	**1,357,057**	**1,229,165**

As at the end of the reporting period, the proportion of corporate loans was 72.85%, down 1.36 percentage points from the beginning of the period. The proportion of personal loans increased by 1.68 percentage points to 26.07%, and the proportion of discounted bills decreased by 0.31 percentage point to 1.08%, compared with the beginning of the period. During the reporting period, the Company recognized accurately on changes in the economic situation and the direction of regulatory policy regulation, emphasized the alignment with the industrial policies centering on serving real economy, reasonably defined the distribution, direction and pace of credits, and maintained the rapid and balanced development of key businesses.

(2) Loan distribution by industry

As at the end of the reporting period, the top five industries that received the largest proportion of bank loans were: personal loans, manufacturing, wholesale and retail, real estate and leasing & commercial services. The detailed distribution by industry was as follows:

Unit: RMB million

Industry	December 31, 2013			December 31, 2012		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**5,401**	**0.40**	**0.00**	3,565	0.29	0.00
Mining	**46,146**	**3.40**	**0.67**	50,974	4.15	0.02
Manufacturing	**281,108**	**20.71**	**1.34**	261,458	21.27	0.62
Production and supply of power, heat, gas and water	**41,048**	**3.02**	**0.04**	40,676	3.31	0.07
Construction	**64,362**	**4.74**	**0.13**	50,385	4.10	0.29
Transportation, logistics and postal service	**47,608**	**3.51**	**0.45**	55,524	4.52	0.02
Information transmission, software and IT service	**6,818**	**0.50**	**0.66**	8,854	0.72	2.36
Wholesale and retail	**203,774**	**15.02**	**1.76**	165,785	13.49	1.09
Accommodation and catering	**6,599**	**0.49**	**0.09**	6,605	0.54	0.02
Finance	**1,476**	**0.11**	**0.02**	2,066	0.17	0.24
Real estate	**131,253**	**9.67**	**0.00**	110,649	9.00	0.06
Leasing and commercial services	**83,125**	**6.13**	**0.27**	81,371	6.62	0.39
Scientific research and technical service	**5,839**	**0.43**	**0.00**	4,451	0.36	0.01
Water conservation, environment and public facility administration	**50,527**	**3.72**	**0.21**	55,106	4.48	0.09
Residential services, repair and other related services	**1,961**	**0.14**	**0.61**	1,735	0.14	2.13
Education	**467**	**0.03**	**0.43**	446	0.04	0.45
Sanitation and social services	**3,000**	**0.22**	**0.00**	2,516	0.20	0.00
Culture, sporting and entertainment	**3,097**	**0.23**	**0.05**	2,948	0.24	0.02
Public administration, social security and social organization activities	**5,199**	**0.38**	**0.00**	7,073	0.58	0.00
Personal loans	**353,644**	**26.07**	**0.55**	299,936	24.39	0.32
Discounted bills	**14,605**	**1.08**	**0.00**	17,042	1.39	0.00
Total	**1,357,057**	**100**	**0.76**	**1,229,165**	**100**	**0.43**

During the reporting period, the Company recognized accurately on changes in the economic situation and the direction of regulatory policy regulation and reasonably arranged the distribution emphasis and pace of credits while having effective risk control, and thus the loan industry structure was further optimized and the layout was much more reasonable. The Company also reinforced the support to less cyclical industry and domestic livelihood consumption industry, further improved green financial credit services, gave priority to economic restructure, industrial structure upgrading and technical innovation projects with energy conservation and emission reduction within the planning scope of the state and accelerated the development of medium and small enterprises and retail businesses to lower the service “emphasis”.

While further intensifying the prospective analysis, study and judgment of industrial risks, the Company set stringent qualification criteria for clients, reinforced risk early warning, examination and recovery and effectively controlled industrial risks. There were slight increases in NPL ratios from the beginning of the year in the “manufacturing” and “wholesale & retail”, mainly because these two industries were subject to relatively large impacts of the slowdown of economic growth and the adjustment of industrial structure, and included more medium and small-sized private enterprises.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2013		December 31, 2012	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**73,771**	**5.44**	53,740	4.37
Fujian	**200,481**	**14.77**	181,543	14.77
Guangdong	**150,069**	**11.06**	132,172	10.75
Zhejiang	**98,728**	**7.28**	93,723	7.63
Shanghai	**91,640**	**6.75**	89,420	7.28
Beijing	**88,455**	**6.52**	72,552	5.90
Jiangsu	**73,682**	**5.43**	66,274	5.39
Northeast and other regions in Northern China	**170,702**	**12.58**	167,939	13.66
Western China	**188,667**	**13.90**	167,235	13.61
Central China	**220,862**	**16.27**	204,567	16.64
Total	**1,357,057**	**100**	**1,229,165**	**100**

The Company’s loans remained stable in terms of geographical distribution and were located primarily in developed regions such as Fujian, Guangdong, Zhejiang, Shanghai, Beijing and Jiangsu. While following the unified credit policy and orientation, the Company actively adjusted and optimized the regional credit structure, sufficiently considered factors like regional resources conditions, market environment, credit environment and risk management and control abilities of its branches, and implemented differentiated credit business policies for featured industries and high quality customers that had salient competitive advantages. By effectively playing its role as a financial service provider, the Company promoted the reasonable distribution and steady development of credit business in various regions.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2013		December 31, 2012	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**255,792**	**18.85**	231,063	18.80
Guaranteed loans	**305,317**	**22.50**	276,693	22.51
Secured by mortgage	**600,367**	**44.24**	531,556	43.24
Secured by collaterals	**180,976**	**13.33**	172,811	14.06
Discounted bills	**14,605**	**1.08**	17,042	1.39
Total	**1,357,057**	**100**	**1,229,165**	**100**

During the reporting period, the Company stressed more on the application of mortgages and collaterals as an important instrument to mitigate customers' credit risks. The proportion of loans secured by mortgage and collaterals was up 0.27 percentage point at the end of the period.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2013	Percentage (%) in total loans
Customer A	**16,740**	1.23
Customer B	**5,548**	0.41
Customer C	**5,430**	0.40
Customer D	**5,300**	0.39
Customer E	**4,753**	0.35
Customer F	**4,351**	0.32
Customer G	**4,262**	0.31
Customer H	**3,799**	0.28
Customer I	**3,052**	0.22
Customer J	**3,033**	0.22
Total	**56,268**	**4.15**

As at the end of the reporting period, the loan balance of the Company's largest single borrower was RMB16.74 billion, accounting for 7.06% of the Company's net capital, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2013			December 31, 2012		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**185,061**	**52.33**	**0.21**	172,943	57.66	0.15
Personal business loans	**73,483**	**20.78**	**0.59**	69,832	23.28	0.42
Credit cards	**60,375**	**17.07**	**1.82**	40,354	13.46	0.91
Others	**34,725**	**9.82**	**0.09**	16,807	5.60	0.16
Total	**353,644**	**100**	**0.55**	**299,936**	**100**	**0.32**

During the reporting period, the Company took the initiative to adjust and optimize its structure of personal loans and supported the development of real economy. The percentage of personal residential and business mortgage loans further dropped, and personal businesses like credit cards and other loans grew at a relatively higher speed, leading to a more reasonable structure of personal loans. Influenced by the slowdown of growth of domestic economy and adjustment of retail business strategy of the Company, the NPL ratio of personal loans slightly went up at the end of the reporting period, but it still remained at a relatively low level.

The Company further intensified the risk prevention, management and control of personal loans. Firstly, it continued to propel the construction of "retail credit factory", consolidated the centralization, standardization and process management of personal loans and realized steady business development with controllable risks. Secondly, it reinforced the verification of the authenticity of the identity of the borrower and the intended use of the loan to monitor and control application of personal loans. Thirdly, it stressed the risk management and control of key personal loans like personal business loans by setting stringent customer access and reinforcing the management of duration. Fourthly, it strengthened the examination of risks, gave timely risk alert, and accelerated risk elimination and disposal.

The details of investment were as follows:

(1) Analysis of total investment

As at the end of the reporting period, the net investment of the Company stood at RMB753.941 billion, up RMB358.291 billion or 90.56% from the beginning of the period. The specific composition of investment was as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
Held-for-trading	**42,295**	**5.61**	21,540	5.44
Available-for-sale	**263,681**	**34.97**	192,057	48.54
Receivable	**328,628**	**43.59**	111,360	28.15
Held-to-maturity	**117,655**	**15.61**	69,199	17.49
Long-term equity investments	**1,682**	**0.22**	1,494	0.38
Total	**753,941**	**100**	**395,650**	**100**

During the reporting period, as the size of assets went up, the Company increased investment scale, particularly investments that had relatively high absolute yields and controllable risks. As at the end of the reporting period, the balance of investments in accounts receivable witnessed large increase over the beginning of the period, mainly because the investments on trust and other beneficial rights increased greatly over the beginning of the period. Since the held-for-trading, available-for-sale and held-to-maturity investments primarily were bond investments and the bond yield gradually went up in 2013, the Company seized the market opportunity and appropriately increased the holding of held-to-maturity and available-for-sale bond investments, leading to the fast growth of bond investment scale at the end of the reporting period.

② Classification based on issuer

Unit: RMB million

Asset Type	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**138,969**	**18.43**	62,107	15.70
Central bank bills and financial bonds	**72,565**	**9.62**	68,630	17.35
Corporate bonds	**158,999**	**21.09**	122,040	30.85
Other investments	**381,726**	**50.63**	141,379	35.72
Long-term equity investments	**1,682**	**0.22**	1,494	0.38
Total	**753,941**	**100**	**395,650**	**100**

In terms of classification and analysis based on issuer, during the reporting period, increase of the Company's investment scale mainly rested with other investments since the Company increased the trust and other beneficial right investments to improve the return on investment while ensuring credit risks controllable. In respect of bonds, the Company stressed on the increase of holding of government bonds and local government bonds with tax deduction and exemption, risk capital saving and high liquidity, and properly increased holding of corporate bonds with good qualifications and relatively high yields, improving the yields of its investment portfolios.

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB1.682 billion, and the details thereof were as follows:

① The Company held 14.72% equity in Jiujiang City Commercial Bank Co., Ltd. (hereinafter referred to as "Bank of Jiujiang") with a book value of RMB1.274 billion. In 2008, the Company acquired 102.20 million shares of Bank of Jiujiang at the price of RMB2.9 per share, accounting for 20% of the total share capital of Bank of Jiujiang. In 2009, Bank of Jiujiang increased 4 shares for every 10 shares to all recorded shareholders by utilizing capital reserves, and as a result, the Company held 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increased its registered capital by RMB400.66 million, which was offered privately at the price of RMB3.3 per share, and the Company subscribed for 80.12 million shares. Consequently the Company held 223.20 million shares and the proportion of equity interest remained 20% of the total share capital of Bank of Jiujiang. In December 2011, Bank of Jiujiang increased its registered capital by RMB400 million. The Company did not subscribe and the proportion of the equity interest of the Company in Bank of Jiujiang was diluted to 14.72%.

② The Company held 62.50 million shares of China UnionPay Co., Ltd. (hereinafter referred to as "China UnionPay") with a proportion of equity interest of 2.13% and a book value of RMB81 million. The Company became a shareholder of China UnionPay after purchasing 50 million shares at the price of RMB1 per share based on the Document YF [2001] No. 234 issued by the PBOC. The Company subscribed for 12.50 million shares of China UnionPay at the price of RMB2.5 per share based on the Document YJF [2008] No. 202 issued by CBRC on May 23, 2008.

③ Industrial Trust held 4.35% equity in Huafu Securities Co., Ltd. with a book value of RMB180 million.

④ Industrial Trust held 5.00% equity in Zijin Mining Group Financial Co., Ltd. with a book value of RMB25 million.

⑤ Industrial Trust held 19.00% equity in Chongqing Machinery and Electronics Holding Group Finance Company Limited with a book value of RMB122 million.

(3) The Company's equity in other listed companies

① Details of the Bank's equity in other listed companies:

Unit: RMB million

Name of the company	Initial investment costs	Number of shares held (shares)	Percentage in the company's equity (%)	Book value at the end of the reporting period
VISA INC	-	10,866	-	15
Total	**-**	**-**	**-**	**15**

Note: during the reporting period, the Company had sold its 939,176 shares in CCS Supply Chain Management Co., Ltd.

② As at the end of the reporting period, Industrial Trust held shares in listed companies with a total book value of RMB30.5693 million, and the transactions of which were normal investment business.

(4) The Company's equity in non-listed financial companies and the companies planning to be listed

Unit: RMB million

Name of the company	Initial investment costs	Number of shares held (shares)	Percentage in the company's equity (%)	Book value at the end of the reporting period
Jiujiang City Commercial Bank Co., Ltd.	561	223,200,000	14.72	1,274
Huafu Securities Co., Ltd.	180	-	4.35	180
Zijin Mining Group Financial Co., Ltd.	25	-	5.00	25
Chongqing Machinery and Electronics Holding Group Finance Company Limited	114	-	19.00	122
Total	**880**	**-**	**-**	**1,601**

Note: the shares of Huafu Securities Co., Ltd., Zijin Mining Group Financial Co., Ltd. and Chongqing Machinery and Electronics Holding Group Finance Company Limited set out above were held by Industrial Trust.

(5) Use of raised proceeds and changes in scheduled projects

On December 31, 2012, approved by CSRC, the Company offered 1,915,146,700 A Shares in total to The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited, PICC Life Insurance Company Limited, China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd. As of December 31, 2012, the subscription payment and verification for the Non-public Offering were completed, and the net proceeds raised after deduction of offering expenses were RMB23.532 billion, all of which was used to supplement the Company's capital. The registration and custody process for the newly offered shares was completed in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on January 7, 2013.

During the reporting period, the Company did not change the use of the proceeds raised.

Financial assets held under resale agreements:

As at the end of the reporting period, the Company's financial assets held under resale agreements were RMB921.090 billion, an increase of RMB128.293 billion or 16.18% from the beginning of the period, mainly because the Company flexibly allocated assets and exploited the capital sources to increase the income from non-credit businesses and the business scale of financial assets held under resale agreements maintained stable growth.

Unit: RMB million

Asset Type	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**12,846**	**1.39**	23,265	2.93
Bills	**352,626**	**38.28**	370,452	46.73
Trust and other beneficial rights	**554,016**	**60.15**	394,715	49.79
Credit assets	**700**	**0.08**	3,291	0.42
Lease payment receivable	**902**	**0.10**	1,074	0.14
Total	**921,090**	**100**	**792,797**	**100**

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB3,476.264 billion, an increase of RMB395.924 billion or 12.85% from the beginning of the period.

The specific composition of customer deposits was as follows:

As at the end of the reporting period, the balance of customer deposits was RMB2,170.345 billion, an increase of RMB357.079 billion or 19.69% compared with the beginning of the period.

Unit: RMB million

Item	December 31, 2013		December 31, 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits	**907,078**	**41.79**	748,299	41.27
Incl: Corporate	**721,121**	**33.23**	599,305	33.05
Personal	**185,957**	**8.57**	148,994	8.22
Time deposits	**979,043**	**45.11**	820,468	45.25
Incl: Corporate	**811,637**	**37.40**	670,317	36.97
Personal	**167,406**	**7.71**	150,151	8.28
Other deposits	**284,224**	**13.10**	244,499	13.48
Total	**2,170,345**	**100**	**1,813,266**	**100**

The deposits from banks and other financial institutions were as follows:

As at the end of the reporting period, the Company had a balance of RMB1,007.544 billion in deposits from banks and other financial institutions, an increase of RMB113.108 billion or 12.65% from the beginning of the period. The primary reason was that the Company attracted deposits from bank peers based on assets allocation.

Unit: RMB million

Transaction counterpart	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from bank peers	**597,583**	**59.31**	670,470	74.96
Deposits from other financial institutions	**409,961**	**40.69**	223,966	25.04
Total	**1,007,544**	**100**	**894,436**	**100**

Details of financial assets sold under repurchase agreements were as follows:

As at the end of the reporting period, the Company recorded a balance of RMB81.781 billion in financial assets sold under repurchase agreements, representing a decrease of RMB80.081 billion or 49.47% compared with the beginning of the period.

Unit: RMB million

Type	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**53,170**	**65.02**	102,488	63.32
Bills	**18,729**	**22.90**	47,398	29.28
Others	**9,882**	**12.08**	11,976	7.40
Total	**81,781**	**100**	**161,862**	**100**

(III) Analysis of income statement

During the reporting period, the Company witnessed a steady and healthy growth in various businesses, with the interest-bearing assets growing rapidly. The Company flexibly allocated assets by capturing market opportunities and increased the yields of interest-bearing assets, with the net interest margin decreasing by only 21 basis points year-on-year and the quarterly net interest margin gradually being stabilized. The fee and commission income also experienced a fast growth while the cost-to-income ratio was maintained at a relatively low level. The net profit attributable to the shareholders of the parent company reached RMB41.211 billion, up 18.70% year-on-year.

Unit: RMB million

Item	2013	2012
Operating income	**109,287**	87,619
Net interest income	**85,845**	72,193
Net non-interest income	**23,442**	15,426
Business tax and surcharges	**(7,831)**	(5,748)
Operating and administrative expense	**(28,757)**	(22,877)
Impairment loss of assets	**(18,188)**	(12,382)
Other operating costs	**(433)**	(544)
Net non-operating income and expense	**183**	125
Profit before tax	**54,261**	46,193
Income tax	**(12,750)**	(11,266)
Net profit	**41,511**	34,927
Profit and loss of minority shareholders	**300**	209
Net profit attributable to the shareholders of the parent company	**41,211**	34,718

1. Net interest income

During the reporting period, the net interest income of the Company was RMB85.845 billion, up RMB13.652 billion or 18.91% year-on-year, mainly because that various businesses of the Company grew steadily and rapidly, and the daily average scale of interest-bearing assets increased by 29.24% year-on-year, offsetting influence of the drop of 21 basis points in net interest margin.

The composition of interest income and interest expense during the period was as follows:

Unit: RMB million

Item	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**80,938**	**42.69**	71,905	46.16
Interest income from discounted bills	**1,567**	**0.83**	2,822	1.81
Interest income from investments	**34,694**	**18.30**	14,888	9.56
Interest income from the amount due from the Central Bank	**5,831**	**3.08**	4,532	2.91
Interest income from placements with banks and other financial institutions	**6,998**	**3.69**	12,865	8.26
Interest income from resale agreements	**50,231**	**26.49**	40,836	26.22
Interest income from deposits in banks and other financial institutions	**6,086**	**3.21**	5,369	3.45
Interest income from financial leasing	**3,228**	**1.70**	2,522	1.62
Other interest income	**29**	**0.01**	16	0.01
Subtotal of interest income	**189,602**	**100**	**155,755**	**100**
Interest expense				
Interest expense on deposits	**44,209**	**42.61**	33,662	40.28
Interest expense on bonds issuance	**3,100**	**2.99**	3,283	3.93
Interest expense on deposits from banks and other financial institutions	**47,367**	**45.65**	35,997	43.08
Interest expense on placements from banks and other financial institutions	**2,718**	**2.62**	2,066	2.47
Interest expense on repurchase agreements	**5,537**	**5.34**	7,801	9.34
Other interest expenses	**826**	**0.79**	753	0.90
Subtotal of interest expense	**103,757**	**100**	**83,562**	**100**
Net interest income	**85,845**		**72,193**	

Unit: RMB million

Item	2013		2012	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	**1,338,119**	**6.17**	1,086,408	6.86
Based on loan type:				
Corporate loans	**1,059,182**	**5.87**	844,657	6.75
Personal loans	**278,937**	**7.31**	241,751	7.24
Based on loan term:				
General short-term loans	**733,779**	**5.96**	489,480	7.08
Medium and long-term loans	**578,282**	**6.44**	558,174	6.64
Discounted bills	**26,058**	**6.01**	38,754	7.26
Investments	**581,618**	**5.97**	292,457	5.08
Deposits in the Central Bank	**390,326**	**1.49**	302,849	1.49
Deposits in and placements with banks and other financial institutions (including financial assets held under resale agreements)	**1,158,370**	**5.47**	1,006,565	5.85
Financial leasing	**47,353**	**6.82**	32,000	7.86
Total	**3,515,786**	**5.39**	**2,720,279**	**5.71**

Item	2013		2012	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Deposit taking	**2,020,058**	**2.19**	1,481,304	2.27
Corporate deposits	**1,711,050**	**2.21**	1,239,824	2.31
Demand deposits	**690,271**	**0.64**	524,251	0.74
Time deposits	**1,020,779**	**3.28**	715,573	3.47
Personal deposits	**309,008**	**2.04**	241,480	2.02
Demand deposits	**137,471**	**0.38**	106,151	0.41
Time deposits	**171,537**	**3.37**	135,329	3.29
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,199,166**	**4.71**	1,011,429	4.61
Bonds payable	**67,459**	**4.60**	71,965	4.55
Total	**3,286,683**	**3.16**	**2,564,698**	**3.25**
Net interest spread	**-**	**2.23**	**-**	**2.46**
Net interest margin	**-**	**2.44**	**-**	**2.65**

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB23.442 billion, accounting for 21.45% of the operating income, an increase of RMB8.016 billion or 51.96% year-on-year. The specific composition of net non-interest income was as follows:

Unit: RMB million

Item	2013	2012
Net fee and commission income	**23,762**	14,947
Gain and loss from investment	**22**	(346)
Gain and loss from changes in fair value	**(1,142)**	339
Gain and loss from exchange	**744**	439
Income from other businesses	**56**	47
Total	**23,442**	**15,426**

During the reporting period, the Company realized fee and commission income of RMB24.736 billion, up RMB9.055 billion or 57.75% year-on-year. These items like gain and loss from investment, gain and loss from changes in fair value and gain and loss from exchange were highly interrelated. After re-classifying them based on the business nature, it was confirmed that the Company realized total losses of RMB376 million during the reporting period, mainly because of the rapid decline of domestic bond market price after slight rise in the first half year and the year-on-year decrease of held-for-trading bond related gain and loss measured in fair value during the reporting period. The specific composition of fee and commission income was as follows:

Unit: RMB million

Item	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income				
Fee income from payment and settlement	**517**	**2.09**	474	3.02
Fee income from bank cards	**4,742**	**19.17**	2,497	15.93
Fee income from agency business	**2,724**	**11.01**	1,832	11.68
Fee income from guarantee commitment	**1,111**	**4.49**	1,343	8.56
Fee income from trading business	**105**	**0.42**	127	0.81
Fee income from custody business	**3,357**	**13.57**	1,494	9.53
Fee income from consulting service	**9,642**	**38.98**	6,046	38.56
Fee income from trust business	**1,630**	**6.59**	1,090	6.95
Fee income from lease business	**384**	**1.55**	264	1.68
Other fee income	**524**	**2.12**	514	3.28
Subtotal	**24,736**	**100**	**15,681**	**100**
Fee and commission expense	**974**		**734**	
Net fee and commission income	**23,762**		**14,947**	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB28.757 billion, up RMB5.880 billion or 25.70% compared with last year. The specific composition was as follows:

Unit: RMB million

Item	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**17,304**	**60.17**	13,404	58.59
Depreciation and amortization	**1,404**	**4.88**	1,230	5.38
Lease expense	**1,885**	**6.55**	1,469	6.42
Other general and administrative expenses	**8,164**	**28.40**	6,774	29.61
Total	**28,757**	**100**	**22,877**	**100**

During the reporting period, in order to satisfy the needs for business development and organization expansion, operating expense increased accordingly. In the same period, the operating income increased by 24.73% year-on-year, and the cost-income ratio dropped by 0.02 percentage point year-on-year, maintaining at a low level of 26.71% and indicating reasonable control on expenses.

4. Impairment loss of assets

During the reporting period, the Company's impairment loss of assets was RMB18.188 billion, up RMB5.806 billion or 46.89% year-on-year. The specific composition of impairment loss of assets was as follows:

Unit: RMB million

Item	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**16,417**	**90.26**	11,758	94.96
Impairment loss on investment in accounts receivable	**1,221**	**6.71**	76	0.61
Impairment loss on available-for-sale financial assets	**-**	**-**	8	0.06
Impairment loss on financial leasing receivable	**516**	**2.84**	400	3.23
Impairment loss on other assets	**34**	**0.19**	140	1.14
Total	**18,188**	**100**	**12,382**	**100**

During the reporting period, the Company accrued a loan impairment loss of RMB16.417 billion, up RMB4.659 billion year-on-year, mainly because: firstly, there was an increase in loans and the Company made provision for impairment based on the predicted present value of future cash flow determined as per the original actual loan interest rate, according to relevant provisions in the Accounting Standards for Enterprises and industrial risks; and secondly, according to the Guiding Opinions of China Banking Regulatory Commission on the Implementation of the New Regulatory Standards in China's Banking Sector and other documents, in order to meet the regulatory requirement of the 2.5% provision-to-loan ratio by 2016, the Company increased the provision for impairment loss of loans considering such factors as the net profit and capital adequacy ratio of the current period, further reinforcing its capability in resisting risks.

5. Income tax

During the reporting period, the effective income tax rate applying to the Company was 23.50%. The difference between income tax expense and the amount calculated according to the 25% statutory tax rate was as follows:

Unit: RMB million

Item	2013
Profit before tax	**54,261**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**13,565**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(1,115)**
Non-deductible items	**255**
Adjustment on the tax of previous years	**45**
Income tax expense	**12,750**

(IV) Problems and difficulties in operation and countermeasures during the reporting period

While keeping steady and rapid development, the Company also encountered some difficulties, mainly being:

1. The macro-economic situation was much more complex. In 2013, the macro economy presented such characteristics as "slow pace, soft recovery and possible repetition" with increasingly intensified economic structural adjustment, and the de-productivity, de-stocking and de-leveraging of enterprises would go through a rather long time, which brought about severe challenges to business operation of banks, especially the adjustment of asset structure, the direction control of asset increment and the control of asset quality.

2. The monetary policy keynote turned to be sound and neutral and the financial regulation was more stringent. Fitting with the structural adjustment, the macro-control policy, including the monetary policy, would turn from the stimulus and loose keynote several years ago into the sound and neutral keynote, promoting the de-leveraging of financial enterprises and de-productivity of entities. Reflecting in the monetary market, the liquidity fluctuation aggravated and the prediction of tight liquidity was formed among financial institutions. In the meantime, new capital management measures were implemented from 2013 and the financial regulation tended to be more stringent.

3. The reform of the financial market was continuously accelerated. In respect of financial reform, the pace of interest rate liberalization, financing diversification, multi-level financial market system construction and lowering access for financial institutions were further accelerated, which resulted in new challenges to operation management of banks.

Specific to the problems and difficulties set forth above, the entire Company took the initiative to carry out the state macro economic policies and financial regulatory requirements, continued to reform and innovate, maintained prudent operation, successfully withstood the challenges from the downward pressure of economy, risk concentration and exposure in some regions and some industries, and drastic fluctuation of market liquidity and interest rate, etc., and took the following main countermeasures:

1. Reasonably capturing situation changes and timely adjusting business strategies. While reasonably capturing the macro-economic development trends and timely adjusting business strategies, the Company

also stressed on the benefit increase and capital saving, reinforced the analysis and research on changes of monetary policy, market liquidity and regulatory requirements, paid close attention to the management of liquidity and interest rate risks and strived to realize the harmony and unity of liquidity, security and effectiveness.

2. Strengthening and perfecting professional operation system, and constantly promoting and deepening operational transformation. The Company further established its specialized operation system focusing on the three major businesses of corporate finance, retail finance and financial market, and constantly improved its management mechanisms, especially the combination of centralization and decentralization and matrix management for the planning & finance management mechanism, the risk & compliance mechanism, and the human resource management mechanism. The sensitivity, scientificalness and effectiveness of business planning, resource allocation, examination and evaluation, risk management and team building suitable to the business specialization operation were continuously enhanced, with the group-oriented and comprehensive operation management reaching a new level and the synergistic effect of business being further revealed.

3. Focusing on transformation development and market changes, the Company continuously improved business management, and reinforced the liquidity risk management. While adhering to capital intensity orientation, the Company also improved its evaluation and resource allocation management, established and perfected a new liquidity management system, properly dealt with the fluctuation and impact of market liquidity, accelerated the establishment of a refined interest rate pricing system and actively coped with the challenges from interest rate liberalization. In addition, the Company explored the construction of a comprehensive evaluation system for compliant operation, comprehensive internal control evaluation and risk management of branches, thus guiding branches towards compliant, steady operation and intensifying the risk management foundation. The Company also made clear the unified credit principle, implemented general risk control requirements, focused on strengthening the risk management of emerging businesses, perfected the institutional system, improved risk classification, made reasonable provisions and reinforced monitoring analysis.

(V) Capital management

1. Capital management overview

During the reporting period, the Company earnestly carried out capital management policies according to relevant provisions in the Capital Rules for Commercial Banks (Provisional) of CBRC, and worked out the Standard Capital Adequacy Ratio Planning in the Transition Period from 2013 to 2018. In the light of the 2011-2015 Development Planning Outline of the Company, based on the business strategies, risk conditions and regulatory requirements, it achieved the healthy, sustainable and steady development of all businesses, and ensured that the capital adequacy ratio matched with the strategic development, risk preference and risk management ability. During the reporting period, the Company had real time monitoring on the capital adequacy and the application of capitals according to the new regulatory codes, with capital adequacy ratio meeting the regulatory requirement.

Based on the principle of matching total available capital with the current and future business development plan of the bank, the Company planned to issue no more than RMB 20 billion write-down qualified tier two capital bonds in domestic and foreign markets according to the regulatory policies and market conditions, which had been approved by the board of directors and the general meeting, and is now to be examined and approved by the regulatory department.

In respect of internal management, the Company reinforced its capital allocation function by focusing on the return on target risk assets and making overall arrangements on the risk-weighted asset scale of each business department and business line so as to facilitate the optimal allocation of capital and strive to achieve the maximum return on risk-weighted assets.

2. Implementation of the new capital accord

In respect of system building, the Company worked out the Administrative Measures for Verification of the Advanced Method for Measurement of Credit Risk Capital and made clear the governance structure, scope, process, method and application, and etc. for model verification of credit risks; set up a data governance project team for new capital accord and had standard data sorting and data quality evaluation in risk field; established a document management platform for new capital accord and carried out comprehensive collection and sorting of new capital accord documents; strengthened the internal rating and personnel allocation of branches and improved building of the internal rating system structure; and revised the Measures for Stress Testing and further perfected the model system for stress testing.

In respect of project construction, the internal rating project of retail business and the internal model approach project of market risk were developed, finished and put into operation; system development of the risk-weighted asset (RWA) project of credit risks was completed to the test stage; the operating risk and “three tasks management” integration was initiated; the independent verification and optimization of internal rating model for non-retail customers was carried out; risk measurement instruments like customer limit, risk adjusted return on capital (RAROC) and examination template of inventory credit asset risks were developed; the rating model for regional risks was under research; and the stress testing model was improved.

In respect of management application, the Company further promoted the application of internal rating of non-retail customers in such fields as industry limit, customer limit, authorization and credit granting, and etc. and gradually propelled the application of customer limit and risk adjusted return on capital (RAROC) in authorization and credit granting. Meanwhile, the Company also reinforced the application of stress testing results in impairment testing and risk early warning.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2013
Total capital	**251,816**
1. Core tier one capital	**201,153**
2. Other tier one capital	**-**
3. Tier two capital	**50,663**
Capital deductions	**1,633**
1. Amount of deduction from core tier one capital	**633**
2. Amount of capital instruments mutually possessed by two or more than two commercial banks under agreement, or amount of capital investment taken by CBRC as watered capital that should be deducted from corresponding regulatory capital	**-**
3. The part of small amount minority capital investment of financial institutions not consolidated exceeding 10% of the core tier one net capital that should be deducted from corresponding regulatory capital	**-**
4. The part of large amount minority capital investment of financial institutions not consolidated exceeding 10% of the core tier one net capital that should be deducted from corresponding core tier one capital	**-**
5. The part of other tier one capital investment and tier two capital investment in large amount minority capital investment of financial institutions not consolidated that should be deducted from corresponding regulatory capital	**1,000**
6. The part of net deferred tax assets exceeding 10% of the core tier one net capital based on the future profit of commercial banks that was deducted from core tier one capital	**-**
7. The part of the total of large amount minority capital investment of financial institutions and corresponding net deferred tax assets exceeding 15% of the core tier one net capital that was not deducted from core tier one capital	**-**
Net capital	**250,183**
Minimum capital requirement	**184,838**
Reserve capital and counter-cyclical capital requirement	**57,762**
Additional capital requirement	**-**
Core tier one capital adequacy ratio (before consolidation) (%)	**8.39**
Tier one capital adequacy ratio (before consolidation) (%)	**8.39**
Capital adequacy ratio (before consolidation) (%)	**10.56**
Core tier one capital adequacy ratio (after consolidation) (%)	**8.68**
Tier one capital adequacy ratio (after consolidation) (%)	**8.68**
Capital adequacy ratio (after consolidation) (%)	**10.83**

(1) The table above and data hereof were prepared in accordance with relevant requirements in the Notice of China Banking Regulatory Commission on New CAR Reporting (YJF [2013] No. 53) (new capital requirements), with the capital adequacy ratio, its calculation method and calculation range as follows:

$$\text{CAR}=\frac{\text{total capital} - \text{corresponding capital deductions}}{\text{risk-weighted assets}}\times 100\%$$

$$\text{Tier one CAR}=\frac{\text{tier one capital} - \text{corresponding capital deductions}}{\text{risk-weighted assets}}\times 100\%$$

$$\text{Core tier one CAR}=\frac{\text{core tier one capital} - \text{corresponding capital deductions}}{\text{risk-weighted assets}}\times 100\%$$

Calculation range for consolidated capital adequacy ratio of the Company included Industrial Bank Co., Ltd. and relevant financial institutions conforming to requirement on the calculation range of consolidated capital adequacy ratio in Section I, Chapter II of the Capital Rules for Commercial Banks (Provisional), to be specific, being the bank group jointly formed by Industrial Bank Co., Ltd., Industrial Leasing, Industrial Trust and CIB Fund Management.

(2) As at the end of the reporting period, under the off-site regulation reporting system of CBRC, the Company's total consolidated credit risk exposure was RMB4,175.866 billion; its total overdue loans stood at RMB15.517 billion; its total NPLs was RMB10.577 billion; the balance of actual accrued provision for loan impairment stood at RMB37.673 billion; the total market risk capital requirement was RMB1.188 billion; the Company's total operating risk capital requirement was RMB12.816 billion; and its book value of consolidated equity investment was RMB10.304 billion.

For market risk measurement, the Company adopted the standard approach with market risk-weighted assets being 12.5 times of the market risk capital requirement, and the market risk-weighted assets was RMB14.852 billion as at the end of the reporting period.

For operating risk measurement, the Company adopted the basic indicator approach with operating risk-weighted assets being 12.5 times of the operating risk capital requirement, and the operating risk-weighted assets was RMB160.204 billion as at the end of the reporting period.

(3) Being measured in accordance with the Administrative Measures for Capital Adequacy Ratios of Commercial Banks (old capital requirements) of CBRC, as at the end of the reporting period, the Company's capital adequacy ratio and core capital adequacy ratio before consolidation were 11.64% and 9.08% respectively, and its capital adequacy ratio and core capital adequacy ratio after consolidation were 11.92% and 9.21% respectively.

4. On the basis of the Regulatory Requirements for Information Disclosure on Capital Composition of Commercial Banks of CBRC, the Company further disclosed such information as the composition of capital, the descriptions of relevant items and major characteristics of capital instruments in the current reporting period. Please refer to the IR column at our website (www.cib.com.cn) for details.

(VI) Analysis of core competitiveness

The Company has established a modern corporate system in accordance with national conditions and bank characteristics. As a product of the domestic financial reform, the Company always sticks to the marketization direction, and has established an efficient and flexible modern bank operation and management system and mechanism. From the earliest modern form of enterprise organization—joint stock system to breaking the "three irons", from consolidating and perfecting the system with unified legal person and multi-level operation by head office and branches to explore and build a new operation system "integrating business sections and lines with matrix management", from the initial building of the management of assets and liabilities ratios, management of integrated business plan, risk management, internal control management and other systems for modern commercial banks to comprehensively carrying out process reengineering and system reconstruction, the Company has been constantly self-denial and self-reforming, continuously deepening the reform of operation and management system, seizing the high ground for modern bank competition and stimulating vigorous operation vitality.

The Company has sensitive market reaction, prospective strategic judgment and prominent innovation ability. Over the last few years, the Company has been famous for its sharp market judgment and leading business innovation. The Company is the first to innovate supplementary capital instruments like subordinated debts and hybrid capital bonds, the first to open up the green financial market, the first to adopt the "Equator Principles", and the first to build an interbank cooperation and service platform, leading the industrial innovation in many segmented business areas, developing its own "blue sea" and forming its distinctive business characteristics. In 2004, the Company took the lead in carrying out strategic transformation of business development model and profit model, and comprehensively accelerated the business line specialization reform in the recent three years and built the matrix management system. The Company has always been able to capitalize on the development and changes at home and abroad, make prospective strategic deployment and firmly implement, thus seizing the major opportunities. The Company has currently become a major competitor in the domestic financial field of urbanization, a leader in the green financial market and a forerunner in the interbank cooperation and service area, while building up its relatively strong competitiveness in the relevant segmented markets, a solid business and customer foundation and a good reputation in the market.

The Company has preliminarily built a comprehensive financial service group with banking as its main business. The Company has been persisting in the multi-market, multi-product and comprehensive development path and actively creating its capability of financial services for multi-market. It has formed a relatively complete business system covering interbank business, capital trading, assets management and assets custody, and has taken the lead in planning its business in the monetary market, capital market, bond market, interbank market, non-bank financial institution market, precious metal, foreign exchange and derivative product trading. Continuously exerting force on group-oriented and comprehensive operation and making new breakthroughs, the Company has possessed the wholly-owned subsidiary—Industrial Bank Financial Leasing Co., Ltd. and the holding subsidiaries—China Industrial International Trust Limited and CIB Fund Management Co., Ltd.; in addition, China Industrial International Trust Limited has also established the wholly-owned subsidiary—China Industrial Asset Management Limited, and CIB Fund Management Co., Ltd. has founded the wholly-owned subsidiary—CIB Wealth Management Co., Ltd., leading to the basic forming of a comprehensive financial service group with banking as its main business and covering trust, leasing, fund and asset management.

The Company is supported by an advanced and strong operating system. The Company is one of the first banks established in the concept of process bank with separated foreground, middle and background organizational structure and matrix management system of integrating business sections and lines, and its concentrated background operating system is at a leading position in the industry. The Company's core production system construction is among the best in the industry, making it one of the few banks in the country that have independent core system research and development capability and proprietary intellectual property rights, as well as the only bank exporting core system technology in the country. It is the first to build an integrated disaster recovery system integrating the master data center, same-city disaster recovery and different-city disaster recovery, and one of the first banks in the country that comply with the international disaster recovery standard (level-5) and the requirements of the disaster recovery stipulations of PBOC. The Company's key indicators, like key information system availability and gold card system transaction success rate, have been among the best in the industry over the years.

The Company has nurtured and built a rational and pragmatic corporate culture. The Company has always stuck to rational and pragmatic business strategies, and nurtured and built a simple and harmonious "home culture", a prudent and sound "risk culture", a hard-working "diligence culture" and a sincere win-win "service culture", thus forming strong soft competitive power and attracting a professional financial team with high quality and fighting capacity. Stability of the Company's core team has always been widely praised in the industry.

II. Discussion and analysis on future development

(I) Industrial competition landscape and development trends

In 2014, the international situation indicates that the recovery momentum of US economy will be further established, but the slow recovery trend of world economy will still continue. Seeing from the domestic situation, under the general keynote of making steady progress in business development, the domestic economy now enjoys a strong momentum of steady growth. However, there is a great possibility for continuous slowdown of the growth of macro economy and the stress from structural adjustment will further reveal.

In terms of macro policy, focusing on implementing the spirit of the Third Plenary Session of the 18th Central Committee of the CPC and comprehensively deepening the reform, macro-economic policies in general will maintain consistent and stable with neutral and steady keynote and timely slight adjustments, centering on creating relatively steady and favorable conditions for comprehensive and deepened reform. To be specific, the proactive fiscal policy will pay close attention to optimizing expenditure structure, improving capital usage efficiency and putting efforts into the prevention and control of risks from local government debts; and the sound monetary policy is very likely to continue to be neutral and slightly tight in actual operation, and therefore the market liquidity will maintain a tight balance status and the pattern of “tight credit in narrow sense and loose financing in broad sense” will continue.

In respect of financial field, centering on the basic direction of “let the market decide the allocation of resources”, measures for deepening financial reform will be accelerated and introduced and the financial market environment will continue to go through profound changes with the tendency of financial “liberalization, disintermediation, networking and customization” being gradually clear.

(II) The Company’s development strategy

The Company’s overall operating strategy in 2014 is: making steady progress in business development, making steady achievements in business development, reasonably controlling business growth rate, focusing on increasing structural adjustment, improving capital gain and operating quality, centering on the fundamental tendency of financial “liberalization, disintermediation, networking and customization”, further speeding up the transformation and innovation pace, cultivating new business and profit growth points, perfecting organizational system and improving management mechanism based on transformation and innovation, and continuously promoting the operation specialization and management refining level.

To be specific, firstly, the Company will stress capital management and capital gain in capital-saving mode along the organic balance development road, and make more efforts on business structure adjustment mainly based on capital returns. Secondly, the Company will continue to speed up transformation and innovation pace. Centering on the financial liberalization tendency, it will pay close attention to improvement of the product pricing and asset-liability management mechanism, innovate and upgrade traditional service functions as well as provide more and better service to the general public. Focusing on the financial disintermediation trend, it will continuously propel comprehensive operation, change the role definition of the bank, and accelerate its extension from a credit and capital intermediary to information and capital intermediary. Based on the financial networking tendency, it will actively explore and develop internet financial businesses, use the concept, technology and business model of internet for reference, and boldly enhance the research and development of financial products, the innovation and reform of service organizations and marketing models. Following the financial customization tendency, it will stress on the promotion of its professional service ability and reinforce the quick response to customers’ individual demands. Thirdly, the Company will promote the group-oriented and comprehensive operation level. Focusing on transformation and innovation directions, it will flexibly use the license resources, emphasize the collaborative linkage and cross-selling in the group, exploit potentials in comprehensive operation in a better way and promote the comprehensive operation efficiency. By strengthening and perfecting the group-oriented management systems and mechanisms, the Company will enhance capital operation at appropriate time and cultivate new business growth points.

(III) Business objectives for 2014

1. Total assets to reach RMB4.16 trillion.

2. The balance of customer deposits to increase by approximately RMB220 billion.

3. The balance of loans to increase by approximately RMB157 billion.

4. The net profit attributable to the shareholders of the parent company to increase by approximately 10.2% year-on-year.

III. Business overview

(I) Business institutions

1. Overview of business units

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	-	3,532	648,216
Financial Markets	168 Jiangning Road, Shanghai	-	94	279,215
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	910	59,663
Assets Custody Department	168 Jiangning Road, Shanghai	-	103	19,520
Investment Banking Department	28 Jianguomen Nei Avenue, Dongcheng District, Beijing	-	79	216,805
Beijing Branch	11 Section 3, Anzhen Xili, Chaoyang District, Beijing	46	1,896	254,994
Tianjin Branch	219 Yong'an Blvd., Hexi District, Tianjin	22	1,190	95,862
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	24	1,320	85,345
Taiyuan Branch	209 Fudong Street, Taiyuan	13	1,108	61,058
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	12	845	56,060
Shenyang Branch	36 Shiyiwei Road, Heping District, Shenyang	17	1,092	46,832
Dalian Branch	136 Zhongshan Road, Zhongshan District, Dalian	12	632	35,918
Changchun Branch	309 Changchun Avenue, Changchun	11	814	39,302
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	17	746	52,581
Shanghai Branch	168 Jiangning Road, Shanghai	41	2,096	289,430
Nanjing Branch	2 Changjiang Road, Nanjing	48	2,980	256,121
Hangzhou Branch	40 Qingchun Road, Hangzhou	42	2,349	144,519
Ningbo Branch	905 Baizhang East Road, Ningbo	13	757	46,013
Hefei Branch	99 Fuyang Road, Hefei	17	1,181	58,952
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	40	1,347	113,862

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Xiamen Branch	78 Hubin North Road, Xiamen	25	1,033	70,308
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	7	274	20,241
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	8	450	14,477
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	31	1,505	58,019
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	13	520	27,703
Nanping Branch	399 Binjiang Middle Road, Nanping	9	340	11,731
Longyan Branch	46 Jiuyi South Road, Longyan	9	363	14,184
Ningde Branch	11 Jiaocheng South Road, Ningde	7	362	17,196
Nanchang Branch	119 Dieshan Road, Nanchang	13	943	30,640
Ji'nan Branch	86 Jingqi Road, Ji'nan	35	1,802	133,432
Qingdao Branch	7A Shangdong Road, Shinan District, Qingdao	11	619	60,744
Zhengzhou Branch	22 Nongye Road, Zhengzhou	28	1,237	107,647
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	25	1,156	95,181
Changsha Branch	192 Shaoshan North Road, Changsha	25	1,062	105,253
Guangzhou Branch	101 Tianhe Road, Guangzhou	71	3,404	245,616
Shenzhen Branch	4013 Shennan Blvd, Futian District, Shenzhen	26	1,414	160,309
Nanning Branch	115 Minzu Blvd., Nanning	12	755	42,694
Chongqing Branch	1 Honghuang Road, Hongqihegou, Jiangbei District, Chongqing	21	1,156	112,077
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	29	1,319	113,055
Guiyang Branch	45 Zhonghua South Road, Guiyang	2	211	24,173
Kunming Branch	138 Tuodong Road, Kunming	13	609	47,230
Xi'an Branch	1 Tangyan Road, Xi'an	19	1,041	115,572
Urumqi Branch	37 Renmin Road, Urumqi	11	548	42,878
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	1	96	11,308
Netting and summation adjustment within the system				(914,301)
Total		**826**	**47,290**	**3,627,635**

Note: Data in the table above do not include Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited and CIB Fund Management Co., Ltd. Only level 1 branches (sorted according to administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of level 2 branches and other sub-branches are included in the data of level 1 branches according to the management structure.

2. Overview of subsidiaries

(1) Industrial Bank Financial Leasing Co., Ltd.

Industrial Bank Financial Leasing Co., Ltd. is a wholly-owned subsidiary of the Company with registered capital of RMB5 billion. During the reporting period, Industrial Leasing continued to persist in the operation concept as a “large platform” of the group, gave full play to its function of “one body two wings”, seized development opportunities, reinforced risk management and strived to expand businesses, thus maintaining steady and rapid development of all businesses. As at the end of the reporting period, the total assets of Industrial Leasing reached RMB53.695 billion, an increase of RMB13.379 billion from the beginning of the period, of which, the balance of financial leasing assets was RMB52.944 billion, up RMB12.97 billion compared with the beginning of the period. Its shareholders’ equity was RMB6.838 billion, up RMB2.373 billion (including capital increase of RMB1.5 billion) over the beginning of the period. The accumulated pre-tax profit amounted to RMB1.166 billion and the after-tax net profit reached RMB873 million.

During the reporting period, Industrial Leasing continued to cultivate its professional ability and created featured businesses and products with accumulated financial leasing projects amounting to RMB25.341 billion. Firstly, it continued to consolidate and promote the brand of green financial leasing and vigorously developed green financial leasing business like energy conservation and emission reduction equipments. As at the end of the reporting period, it developed 64 green financing lease projects, including energy conservation and emission reduction business, with balance of lease of RMB16.549 billion. Secondly, it orderly pushed forward the innovation and development of aviation leasing business. It developed the “bonded leasing business for business aircraft”, deployed the bonded area SPV business aircraft leasing business at Tianjin Dongjiang Bonded Port Area, exploited the “group-buying” business model for business aircraft, signed strategic cooperation agreement with Bombardier, and officially launched the group-buying and leasing business of business aircraft. As at the end of the reporting period, the balance of its aviation leasing business stood at RMB784 million and it had a total of 14 aircrafts. Thirdly, it continuously made efforts to promote the “professional and intensive” business operation model. With respect to business fields with large asset scale like the energy conservation and emission reduction (sewage treatment, waste heat and top pressure power generation), coal, chemical industry and steel, it reinforced the study on the industry, lease item, customer demand, business model and risk control measures, and improved its professional operation capacity in key business area. Fourthly, it made great efforts to strengthen its asset operation and management ability. Through actively exploring the leasing asset operation business model and channel with the amount and the increment, it reinforced the cooperation with financial institutions like banks, brokers, asset management and finance companies to carry out leasing asset factoring business and accomplished a total of RMB4.69 billion non-recourse factoring business for leasing asset in the whole year, expanding the source of income from intermediate business.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with registered capital of RMB2.576 billion at the end of the period (capital increase to RMB5 billion in February 2014) and the

Company holds 73% of its total capital. Its business covers fund trust, movable property trust, immovable property trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by China banking regulatory agencies.

During the reporting period, Industrial Trust steadily pushed forward business transformation and structural adjustment, continued to strengthen comprehensive risk management and internal control, focused on improving its proactive management capability and business innovation ability and achieved the best performance on key business indicators again since its established by adopting "comprehensive, diversified, and featured top trust company" as its strategic target. As at the end of the reporting period, its owned assets amounted to RMB5.384 billion, up 30.30% from the beginning of the period. During the reporting period, Industrial Trust realized operating income of RMB2.054 billion, total profit of RMB1.467 billion and net profit of RMB1.106 billion, representing increases of 42.15%, 42.15% and 43.26% respectively, and its average weighted ROE reached 24.80%. Its own assets, gains and losses were included in the Company's consolidated financial statement, but its trust assets, gains and losses were not included.

As at the end of the reporting period, Industrial Trust offered 1,757 trust products, with trust business size reaching RMB563.286 billion, up 68.07% from the beginning of the period. Its trust business products mainly fell into the two types of fund trust and property trust: fund trust referred to trust taking monetary capital as the entrusted property with business size of RMB547.530 billion at the end of the period, up 67.44% over the beginning of the period; and property trust referred to trust taking movable property, immovable property, property right and their combinations as the entrusted property with business size of RMB15.756 billion at the end of the period, up 93.61% over the beginning of the period. In respect of equity investments, Industrial Trust has currently invested and held equity in Zijin Mining Group Financial Co., Ltd., Huafu Securities Co., Ltd. and Chongqing Machinery and Electronics Holding Group Finance Company Limited, and has a good equity investments return from its wholly owned subsidiary China Industrial Asset Management Limited.

(3) CIB Fund Management Co., Ltd.

CIB Fund Management Co., Ltd. was newly established in April 2013 with registered capital of RMB500 million and the Company held 90% of its total capital. In June 2013, CIB Fund Management was approved to establish CIB Fund Management Co., Ltd. Shanghai Branch and its subsidiary CIB Wealth Management Co., Ltd. successively. CIB Wealth Management Co., Ltd. is wholly owned by CIB Fund Management with registered capital of RMB200 million and its business covers asset management for specific customers and other businesses approved by CSRC.

During the reporting period, based on the advantages of group-oriented operation and market demands in the pan-asset management era, CIB Fund Management stuck to the specialized development road, persisted in developing public offering and non-public offering simultaneously, and boosted the diversified development of business. In respect of public offering, it proactively carried forward the design of various standard market fund products and prepared to apply for the public offering of fund in accordance with market development tendencies. With regard to non-public offering, it actively carried out management business of specific customers' assets and strengthened services to institutions and customers with high net worth. As at the end of the reporting period, the total assets management size of CIB Fund Management and its subsidiary reached RMB49.979 billion, of which, the product management size of special account was RMB1.329 billion and the size of asset management plan for special projects was RMB48.650. During the reporting period, CIB Fund Management made accumulated operating income of RMB84.97 million and net profit of RMB12.81 million.

(II) Analysis of business segments

1. Corporate finance business

(1) Overview

During the reporting period, in terms of the corporate finance business, the Company accurately captured changes of the macro situation and actively coped with market challenges by following the overall requirement of "making steady progress in business development and pursuing scientific development" and "making overall planning for steady development and transformation for potential increase". Centering on the two main lines of improving professional operation ability and organic growth motivation, the Company also continuously deepened the reform and accelerated the transformation and upgrading. Firstly, its market share increased steadily. By conquering such challenges as the slowdown of economic growth, tight monetary policy and severe market competition, its corporate deposit business witnessed a steady growth. As at the end of the reporting period, the balance of corporate deposits amounted to RMB1,814.338 billion, up RMB303.251 billion or 20.07% over the beginning of the period. Secondly, the regional market maintained balanced and rational. During the reporting period, the market share of 27 branches in corporate deposit increased over the beginning of the period and 25 branches ranked in the first three places in terms of market share of the local market. Thirdly, customer development was healthy and orderly. There were totally 342,100 corporate finance customers (excluding individual business), up 54,100 customers or 18.78% over the beginning of the period. Fourthly, the quality of assets remained at a good level in the industry. The balance of non-performing corporate loans was RMB8.38 billion with the NPL ratio at 0.85%.

To make innovations on the transformation of corporate finance business, the Company stressed on the building of a new business pattern with financing diversification, fund raising diversification, settlement modernization and financial income diversification through such measures as proactively adjusting business structure, optimizing resource allocation and increasing asset circulation. It also focused on the new top three business functions represented by investment banking, trade financing and cash management, effectively boosted business transformation and comprehensively promoted the business of each speciality.

(2) Investment banking business

While actively coping with changes of the external operation condition and focusing on the two main lines of improving professional operation ability and organic growth motivation proposed by the corporate finance headquarter, the Company also put forth efforts into product innovation, customer marketing and system construction, continuously perfected the investment banking function system and accelerated the construction of a professional team, hence keeping a good development trend in business. Meanwhile, the Company also vigorously carried out such businesses as debt financing instruments issued by non-financial enterprises, bond issued by financial enterprises, direct financing instruments for fund management, M&A loans and syndicated loan, actively seized the opportunity of expansion of pilot credit assets securitization and orderly pushed forward the development of credit assets securitization, thus satisfying corporate customers' diversified financial service demands preferably. During the reporting period, the Company has served as the lead underwriter for debt financing instruments issued by non-financial enterprises amounting to RMB241.249 billion, up RMB40.006 billion or 19.88% year-on-year. The Company has also served as the lead underwriter for 82 issues of RMB78.245 billion non-public offering of debt financing instruments, taking a leading position among banks both in the amount of offering and in the number of issuers as a lead underwriter.

Paying high attention to the credit assets securitization, the Company has always been proactively participating in the pilot of credit assets securitization since the decision of further expanding the pilot of credit assets securitization by executive meeting of the State Council in August 2013.

(3) Trade financing business

While continuously strengthening study on market situation and regional analysis of branches, the Company focused on the research, development and promotion of key products adapting to the market situation, and proactively carried forward the construction of professional trade financing system. As at the end of the reporting period, the balance of trade financing business was RMB372.498 billion, up 16.89% from the beginning of the reporting period; the volume of trade financing business stood at RMB861.582 billion, up 37.28% year-on-year; the volume of international settlement in local and foreign currencies reached USD99.076 billion, of which, the accumulated volume of international settlement in foreign currency was USD83.434 billion, up 33.33% year-on-year; the accumulated volume of cross-border RMB settlement was RMB96.005 billion, up 128.13% year-on-year; and the balance of corporate deposits in foreign currency was USD23.589 billion, maintaining a leading position among the same type of joint-stock commercial banks.

The industrial financing business witnessed a good start and the automobile financing took on a rapid growing status. As at the end of the reporting period, there were 2,744 effective customers, increasing by 1,202 customers from the beginning of the reporting period, and the balance of business was RMB66.099 billion, up RMB24.178 billion over the beginning of the period.

(4) Cash management business

Not only had the number of customers witness substantial growth, the average daily customers' assets for cash management also experienced leap-forward development. There were 8,621 cash management customers, increasing by 3,754 customers from the beginning of the period. The flow of each business grew steadily and the balance of average daily deposits of cash management customers stood at RMB425.8 billion, up RMB227.4 billion year-on-year. The total average daily assets for cash management were RMB95 billion, increasing by 2.5 times year-on-year.

(5) Environment finance business

By making use of green financial products and multiple financial instruments, the Company comprehensively supported the energy conservation and environment protection undertaking with green financial business developing rapidly. As at the end of the reporting period, the Company accumulatively provided RMB341.3 billion green financing to no less than a thousand enterprises and the financing balance of green finance stood at RMB178.097 billion. The green financial business covered the three major fields of low carbon economy, circular economy and ecological economy, including numerous project types like energy efficiency improvement, development and utilization of new energy and renewable energy sources, carbon emission reduction, sewage treatment and water area treatment, sulfur dioxide emission reduction and solid waste recycling, as well as such mainstream industries as energy, construction, traffic, and etc. Making breakthrough on green financial business in such service areas as water resource utilization and protection, energy conservation and environment protection has been one of the Company's most differential and characteristic operation business. According to estimates, the projects supported by the loans can achieve in China an annual saving of 23,443.4 thousand tons of standard coal, together with an annual emission reduction of 68,687.6 thousand tons of carbon dioxide, 901.2 thousand tons of chemical oxygen demand (COD), 16.7 thousand tons of ammonia nitrogen, 95.8 thousand tons of sulfur dioxide, 24.1 thousand tons of nitrogen oxides, as well as integrated utilization of 15,043.9 thousand tons of solid waste a year and an annual water conservation of 255.79 million tons.

Comprehensively being in support of the construction of domestic trading markets of emission rights, the Company followed the pilot of domestic carbon transaction and comprehensively supported the construction of trading markets of emission rights, thereby forming a comprehensive solution for carbon financial service covering settlement, financing, intermediary and asset management, and creating a carbon financial service platform. Currently, the Company has had full cooperation with some national carbon transaction pilot regions, providing a package of financial services including transaction structure, system design, fund custody and liquidation, and actively promoting the construction of domestic carbon transaction markets. In respect of the trading of emission rights, as one of the first banks involving in the domestic trading markets of emission rights, the Company took the lead in cooperation with national pilot areas for institutional framework and system design for the trading of emission rights and provided comprehensive financial services for emission rights. Meanwhile, it had full cooperation with some national carbon transaction pilot regions, providing such professional financial services as consultation for designing the system of emission right transactions, development of the trading and settlement systems of emission rights, emission right pledge credit and project finance for pollutant emission reduction, and actively promoting the construction of domestic trading markets of emission rights.

Product innovation kept advancing. The Company released such innovative products as contractual environment service and pledge of franchise rights, and launched the innovative products like contractual energy management, mortgage finance with emission rights and financing projects on energy conservation and emission reduction. Specific to financial requirements of corporate customers in the energy conservation and emission reduction field, the Company reviewed, integrated, upgraded and promoted the "Green Finance · Overall Strategy (2013)" green finance plan, covering multi-level and comprehensive product and service system of financial products, service mode and solutions, including ten general products, seven featured products, five financing modes and seven solutions.

The influence of the brand of green finance expanded increasingly. During the reporting period, the Company assisted to organize the "Excess Capacity Settlement & Fulfillment of Green Finance Conference of China Banking Industry", participated in the formulation of green credit statistics, green credit evaluation and implementation plan, loans for energy efficiency of CBRC and other green credit policies, launched the official micro-blog for green finance, and carried out the "2013 Beautiful China Tour · Green Finance Activities" in 12 provinces and cities including Hebei, Guangdong, Inner Mongolia, and etc. The Company was awarded the "Prize of Financial Institution for Social Responsibility of the Year" and the "Prize of Best Green Finance for Social Responsibility" by China Banking Association, was granted the "2013 Prize of Best Corporate for Sustainable Development" by China Urban Economy Sustainable Development Committee, won the title of "2012 Best Financial Investment Institution in China's Energy-saving Service Industry" assessed by ESCO Committee of China Energy Conservation Association, ranked among the "2013 China Top 100 Green Companies" elected by China Entrepreneur Club, and won the special awards of Best Green Bank, Award of Low-carbon Pioneer Enterprises, Competitive Bank for Green Financial Service and Environmental Protection Enterprise elected by domestic authorities and media.

(6) Small enterprise business

The Company boosted the construction of professional operation system for small and micro enterprises and took the lead in adjusting the customer orientation for small enterprises. By focusing on small and micro enterprises with total assets below RMB60 million, the Company built the three-tier organization management system consisting of the Small Enterprise Department at head office, Small Enterprise Department at branches and Urban Small Enterprise Center, accelerated the construction of the small enterprise team, and stressed on the launch of such innovative products as "The Three Loan Services", "Easy & Fast Loan", "Consecutive Loan" and "Transaction Loan" for small enterprises with good market response. As at the end of the reporting period, the small enterprise customers in the customized statistics of the Company totaled 221.2 thousand, up 37.5 thousand customers or 20.44% from the beginning of the period; and the balance of loans for small businesses increased by RMB33.688 billion to RMB83.656 billion, up 67.42%. The Company continued to promote the service brand of the “Industrial Bank Sesame Blooming – Growth and Listing Plan for SMEs”, forming the service framework with six sections of “capital navigation, capital infusion, IPO service, ‘new three board’ listing, private offering of bonds by SMEs, marketing planning and access outsourcing”.

(7) Institutional business

By focusing on core liabilities, strengthening structural improvement, centering on improving organizational guarantee and perfecting management mechanism, the Company’s institutional liabilities realized rapid development. As at the end of the reporting period, the balance of institutional deposits of the Company was RMB444.746 billion, up RMB95.367 billion or 27.30% from the beginning of the reporting period, and the average daily deposits were RMB414.728, up RMB116.619 billion over the beginning of the period. The Company stuck to customer focus and market orientation, scientifically segmented the market and customer groups, reinforced refined customer service and marketing management, resulting in a sustained and stable growth in customer group. As at the end of the reporting period, the number of institutional customers reached 17,839, representing an increase of 4,326 or 32.01% from the beginning of the reporting period. The Company further enriched the product line of institutional finance business and provided institutional customers with fully integrated financial services. The focus on fiscal businesses have driven the rapid development of institutional finance business, and as at the end of the reporting period, the Company has obtained 196 qualifications as fiscal agency, up 77 or 64.7% from the beginning of the reporting period.

2. Retail business

(1) Retail banking business

During the reporting period, the Company’s retail banking business conformed to changes of the macro-economic situation, constantly got close to the market, and satisfied customer demands. Focusing on the “big retail” and the four key work of “system mechanism, channel building, product research and infrastructure”, the Company accelerated the construction of retail system and innovation system, reinforced the construction of retail foundation platform, continuously improved the retail channel network, and comprehensively promoted the influence of retail brand of Industrial Bank, thereby maintaining healthy development in all retail businesses and continuously enhanced profitability.

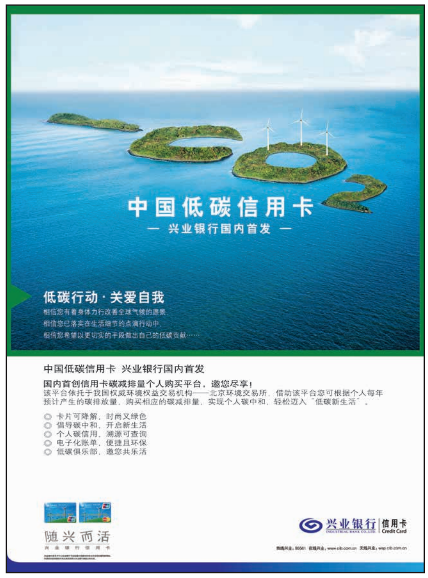
In respect of retail liability business, through carrying out payroll service, third party custody and “Business Express” collection business, the Company laid a solid foundation for liability business, upgraded and released the optimized “Enjoyable Life” 2.0 comprehensive financial service solution to satisfy diversified demands of the aged customers and create the first pension finance brand in China. As at the end of the reporting period, there were 3,337.1 thousand core retail customers (excluding Platinum credit card customers), up 45.13% from the beginning of the period; and the balance of retail personal deposits stood at RMB356.007 billion, representing an increase of 17.81% over the beginning of the period.

With respect to retail credit business, under the national policy guidance on supporting and promoting the rapid development of tourism, the Company innovated and pushed forward the “Suixingyou” (Interest-guided Tour) comprehensive finance service program for personal tour, captured the market opportunities, cultivated and accumulated high quality retail customers and improved the comprehensive income from retail business. During the reporting period, the Company granted accumulated 119.2 thousand loans for personal tour, amounting to RMB11.278 billion. As at the end of the reporting period, the balance of loans for personal tour stood at RMB353.644 billion, up 17.91% from the beginning of the period. The interest income from retail loans was RMB20.377 billion, up 16.11% year-on-year.

As for retail wealth business, with the purpose of promoting customer service capability, product marketing capacity and intermediate business income, the Company continued to innovate the supply mode of general retail wealth management products, set up supply platform for agent products, actively push forward innovative wealth management products and boost the rapid development of retail wealth management business through restructuring the marketing service system of retail wealth management business. As at the end of the reporting period, the sales (excluding precious metals) of comprehensive wealth management products reached RMB843.020 billion, up 65.25% year-on-year; the volume of trading businesses (precious metals and foreign exchange) reached RMB206.256 billion, up 23.89% year-on-year; and the income from retail intermediary business was RMB8.886 billion, up 81.42% year-on-year.

In the area of retail channel, by implementing the "low cost expansion" strategy, the Company vigorously improved construction of the retail channel network. Centering on the strategy transformation and rapid development requirements of retail business, it launched the community bank service mode, kept up with the internet finance development pace, established marketing system of retail E-banking, constantly improved customer experience, actively boosted the construction of E-banking marketing service area in business outlets, strengthened the marketing publicity of retail E-banking and expanded the brand influence.

(2) Credit card business



Centering on the overall development planning of retail business, in respect of the credit card business, the Company closely followed the industry development frontier, relied on advantages of the big retail system, accelerated the transformation of development mode, continuously pushed forward the operational transformation, and steadily carried forward the transformation of the operation and management mode towards refinement and intensification, thus realizing steady progress in operation efficiency and management level and obviously enhanced customer service capability. As at the end of the reporting period, the Company has issued an aggregate of 11.953 million credit cards, while 1.391 million cards were new issues. During the reporting period, the transaction amount of credit cards was RMB302.486 billion, up 75.58% year-on-year. The accumulated income was RMB7.213 billion, up 79.98% year-on-year.

The low carbon credit card was the first affinity card with the theme of low carbon issued by the Company together with Beijing Environment Exchange in China. Through the personal purchase platform for carbon emission reduction, the card holder can purchase corresponding carbon emission reduction based on his/her predicted annual carbon emission and realize carbon reduction. As at the end of the reporting period, the Company has issued an aggregate of 235 thousand low carbon credit cards with accumulated voluntary purchase of 52 thousand tons of carbon emission reduction, powerfully supporting the 72MW hydropower carbon emission reduction project at Dongping, Hunan, the East Hengdaishan wind power carbon emission reduction project at Huanan and the 20MW hydropower carbon emission reduction project at Wengyuan, Guizhou, being equivalent to the reduction of carbon emission generated by the flight for 1,000km of 375 thousand persons by plane, thus realizing the historical leap of the environmental protection concept from corporate financing to individual consumption.

(3) Private banking business

By focusing on business innovation and resource integration, the Company continuously promoted the market influence and scale benefit of private banking business and pushed forward business transformation. During the reporting period, RMB141.9 billion of wealth management products were offered accumulatively, with the number of private banking customers increased by 44% from the beginning of the reporting period. The Company constantly impelled the construction of the private banking business system, enhanced its own professional capability, improved its service level, and thus providing customers with all-round services. By dividing customers based on their net financial asset value, the Company provided characteristic high-end overseas activities, Industrial Bank Forum by Famous Persons and “overseas-education manager” speaking tour, and etc., to different levels of customers, and promoted the customized information service especially for private banking customers.

3. Financial market

(1) Interbank business

During the reporting period, the total number of securities firms networked for the third party custody service was 96, and the total number of online margin deposit securities firms was 40. Through further improving the access permission mechanism and risk control mechanism for cooperated trust firms, the supply of high quality wealth management products was increased and the number of cooperated trust firms reached 64 with market coverage ratio of 97%. The number of direct online bank-wealth management customers was 79.

As the initiative interbank cooperation brand pushed forward by the Company in China, the Bank-to-Bank Platform was an integral service system integrating internet finance and offline finance, providing various cooperative banks with comprehensive financial service solution covering wealth management, payment and settlement, technological management output, training service, financing service, optimization of capital and asset-liability structure, and etc. As at the end of the reporting period, the number of signed customers on the Bank-to-Bank Platform amounted to 474 with online customers of 392. The counter inter-operation network connected over 25.8 thousand outlets. In total 12.1685 million settlement transactions were completed on the Bank-to-Bank Platform, up 31.30% year-on-year, while the transaction amount reached RMB1,317.563 billion, up 21.6% year-on-year, hitting a new record high in both the number and amount of settlement transactions in one year. The Company had cooperation with a total of 218 commercial banks on the construction of information system, including 22 new banks.

(2) Treasury business

During the reporting period, based on the judgment of the trends of macro-economy and market interest rates, the Company properly controlled the increase of total assets. Being through the tight market liquidity in June and regulatory policies adjustment in the second half year, the Company appropriately reduced the leverage, adjusted asset structure, and constructed investment portfolio with low risk and high liquidity. In respect of bonds, the Company strictly controlled the duration of bonds and the increase of investment scale in operating strategy, seized the opportunity to initiatively reduce the holding of bonds with low earnings and increase the holding of national and local bonds with low risks. In respect of market making transactions, while continuing to maintain its most active market making position in such fields as RMB exchange rate, interest rate and precious metals, the Company also adjusted its operation strategies in a timely manner according to the market situations, with the profitability of market making business obviously growing steadily year-on-year. During the reporting period, the Company also actively participated in the transactions of innovative businesses released by the exchange, such as the interbank gold bilateral forward and swap transactions on Shanghai Gold Exchange, and the silver futures transactions on Shanghai Futures Exchange. In respect of the broker business, the Company's commissioned transactions of precious metals still remained competitive advantages under the multiple adverse impacts of the poor market environment of precious metals and the increasingly fierce competition of the industry. During the reporting period, the business volume of precious metals commissioned transactions increased by 26.39% year-on-year, with market share ranking at the second place in the industry.

The market influence of the research and analysis on the financial market was further enhanced, keeping a high accuracy on the judgment of macro-economic trend, and a leading level on the judgment of important policies and the forecast of monthly macroeconomic data in the industry.

(3) Asset custody business

By implementing the development strategy of "centering on brand construction, by means of specialized service, being initiative in marketing, providing initiative services, continuously promoting the market share and profitability of asset custody business, and affording powerful support to the development of other businesses", the Company gave play to its advantages and experience on speciality, service and innovation, and thus maintaining a healthy and rapid development in asset custody business and successfully achieving all the predetermined targets. As at the end of the reporting period, the net value of assets under custody exceeded RMB3 trillion and amounted to RMB3,086.209 billion, up RMB1,457.954 billion or 89.54% from the beginning of the period, ranking at the sixth place and remaining a top position in the industry. A total of 8,679 new custody products were launched, and the number of online custody products was 8,114. The total income of intermediary businesses reached RMB3.358 billion, up RMB1.864 billion or 124.77% year-on-year.

The Company's primary custody businesses maintained healthy development. Among them, the securities investment funds under custody reached RMB37.081 billion, up 15.57% from the beginning of the period; the customer assets management of fund firms under custody stood at RMB135.699 billion, up RMB124.3 billion or 1,090.45% over the beginning of the period; the customer assets management of securities firms under custody were RMB820.925 billion, up RMB377.404 billion or 85.09% from the beginning of the period; the trust properties under custody were RMB945.862 billion, representing an increase of RMB470.374 billion or 98.92% over the beginning of the period; the bank financial products under custody reached RMB591.945 billion, increasing by RMB131.942 billion or 28.68%; the insurance assets under custody stood at RMB224.043 billion, seeing an increase of 2.68%; and the insurances under independent superintendent were RMB98.26 billion, up 143.82% from the beginning of the period.

(4) Asset management business

Wealth management business refers to the Company's investment and asset management in the way agreed with the customer in advance upon the customer's entrustment and authorization, and the customer's undertaking corresponding risks and enjoying corresponding earnings as agreed, covering such products as wealth management products for retail, wealth management products for corporate customers, interbank wealth management products, and etc. The wealth management business involves multiple links like investment management, product r&d, issuance and sales and background operation, with specific work flows mainly including product creation, product approval, marketability approval and schedule arrangement, supervision report and information registration, product sales, product investment management and duration management, and etc.

During the reporting period, the Company continued to promote the transformation of the operation of asset management business, reinforced the overall management of business, improved the specialized operation level and realized RMB6.988 billion intermediate business income from wealth management business. At the end of the reporting period, the balance of the Company's wealth management products stood at RMB500.553 billion, up 13.14% from the beginning of the reporting period. In addition to the RMB42.911 billion guaranteed wealth management products which were included in the balance sheet, the balance of the rest wealth management products issued and managed by the Company but not included in the consolidation scope was

RMB457.642 billion.

The Company took initiative in promoting the innovation of wealth management products and guaranteed the market competitiveness of wealth management business. It innovated and pushed out such products as the Daily WLB (Wanlibao) open-ended wealth management, Enjoyable Life program and night market wealth management, promoted the business processing efficiency, improved system function and enhanced customer convenience, thus further boosting product competitiveness. The open-ended wealth management product system was basically formed, covering three types of customers, including individual, corporate finance and interbank, with product scale growing steadily with good stability and low comprehensive operating cost. According to relevant regulatory requirements of CBRC, on basis of the current business mode, the Company increased the investment proportion on standard assets like bonds, equity assets like equity investments and structural innovation assets, thereby leading to the steady growth of asset management business and laying a foundation for the business mode innovation, investment variety and cooperation channel expansion and system building improvement in 2014.

(5) Futures financial business

As at the end of the reporting period, the balance of deposits of futures firms was RMB6.47 billion, up RMB1.875 billion or 40.81% year-on-year; and the balance of daily average deposits of futures firms was RMB5.781 billion, up RMB823 million or 16.6% year-on-year. As confirmed by China Financial Futures Exchange and Dalian Commodity Exchange respectively, the Company has had the qualifications for futures margin custody business, not only becoming the first joint-stock commercial bank for futures margin custody business appointed by two exchanges in China, but also one of the first two joint-stock banks appointed by Dalian Commodity Exchange.

4. E-banking

During the reporting period, in respect of the e-banking business, focusing on accelerating the internet finance innovation, improving customer experience and strengthening risk management, the Company further clarified its operating characteristics and provided each business line with professional e-banking service support at the same time of maintaining steady and rapid growth in business. The Company launched the family wealth management product in the internet era “e-family Wealth”, realizing the one-stop value-added services like the uniform management of revenue and expenditure of the family bank card and assets, the on-line wealth management planning and wealth management information. Closely following the latest technologies and applications, the Company also launched such functions as the WeChat bank, wealth management night market, payment and collection at the customer-end mobile phone banking via two-dimension code, view and broadcast of precious metals market information by “shake it”. Moreover, the Company vigorously promoted the building of innovative projects like mobile payment, “direct banking” and “remote banking”, accelerated the external alliance cooperation and resource integration, created highlights and improved service capability.

Centering on customers, the Company built the e-banking customer-end for laptops, the customer-end mobile phone banking for windowsphone8 and the e-banking payment platform, upgraded the phone banking system, short message platform and online mart, and finished the construction of Chengdu Customer Service Center and officially put it into operation. It also promoted the research on risk management of e-banking, increased the dynamic password authentication for important transactions, released the second generation network shield certificate, introduced professional manufacturers to have security assessment on e-banking, and further improved the risk prevention system of e-banking.

As at the end of the reporting period, the Company had 178.8 thousand active corporate and interbank online banking customers, up 28.15% from the beginning of the period; 6.6968 million active personal online banking customers, up 26.51% from the beginning of the period; 2.7385 million active mobile banking online and customer-end customers, up 129.64% from the beginning of the period; and 6,459.2 thousand active messenger users, up 46.42% from the beginning of the period. During the reporting period, the number of corporate and interbank online banking transactions was 59.1062 million, up 52.68% year-on-year, while the transaction amount was RMB33.63 trillion, up 53.18% year-on-year. The number of personal online banking transactions was 137,003.9 thousand, up 21.91% year-on-year, while the transaction amount was RMB5,540.628 billion, up 45.16% year-on-year. The number of mobile phone banking transactions was 11,664.5 thousand, up 37.66% year-on-year, while the transaction amount was RMB282.252 billion, up 372.77% year-on-year. During the reporting period, the substitution rate of e-banking transactions reached 76.48%, up 4.64 percentage points year-on-year, while the e-banking transactions (transactions of variation of funds) exceeded triple the number of transactions of all the operating outlets of the Company, which effectively reduced the OTC transaction workload, and released the productivity of OTC channels.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
Pass	**1,338,037**	**98.60**	1,217,070	99.02
Special mention	**8,689**	**0.64**	6,808	0.55
Substandard	**5,620**	**0.41**	2,676	0.22
Doubtful	**3,483**	**0.26**	1,932	0.16
Loss	**1,228**	**0.09**	678	0.06
Total	**1,357,057**	**100**	**1,229,165**	**100**

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB10.331 billion, up RMB5.045 billion from the beginning of the period with NPL ratio of 0.76%, up 0.33 percentage point over the beginning of the period. The balance of special mention loans was RMB8.689 billion, up RMB1.881 billion from the beginning of the period. The proportion of the special mention loans in the total loans was 0.64%, up by 0.09 percentage point compared with the beginning of the period. Main reasons for the increase in NPLs and special mention loans were that some enterprises were affected by such factors as the slowdown of economic growth, adjustment of industrial structure and private lending or suffered from increased credit risks in some regions or some industries, causing their solvencies to drop, shortage of fund and capital chain rupture. Meanwhile, it will take time to mitigate risks, collect and dispose non-performing assets. Many factors caused increase in NPLs and special mention loans of the Company.

During the reporting period, the Company's asset quality remained at a healthy level. The Company managed risks from the asset portfolio, industry chain and risk infectivity with much more prospective, systematic and overall risk management thoughts. Meanwhile, the Company strengthened the control of special mention loans and loans overdue with outstanding interest, and accelerated and completed the collection and settlement of NPLs while effectively controlling newly increased non-performing assets.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	24,623
Provision during the reporting period (+)	16,417
Transfer-out of interest on impaired loans (-)	387
Write-back during the reporting period of write-off in previous years (+)	113
Write-off during the reporting (-)	897
Other transfer-out during the reporting period (-)	3,494
Closing balance	**36,375**

Description of method for impairment loss on loans: if loans are impaired, the carrying amount of loans is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. For a loan that is individually significant, the Company assesses the asset individually for impairment. For a loan that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed loan, it includes the loan in a group of loans with similar credit risk characteristics and collectively reassesses them for impairment. Loans for which an impairment loss is individually recognized are not included in a collective assessment of impairment. If, subsequent to the recognition of an impairment loss on loans, there is objective evidence of a recovery in value of the loans which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of loan at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Classification of provision for loan impairment

Unit: RMB million

Provision for loan impairment	December 31, 2013	December 31, 2012
Individually assessed provision for loan impairment	**3,139**	2,025
Collectively assessed provision for loan impairment	**33,236**	22,598
Total	**36,375**	**24,623**

4. Changes in overdue loans

Unit: RMB million

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**5,997**	**41.85**	4,505	49.48
91-360 days (inclusive) overdue	**6,212**	**43.35**	2,400	26.36
361 days – 3 years (inclusive) overdue	**1,903**	**13.28**	1,437	15.78
Over 3 years overdue	**218**	**1.52**	763	8.38
Total	**14,330**	**100**	**9,105**	**100**

As at the end of the reporting period, the balance of the Company's overdue loans was RMB14.330 billion, increased RMB5.225 billion from the beginning of the reporting period, of which overdue corporate loans and credit cards overdue increased by RMB4.245 billion and RMB1.236 billion respectively, and overdue personal loans decreased by RMB256 million. The primary causes for the increase were that some enterprises were significantly impacted by macro-economic adjustments or had problems with their operations and management, resulting in difficulties in repaying loans or default. During the reporting period, the Company further enhanced the risk management of overdue loans, conducted ongoing monitor of the loans overdue with outstanding interest and made more aggressive collection efforts. The proportion of the overdue loans in the total loans rose slightly over the beginning of the period, but still remained at a relatively low level.

5. Changes in restructured loans

Unit: RMB million

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured loans	**996**	**0.07**	981	0.08

As at the end of the reporting period, the balance of the Company's restructured loans was RMB996 million, up RMB15 million compared with the end of last year, basically maintaining stable. The balance of restructured loans increased, mainly because few enterprises borrowed for repaying due to provisional capital turnover. The overall risk was under control.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Item	December 31, 2013	December 31, 2012
Foreclosed assets	**231**	648
Incl: Buildings	**199**	616
Land use right	**31**	31
Others	**1**	1
Less: Impairment provision	**(95)**	(169)
Net value of repossessed assets	**136**	479

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB34 million, which were mainly buildings and land, and recovered RMB451 million from the disposal of foreclosed assets, thereby decreasing the total net book value of foreclosed assets by RMB417 million. In addition, the Company added provision of RMB3 million for impairment of foreclosed assets, transferred RMB 77 million provision for disposal of foreclosed assets, thus the balance of provision for impairment of foreclosed assets decreasing by RMB74 million.

(V) Categories and par value of financial bonds held

Unit: RMB million

Item	Par value
Bonds of policy banks	58,329
Bank bonds	6,895
Bonds of non-bank financial institutions	10,099
Total	**75,323**

Provision for impairment: as at the end of the reporting period, the Company checked the financial bonds it held and found no impairment. Therefore, no bad debt provision was made.

(VI) Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Item	Par value	Annual interest rate (%)	Maturity date
07 CDB 08	5,520	3.60	2017-05-29
12 CDB 24	3,370	3.72	2019-05-22
09 CDB 12	3,010	3.70	2019-09-23
10 ADBC 15	3,000	3.49	2015-11-19
10 CDB 24	2,820	3.45	2020-08-26
09 CDB 21	2,750	3.57	2016-11-18
12 CDB 23	2,460	3.78	2017-05-03
09 EIBC 11	2,200	3.40	2014-11-25
07 ADBC 06	2,160	3.60	2014-05-18
10 CDB 25	2,000	3.05	2015-09-07

(VII) Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Interest rate derivatives	372,459	4,142	3,989
Exchange rate derivatives	504,752	2,195	2,741
Precious metals derivatives	5,264	68	134
Credit derivatives	670	9	-
Total		**6,414**	**6,864**

(VIII) Financial instruments denominated in foreign currencies held by the Company

Unit: RMB million

Item	Opening balance	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	Closing balance
Held-for-trading financial assets	-	-	-	-	**-**
Derivative financial assets	983	(1,765)	-	-	**313**
Derivative financial liabilities	1,776		-	-	**2,871**
Investment in accounts receivable	-	-	-	-	**-**
Available-for-sale financial assets	1,050	-	56	-	**2,139**
Held-to-maturity investment	854	-	-	-	**336**

(IX) Internal control system related to measurement of fair value

1. Internal control system related to measurement of fair value

In accordance with the requirements of the Accounting Standards for Business Enterprises, the Company set up an internal management system to standardize the measurement of the fair value of financial instruments. The measurement of the fair value adopted by the Company in accounting was determined based on the active level of the products and the maturity of the internal valuation model. For financial instruments that had active market quotation, the fair value would be measured on the basis of active market quotation. For financial instruments that had no active market quotation but had a mature internal model, the fair value would be measured on the basis of internal model pricing. For financial instruments that had neither active market quotation nor mature internal pricing model, the fair value would be measured on the basis of prices quoted by a trading counterparty, or determined with reference to the valuation results provided by an authoritative, independent, professional third party valuation agency. The measurement of fair value of financial instruments traded by the Company was primarily based on the active market quotation.

2. Items related to measurement of fair value

Unit: RMB million

Item	December 31, 2012	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	December 31, 2013
Held-for-trading financial assets	21,540	(595)	-	-	**42,295**
Precious metals	4,976	163	-	-	**276**
Derivative financial assets	3,266	(722)	-	-	**6,414**
Derivative financial liabilities	2,996		-	-	**6,864**
Available-for-sale financial assets	192,057	-	(6,144)	-	**263,681**
Held-for-trading financial liabilities	-	12	-	-	**1,216**

(X) Changes in on/off-balance-sheet interest receivable

Unit: RMB million

Item	December 31, 2013	Increase in the reporting period	Recovery in the reporting period	December 31, 2012
Interest receivable	23,249	189,602	185,888	19,535

As at the end of the reporting period, the interest receivable increased by RMB3.714 billion or 19.01% from the beginning of the period, mainly because of the increase in interest-bearing assets. Interest receivable from interest-bearing assets not recovered within 90 days after expiration would be written down from the interest receivable in the current period and checked as off-balance-sheet item. Therefore, no bad debt provision was made.

(XI) Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2013	December 31, 2012	Provision for impairment	Provision method
Other receivables	3,566	2,611	209	At the end of the period, individual and collective tests were done to other receivables to make provision for impairment in combination with account age analysis

(XII) Off-balance-sheet items that may cause major impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2013	December 31, 2012
Letters of credit	129,383	**69,233**
Letters of guarantee	53,152	**25,429**
Bank acceptance	452,710	**392,352**
Unused credit card commitments	41,341	**6,450**
Reimbursement refinances	-	**50,004**

(XIII) Risks and risk management during the reporting period

During the reporting period, facing the complicated and severe internal and external situation, the Company further improved the risk management system in all aspects, constantly made endeavors to become more comprehensive and more efficient in risk management and control, enhanced the research of industrial and regional risks, reinforced the management on major industries to be granted credit and uniform credit, stressed on the examination and rectification of key risks, continuously innovated and optimized management tools, and effectively boosted the development and application of risk measuring instruments. It also stably carried forward the implementation of new capital accord projects, continued to improve management of the internal rating system for non-retail business, advocated the compliance culture, stuck to the bottom line of risks, promoted investigation and prevention simultaneously, and strengthened the prevention and control of operating risks and case risks, hence becoming more professional in risk management, more efficient in regulation and more sensitive to the market, and maintaining sustainable and healthy development in all businesses.

1. Optimizing risk management systems and mechanism, and boosting operating efficiency

Firstly, by implementing internal control management appraisal on risks and compliance of branches, the Company guided branches to practically perform their duties and comprehensively promoted the management level of risks and internal control compliance of operating units. The Company formulated the Measures for the Comprehensive Assessment of Risk Management of Branches with the assessment results serving as an important basis for the authorization of credit business to branches. It also worked out the Measures for the Comprehensive Assessment of Compliance Operation and Internal Control of Branches as an important part of the appraisal of operating performance of branches. Secondly, it reinforced the assessment of risk management of business lines. The Company further improved the assessment plan of relevant personnel including chief business line risk supervisor and the business line risk management department, highlighted the process assessment, consolidated the inspection and supervision on duty performance of the embedded risk management team of business lines, and guaranteed the implementation of all the risk policies. Thirdly, the meeting mechanism was completed. The risk management committee shouldered the responsibility to examine risk management policies, and the monthly regular meeting for risk management of the Head Office and the joint conference for risk management would stress on the solving of problems encountered in actual execution of declared policies.

2. Credit risk management

The Company's credit risk management objectives were: establishing and continuously improving the credit risk management system, promoting the specialization level and refinement degree of credit risk management, optimizing the orientation of credit granting and customer structure, constantly reinforcing risk management and control on the overall credit business process, realizing the balance between risks and gains, and effectively controlling risks.

The Company continued to deepen and detail the credit risk management work, thus maintaining good asset quality. Firstly, according to the changes of internal and external situations, the Company properly adjusted the approval and authorization of credit business, and further standardized the review and approval process of credit projects. Secondly, focusing on the purpose of servicing the real economy, the Company accurately seized the credit layout of mainstream businesses, reasonably worked out annual credit granting policies, effectively carried out limit management and enhanced the ability to identify, manage and control customer risks. Fourthly, the Company laid stress on the early warning and examination of industrial and regional risks and risks in key areas, strengthened the management of overdue loans and reinforced the collection of non-performing assets and the accountability investigation thereof.

3. Management of liquidity risk

The Company's objectives for management of liquidity risk were: firstly, ensuring the demand of payment; secondly, improving the application efficiency of funds and guaranteeing the rapid and healthy development of all businesses; and thirdly, realizing the unification of "security, liquidity and profitability".

According to changes of the external economic and financial situation, the Company prospectively adjusted the liquidity preference and management strategies, put more efforts on the management and control, constantly optimized and adjusted the liquidity management mechanism and methods, and effectively prevented liquidity risks. The specific measures included: setting asset-liability ratio index for each business line to ensure the balanced development between assets and liabilities of each business line; controlling capital source and the amount and term structure of application of funds through the guidance of funds transfer pricing (FTP); reasonably controlling the capital growth rate and enhancing credit line management; promoting the development of core liability business to stabilize the liability recourses through multiple channels; setting targets like the daily average loan-to-deposit ratio to the operation units, and reinforcing the liquidity management by combining the head office and all branches as well as coordinating all departments in the head office; upgrading and improving the liquidity management system such as asset-liability system and position management system to improve the liquidity management techniques; and regularly conducting liquidity stress testing and revising the liquidity contingency plan to enhance the ability of risk identification, monitoring and control.

Unit: %

	Regulation Value	December 31, 2013	December 31, 2012
RMB excess reserve ratio	-	**3.54**	5.83
Liquidity ratio (RMB)	≥25	**34.80**	29.06
Loan-to-deposit ratio	≤75	**61.95**	66.50

4. Market risk management

The Company's market risk management was for the purposes of: firstly, establishing and continuously improving market risk management system which matched with the risk management strategies, and satisfied standard requirements of the new capital accord and regulatory requirements of market risk; secondly, completing market risk management structure, policies, processes and methods; and thirdly, promoting the specialization level of market risk management, realizing centralized and unified management of market risks, and facilitating the sustainable and healthy development of relevant businesses with risks under control.

The Company established a complete basic market risk management framework in terms of organizational system construction, risk limit indicator system, basic risk management policies and strategies, reinforced the investment decision-making management and interest-sensitive gap management, and effectively prevented interest rate and exchange rate risks. It strengthened the management and control of interest rate risks, controlled market risks within a reasonable range through effective market risk management and control measures, and realized the maximum benefits. At the same time, together with market risk stress testing and other methods, the Company evaluated the risks confronted by it under extreme conditions to provide reference for the control of market risks. In respect of system construction, the Company continued to strengthen the building of the capital trading and analysis system (Murex) so that it could cover more new products and new businesses.

(1) Interest rate risk

According to changes of the market situation, the Company flexibly adjusted the interest rate risk management measures and made sure the interest rate risks were under control. To effectively cope with the complicated and changeable economic situation at home and abroad as well as the intensified market interest rate fluctuations due to the tight liquidity, the Company guided branches to adjust the efforts on the expansion of long-term fund sources at appropriate time based on the state macroeconomic policies, reinforced the management on the matching of interbank capital business, and increased the management on spread between the cost of capital source and gains from application of funds. At the same time, the Company made full use of the hedging of interest rate among different products in the financial derivatives market, and effectively controlled the interest rate risks. It also improved the pricing and valuation models, formed standard process for pricing and valuation management and promoted the dynamic valuation level of held-for-investment products. Through constantly improving the market risk indicator limit system, it set limits for various risk exposures and the stop-loss limits respectively for different trading products, and distributed them in such forms as annual business letter of authorization and regular investment strategy plan for implementation.

(2) Exchange rate risk

The Company had centralized management on exchange rate risks. All the branches collected exchange rate exposures formed in various businesses to the Financial Markets of the Head Office via relevant systems, and the Financial Markets gave full play to the system's support function to risk control, made use of the capital trading and analysis system to have management on foreign exchange risks in terms of currency and time period, and made sure that the foreign exchange exposure accorded with limits like the daytime proprietary exposure limit and end-of-day exposure limit so that the foreign exchange risks were always controlled within a reasonable range.

5. Management of operating risks

The Company initiated and carried out the operating risk project and the management integration project of compliance, internal control and operating risk, launched investigation and research on interbank and external companies according to relevant regulatory requirements for implementing new capital accord, referred to good practices of interbank at home, and designed a suitable implementation program for the operating risk project and the management integration project of compliance, internal control and operating risk, covering such contents as basic policies for operating risks, application of management tools, capital measurement, outsourcing risk management and business continuity management, and etc. During the reporting period, the Company continued to carry out the collection of operating risk loss data, providing data accumulation for the implementation of advanced measurement approach for operating risks in the future; selected branches to carry out the pilot work for application of operating risk management tools on key businesses, and proposed management suggestions on basis of the pilot results, thus laying a foundation for the preparation of the project implementation program; reinforced the building of case prevention and control system and special examination activities, took the lead in deploying investigation of risks regarding all kinds of cases, strengthened implementation of the "thirteen articles" against operating risks and promoted the prevention and control level in all cases, hence achieving the objectives of "zero criminal case" and "zero major operating risk incident".

6. Compliance risk management

Through reinforcing the construction of compliance culture and deepening the concept of compliance operation, the Company further promoted effective implementation of compliance management and facilitated the healthy and sustainable development in its businesses. Firstly, it effectively carried out performance appraisal on compliance and internal control and promoted initiative compliance. While optimizing and completing the compliance operation of branches and business departments of the Head Office and the performance appraisal program for internal control, the Company increased the weight of internal control compliance indicators, completed the setting of indicators, and reinforced the collection and sharing of appraisal information on IT platform, thus effectively carrying out appraisal and guiding institutions to standardize the operation for fair competition. Secondly, it reinforced the system management, laying a solid foundation for compliance management over internal control. The Company continued to advance the standardization of system management work, unified the release channels and inquiry platform of systems, strengthened the legal and compliance review before release of systems, and enhanced the completeness and operability of system processes; it established the post systems evaluation mechanism, continued to review and sort systems, constantly boosted the compliance, systematicness and dynamism of system construction, thus laying a firm foundation for internal control and compliance management. Thirdly, the Company improved the internal supervision mechanism, guaranteeing the steady launch of all businesses. It further standardized the working process for review of internal control, intensified the data inspection management, reinforced the long-term mechanism of inspection management on internal control, and completed the internal supervision system. According to changes of the legal environment and regulatory focus, the Company gave compliance risk hints at appropriate time, pointed out legal compliance risks existing in business development in a timely manner, and provided opinions for prevention. Fourthly, the Company laid stress on the construction of compliance culture and strengthened the awareness of compliance operation. It further intensified the construction of compliance culture and effectively carried out the compliance culture through such measures as improving relevant systems for employee behavior management, completing the compliance management mechanism and framework for branches, enriching the personnel allocation for legal compliance management and enhancing various compliance examinations and compliance training, and etc. Fifthly, the Company took the initiative in boosting the transformation of the "risk-oriented" anti-money laundering strategy, completed each working mechanism, consolidated the appraisal management of anti-money laundering, propelled the implementation of the risk assessment over anti-money laundering and terrorist financing and the classification of customer risks, deeply explored the design of autonomous monitoring index over unusual transactions, and organized and conducted upgrade and transformation of the anti-money laundering system, with the overall anti-money laundering level being effectively promoted.

7. IT risk management

The Company continued to reinforce its IT risk management, built and improved the long-term mechanism for IT risk management. Through system construction and restructuring, it advanced the construction of IT risk management systems and realized sustainable tracking and monitoring of IT risks by means of regular IT risk monitoring, warning and disposal mechanisms. It constantly improved the IT risk assessment and reporting, strengthened the management and control of IT risks in key areas, and meanwhile, reinforced the business continuity management, carried out drilling on switches between the host and the backup machine for core business systems, initiated building of the disaster recovery system for branches, and thus provided safeguard for continuous and stable operation of businesses. Meanwhile, the Company boosted the prevention and control with information security technologies, reinforced the IT risk management at branches, and hence improved the IT risk management level.

8. Management of reputation and country risks

(1) Management of reputation risks

The Company's management of reputation risks was for the purpose of: actively and effectively preventing reputation risks and coping with reputation incidents, and reducing the losses and adverse impacts caused to the Company and the public to the minimum level.

During the reporting period, the Company formulated the Sub-strategies of Reputation Risk Management and the Reputation Risk Management System, incorporated the reputation risk management into the Company's governance and comprehensive risk management system, clarified functions of different levels and divisions, adopted hierarchical classification management, and thus reinforced the effective prevention and control of reputation risks. It also attached importance to the initiative prevention against reputation risks, established corresponding management modes and working mechanisms regarding daily monitoring of public opinions, customer complaint and information disclosure, and immediately initiated corresponding contingency plan for reputation incidents. Besides, the Company incorporated reputation risk management into the comprehensive appraisal of branches in terms of risk management, compliance operation and internal control, effectively facilitating and reinforcing the reputation risk management at basic operating units.

(2) Management of country risks

The Company's management of country risks was for the purpose of: establishing and continuously improving the Company's country risk management system based on its internationalized process and business growth, adopting proper measurement, assessment and rating system for such risk with a view to accurately identifying and assessing country risks relating to business activities and promoting sustainable and healthy development of its business.

According to regulatory requirements and the practical situation, the Company formulated the Sub-strategies of Country Risk Management and the Measures for the Management of Country Risks, incorporated the country risk into the Company's comprehensive risk management system, clarified the country risk management framework and division of responsibilities, reviewed the business process, worked out policies for provision of country risks, and carried out scientific management.

IV. Active performance of social responsibilities

The Company has disclosed its 2013 Annual Sustainability Report. For the full text of the report, please visit the websites of Shanghai Stock Exchange and the Company.

V. Profit distribution

(I) Formulation, implementation or adjustment of the cash dividend policy

The Company considered and passed the amendments to the articles of association at the first extraordinary general meeting in 2012, which stated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general shareholders' meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non-distribution of dividends and the purpose of reserves not for dividend distribution if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder to repay the funds he used, where the shareholder used funds in violation of regulations.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity and stability of the profit distribution policy, by taking into consideration of its actual operation and future development need, the first extraordinary general meeting of the Company adopted the Profit Distribution Plan 2012-2014 (for details, please refer to the announcement of the resolutions of the general meeting dated August 29, 2012), which planned that in the coming three years (2012-2014), the profit used for distribution in cash would not be less than 20% (including 20%) of the realized attributable profit of the year where there were attributable profit after recovery of deficit and appropriation of statutory reserves and general provisions from the realized earnings, provided that the regulatory requirements on capital adequacy ratio were met.

The Company fulfilled the aforesaid undertaking on schedule. According to the annual profit distribution plan 2012 approved by the general meeting on May 21, 2013, based on the total shares of 12,701,557,834, the Company distributed 5 bonus shares and cash dividend of RMB5.7 for every 10 shares (tax included) to all shareholders, with total cash dividend distributed amounting to RMB7.240 billion, accounting for 20.85% of the net profit attributable to the shareholders of the parent company. The total share capital after issuance of bonus shares was 19,052,336,751, increasing by 6,350,778,917 shares. The formulation and implementation procedures of the Company's cash dividend policy were compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the articles of association and requirements in the resolution of the general meeting. The board of directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

(II) Profit distribution plan 2013

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Profit Distribution Plan 2012-2014, by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the Company planned to transfer RMB3,175,389,458.50 to statutory surplus reserve, after that the statutory surplus reserve exceeded 50% of the registered capital. The Company also planned to transfer RMB2,402,146,465.25 to general reserve, and to distribute cash dividend of RMB4.6 for every 10 shares (tax included), amounting to RMB8,764,074,905.46, based on the total share capital of 19,052,336,751 shares. The remaining undistributed earnings will be carried forward to the next year.

This plan shall be executed within two months after approval by the annual general meeting 2013.

(III) Plan or pre-plan on profit distribution of the previous three years

Unit: RMB million

Year	Number of bonus shares for every 10 shares (tax incl.)	Number of dividends for every 10 shares (RMB) (tax incl.)	Number of shares converted by capital reserve for every 10 shares	Amount of cash dividends (tax incl.)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year	Percentage of net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year (%)
2013	**-**	**4.60**	**-**	**8,764**	**41,211**	**21.27**
2012	5	5.70	-	7,240	34,718	20.85
2011	-	3.70	-	3,991	25,505	15.65

SIGNIFICANT ISSUES

I. Material lawsuits, arbitrations and issues questioned by media

During the reporting period, there was neither material lawsuit nor arbitration against the Company that was required to be disclosed nor issues broadly questioned by media.

II. Material asset transactions

During the reporting period, there was no material acquisition and sale of assets or M&A.

III. Material related party transactions

During the reporting period, material related party transactions involving transactions with related legal persons amounting to over RMB3,000,000 and accounting for more than 0.5% of the latest audited net asset value of the Company were as follows:

(I) The Company's 18th meeting of the 7th session of the board of directors approved the Proposal concerning Granting of an Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited), agreeing to extend an internal basic credit line of RMB3 billion to Hang Seng Bank (including Hang Seng Bank (China) Limited), with a term of one year. The type of business under the credit extension was subject to the types of credit businesses the Company took for credit risks of the credit receiver (excluding buy-back credit asset transfer business). The above-mentioned related party transactions arose from the needs of the due course of business activities, and the conditions and interest rates of the transactions complied with the Company's general provisions for business management. For details, please refer to the Company's announcement dated April 23, 2013.

(II) The Company's 20th meeting of the 7th session of the board of directors approved the Proposal concerning Granting of Related Party Transaction Line to The People's Insurance Company (Group) of China Limited, agreeing to extend an internal basic credit line of RMB5 billion to The People's Insurance Company (Group) of China Limited and its subsidiaries (hereinafter referred to as "PICC related legal persons"), with a term of one year. The type of businesses under the credit extension are financial bond, subordinated debt investment, RMB interbank borrowing, bond repurchase and other business types the Company took for credit risks of the credit receiver. The Company also agreed to extend non-credit related transaction line to PICC related legal persons, with a term of one year. The type of businesses covering fund market transaction, financial consultant and asset management, financial management, comprehensive service and other businesses. The above-mentioned related party transactions arose from the needs of the due course of business activities, with transaction conditions not superior to similar transactions with un-related parties and fair price. Besides, they conformed to relevant provisions of related laws, regulations, stipulations and regulatory system, and the transaction payment mode and time were determined as per business practice. For details, please refer to the Company's announcement dated September 28, 2013.

As at the end of the reporting period, the balance and risk exposure (excluding deposits from related natural persons) of the Company's related party transactions with related natural persons was RMB10 million.

Please refer to "Related party relationships and transactions" under the Notes to the Financial Statements for further details on other related party transactions.

IV. Material contracts and performance thereof

(I) Material custody, lease and undertaking issues

During the reporting period, the Company had no material custody, lease and undertaking issues.

(II) Material guarantees

During the reporting period, excluding normal financial guarantees within the approved business scope, the Company had no other material guarantees requiring disclosure.

(III) Entrusting others with significant cash assets management

During the reporting period, the Company did not entrust significant cash assets management to other parties.

(IV) Other material contracts

During the reporting period, the Company performed its contracts under normal circumstances and no material contractual disputes occurred.

V. External guarantee

In accordance with the relevant provisions of CSRC, the Company carefully verified its guarantee to external parties in 2013. The Company's external guarantee business was approved by PBOC and CBRC and it was part of the Company's regular business operations. As at the end of the reporting period, the balance of the Company's guarantee business was RMB53.152 billion. No advances were made under the Company's guarantee business, and no illegal guarantee besides the normal guarantee business was discovered.

The Company always adhered to the principal of prudence when conducting its external guarantee business, and at the same time, it strengthened risk monitoring and management of off-balance businesses by issuing risk warnings in a timely manner and putting preventive measures in place. During the reporting period, under the effective supervision and management of the board of directors, the Company's guarantee business operated normally and risk concerned was under control.

VI. Performance of undertakings

(I) The first extraordinary general meeting of the Company adopted the Profit Distribution Plan 2012-2014 (for details, please refer to the announcement of the resolutions of the general meeting dated August 29, 2012), which planned that in the coming three years (2012-2014), the profit used for distribution in cash would not be less than 20% (including 20%) of the realized attributable profit of the year where there were attributable profit after recovery of deficit and appropriation of statutory reserves and general provisions from the realized earnings, provided that the regulatory requirements on capital adequacy ratio were met. The Company fulfilled the aforesaid undertaking on schedule.

(II) The Company's shareholders, namely The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited (collectively holding 10.87% of the total share capital of the Company) undertook that the non-publicly offered shares of the Company they subscribed for in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed, except otherwise required by the competent regulators on the lock-up period. The above-mentioned companies performed their obligations and the shares concerned were registered for restricted transactions.

(III) The Company's shareholders, namely China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd., holding 3.22% and 0.99% of the total share capital of the Company respectively, undertook that the non-publicly offered shares of the Company they subscribed in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed. The above-mentioned companies performed their obligations and the shares concerned were registered for restricted transaction.

The Company and its shareholders holding over 5% of the Company's shares made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

VII. Appointment of accounting firms and sponsors

Upon approval of the annual general meeting 2012, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the annual report 2013, review the semi-annual report 2013 and provide internal control and audit services with the total audit fee amounting to RMB7.7 million, which included fees and expenses concerning traffic, accommodation, stationery, communication and printing as well as related taxes, with RMB6.4 million for financial statement audit and review, and RMB1.3 million for internal control. Currently, Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit services to the Company for consecutive three years.

Credit Suisse Founder Securities Limited served as the sponsor of the Non-public Offering of the Company in 2012, with the sponsorship fee of RMB12 million.

VIII. Punitive actions against the Company, and its directors, supervisors and senior management personnel

During the reporting period, no instances of inspections, administrative penalties, banning of entry into the securities market, notice of criticism, identification as an inappropriate candidate or public censure was taken by securities regulatory authorities against the Company, and its directors, supervisors and senior management personnel, and no other penalties that materially affected the company's operations were incurred by the Company by other regulatory authorities.

IX. Description of other major issues

Establishment of CIB Fund Management Company and changes in scope of the consolidated statements: during the reporting period, the Company, together with China Shipping Investment Co., Ltd., jointly set up CIB Fund Management Co., Ltd. with registered capital of RMB500 million, of which, the Company contributed RMB450 million and China Shipping Investment Co., Ltd. contributed RMB50 million. Since the business registration formalities of CIB Fund Management Co., Ltd. were handled in April 2013, according to relevant provisions in the Accounting Standards for Business Enterprises, CIB Fund Management Co., Ltd. was included in the Company's consolidated financial statements in this period.

During the reporting period, Industrial Trust established a wholly-owned subsidiary China Industrial Asset Management Limited with registered capital of RMB100 million, and CIB Fund Management Company set up a wholly-owned subsidiary CIB Wealth Management Co., Ltd. with registered capital of RMB200 million, both of the two new subsidiaries were included in the Company's consolidated financial statements in this period.

I. Changes in shares during the reporting period

(I) Changes in shares

1. The statement of changes in shares

Unit: share

	Before the change		Changes during the reporting period			After the change	
	Number	Percentage (%)	Non-public offering	Bonus share	Sub-total	Number	Percentage (%)
I. Restricted shares							
1. State-owned shares	0	0	0	0	0	0	0
2. Shares held by state-owned legal entities	0	0	1,789,459,400	894,729,700	2,684,189,100	2,684,189,100	14.09
3. Shares held by other domestic investors	0	0	125,687,300	62,843,650	188,530,950	188,530,950	0.99
Incl: Shares held by domestic non-state-owned legal persons	0	0	125,687,300	62,843,650	188,530,950	188,530,950	0.99
Shares held by domestic natural persons	0	0	0	0	0	0	0
4. Shares held by foreign investor	0	0	0	0	0	0	0
Incl: Shares held by foreign legal persons	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0
Total	**0**	**0**	**1,915,146,700**	**957,573,350**	**2,872,720,050**	**2,872,720,050**	**15.08**
II. Unrestricted floating shares							
1. RMB ordinary shares	10,786,411,134	100	0	5,393,205,567	5,393,205,567	16,179,616,701	84.92
2. Domestically listed foreign shares	0	0	0	0	0	0	0
3. Overseas listed foreign shares	0	0	0	0	0	0	0
4. Others	0	0	0	0	0	0	0
Total	**10,786,411,134**	**100**	**0**	**5,393,205,567**	**5,393,205,567**	**16,179,616,701**	**84.92**
III. Total shares	**10,786,411,134**	**100**	**1,915,146,700**	**6,350,778,917**	**8,265,925,617**	**19,052,336,751**	**100**

2. Upon approval by CSRC, works relating to collection of the payment for subscription for the Non-public Offering of A-shares of the Company as well as capital verification were finished on December 31, 2012 and the total share capital of the Company changed to RMB12,701,557,834. The procedures and formalities for custodian and registration of the newly offered shares were completed on January 7, 2013. Data in the column “Before the change” above were data before the Non-public Offering.

According to the annual profit distribution plan 2012 approved by the general meeting in 2012, based on the total shares of 12,701,557,834, the Company distributed 5 bonus shares and cash dividend of RMB5.7 for every 10 shares (tax included) to all registered shareholders as of the equity registration date (July 2, 2013) with total shares changing into 19,052,336,751, increasing by 6,350,778,917 shares. The newly increased unrestricted floating shares were circulated in the market on July 4, 2013.

3. Impact of changes in shares on such financial indicators as earnings per share and net assets per share for the latest year and the latest reporting period

Works relating to collection of the payment for subscription for the non-publicly offered shares of the Company as well as capital verification were completed on December 31, 2012. After the offering expenses were deducted, the net amount of the actual proceeds raised reached RMB23.532 billion, of which, the amount equal to RMB1,915,146,700 was recorded in equity and the remaining was in capital reserve. At the end of 2012, net assets in net assets per share attributable to the shareholders of the parent company included the proceeds raised via the Non-public Offering and the total share capital stood for share capital after the Non-public Offering. In accordance with the No. 9 Rule for the Preparation and Reporting of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010) issued by CSRC, the said share capital and proceeds raised in December 2012 would be included in the calculation of the basic EPS and average weighted ROE from January 2013.

The Company implemented the profit distribution plan of distributing 5 bonus shares for every 10 shares to all shareholders in July 2013 with the total shares increasing to 19,052,336,751, and the EPS indicators in 2012, 2011 and each comparison period had been recalculated as per the new share capital after issuance of bonus shares according to the No. 9 Rule for the Preparation and Reporting of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010) issued by CSRC. The net assets per share attributable to the shareholders of the parent company at the beginning of the period were not adjusted as per the new share capital after issuance of bonus shares.

(II) Changes in restricted shares

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of shares released from restrictions	Number of restricted shares increased in the period	Number of restricted shares with at the end of the period	Reasons of restrictions	Date of release from restrictions
The People's Insurance Company (Group) of China Limited	0	0	174,651,600	174,651,600	Undertakings on the lock-up period of non-public offering	January 7, 2016
PICC Property and Casualty Company Limited-traditional-common insurance product -008C-CT001 Hu	0	0	948,000,000	948,000,000		
PICC Life Insurance Company Limited-participating-personal insurance (participating)	0	0	474,000,000	474,000,000		
PICC Life Insurance Company Limited-universal-personal insurance (universal)	0	0	474,000,000	474,000,000		
China National Tobacco Corporation	0	0	613,537,500	613,537,500		
Shanghai Zheng Yang International Business Co., Ltd.	0	0	188,530,950	188,530,950		
Total	**0**	**0**	**2,872,720,050**	**2,872,720,050**	-	-

Note: The aforesaid restricted shares were non-publicly offered shares by the Company in 2012 and the procedures and formalities for registration and custodian of the non-publicly offered shares were handled with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited in January 7, 2013. These shares could not be transferred within 36 months from the date when the offering was completed, except otherwise required by the competent regulators on the lock-up period.

II. Issuance and listing of securities

(I) Issuance of securities in the past three years

Type	Issue date	Issue price (RMB)	Issue quantity (share)	Listing date	Approved volume of listing (share)	Expiry date of transaction
RMB ordinary shares	December 31, 2012	12.36	1,915,146,700	January 7, 2016	2,872,720,050	N/A

Note: 1,915,146,700 shares were issued at the Non-public Offering in 2012 and the Company's total shares increased to 2,872,720,050 after implementing the annual profit distribution plan of distributing 5 bonus shares for every 10 shares.

(II) Changes in total shares, shareholders structure and structure of assets and liabilities

After the Non-public Offering in 2012, the Company's total shares increased to 12,701,557,834 shares. In July 2013, the Company implemented the profit distribution plan of distributing 5 bonus shares for every 10 shares to all shareholders and the total shares further increased to 19,052,336,751. As at the end of the reporting period, the shareholders' equity attributable to the shareholders of the parent company reached RMB199.769 billion, up 17.80% from the beginning of the period.

(III) The Company had no employee stocks.

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 277,748 shareholder accounts, and 296,876 shareholders accounts at the end of the fifth trading day prior to the release of this annual report.

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Type of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares
Finance Bureau of Fujian Province	State authority	1,134,057,923	3,402,173,769	17.86	0	N/A
Hang Seng Bank Limited	Overseas legal person	690,217,200	2,070,651,600	10.87	0	N/A
PICC Property and Casualty Company Limited - traditional - common insurance product - 008C - CT001 Hu	State-owned legal person	948,000,000	948,000,000	4.98	948,000,000	N/A
China National Tobacco Corporation	State-owned legal person	613,537,500	613,537,500	3.22	613,537,500	N/A
PICC Life Insurance Company Limited - participating-personal insurance (participating)	State-owned legal person	474,000,000	474,000,000	2.49	474,000,000	N/A
PICC Life Insurance Company Limited - universal - personal insurance (universal)	State-owned legal person	474,000,000	474,000,000	2.49	474,000,000	N/A
Fujian Tobacco Haisheng Investment Management Co., Ltd.	State-owned legal person	147,168,000	441,504,000	2.32	0	N/A
Tetrad Ventures Pte Ltd.	Overseas legal person	-46,674,800	248,054,400	1.30	0	N/A
China Tobacco Hunan Investment Management Co., Ltd.	State-owned legal person	226,800,000	226,800,000	1.19	0	N/A
Longyan Municipal Bureau of Finance, Fujian Province	State authority	67,436,350	218,636,350	1.15	0	94,500,000 (pledged)

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. and China Tobacco Hunan Investment Management Co., Ltd. were subsidiaries of China National Tobacco Corporation.

(III) Shareholdings of the top ten shareholders of unrestricted shares

Unit: share

Name of shareholders	Number of unrestricted shares	Percentage in total share capital (%)	Type of shares
Finance Bureau of Fujian Province	3,402,173,769	17.86	RMB ordinary shares
Hang Seng Bank Limited	2,070,651,600	10.87	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.32	RMB ordinary shares
Tetrad Ventures Pte Ltd.	248,054,400	1.30	RMB ordinary shares
China Tobacco Hunan Investment Management Co., Ltd.	226,800,000	1.19	RMB ordinary shares
Longyan Municipal Bureau of Finance, Fujian Province	218,636,350	1.15	RMB ordinary shares
Inner Mongolia Xishui Venture Co., Ltd.	132,973,103	0.70	RMB ordinary shares
International Finance Corporation	131,003,754	0.69	RMB ordinary shares
Zhejiang Southeast Electric Power Company Limited	118,260,000	0.62	RMB ordinary shares
China Life Insurance Company Limited -participating-personal insurance (participating)- 005L- FH002 Hu	108,344,894	0.57	RMB ordinary shares

Note: Fujian Tobacco Haisheng Investment Management Co., Ltd. and China Tobacco Hunan Investment Management Co., Ltd. were subsidiaries of China National Tobacco Corporation.

(IV) Number and conditions of restricted shares held by shareholders

Unit: share

Name of shareholders holding restricted shares	Number of restricted shares	Listing and trading of restricted shares		Restriction conditions
		Time for listing and trading	Number of additional shares available for listing and trading	
The People's Insurance Company (Group) of China Limited	174,651,600	January 7, 2016	174,651,600	Not transferable within 36 months from the day when the offering was finished (except otherwise required by the competent regulators on the lock-up period)
PICC Property and Casualty Company Limited-traditional-common insurance product-008C-CT001 Hu	948,000,000		948,000,000	
PICC Life Insurance Company Limited-participating-personal insurance (participating)	474,000,000		474,000,000	
PICC Life Insurance Company Limited-universal-personal insurance (universal)	474,000,000		474,000,000	
China National Tobacco Corporation	613,537,500		613,537,500	Not transferable within 36 months from the day when the offering was finished
Shanghai Zheng Yang International Business Co., Ltd.	188,530,950		188,530,950	
Description for related relationship or acting in concert of shareholders	PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited.			

(V) The Company has no controlling shareholder or actual controller and its largest shareholder is the Finance Bureau of Fujian Province. Shareholders holding over 10% of the Company's shares are as follows:

1. The Finance Bureau of Fujian Province is a legal person of government unit. Its legal representative is Chen Xiaoping and the address is 5 Zhongshan Road, Fuzhou. It is the largest shareholder of the Company, holding 17.86% of the Company's shares.

2. Hang Seng Bank Limited was established in 1933 and now it is one of the largest listed banks by market capitalization in Hong Kong. Its legal representative is Rose Lee; the registered capital is HKD 9.56 billion; and the legal address is 83 Des Voeux Road, Central, Hong Kong. Hang Seng Bank is one of the major members of the HSBC Group, which indirectly held 62.14% stake in Hang Seng Bank through its holding subsidiaries. In May 2007, Hang Seng Bank established Hang Seng Bank (China) Limited, its wholly-owned subsidiary, in the mainland China.

3. The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited: the People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 10.87% of the Company's shares, and PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited.

The People's Insurance Company (Group) of China Limited is a comprehensive insurance (financial) company (organizational code: 10002373-6), incorporated in 1996. Its precedent was the People's Insurance Company of China established in 1949 upon approval of the Government Administration Council of China. As at the end of the reporting period, it had registered capital of RMB42.424 billion, whose legal representative was Wu Yan and registered office was in Beijing. Its business includes: investment in and holding of shares of listed companies, insurance institutions and other financial institutions; and supervision and management of domestic and overseas businesses of its holding ventures. It was listed on the Hong Kong Stock Exchange in December 2012.

PICC Property and Casualty Company Limited (organizational code: 71093148-3) was established in 2003 and listed on the Hong Kong Stock Exchange in the same year. It has registered capital of RMB13.604 billion, whose legal representative is Wu Yan and registered office is in Chaoyang District, Beijing. Its business covers all types of property insurance, including motor vehicle, property, marine, credit, accident, energy, aerospace and agricultural insurances. Now, it is the largest property insurance company in China.

PICC Life Insurance Company Limited (organizational code: 71093370-2) is a national life insurance company. Established in 2005, it has registered capital of RMB25.761 billion, whose legal representative is Wu Yan and registered office is in Haidian District, Beijing. Its business includes: life insurance, health insurance, accident insurance, personal reinsurance and investment.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

I. Directors, supervisors and senior management members

(I) General information

Name	Title	Gender	Date of Birth	Tenure	Total remuneration from the Company during the reporting period (pretax) (in RMB ten thousand)
Gao Jianping	Chairman of the board of directors	Male	1959.07	2013.10.15-2016.10.14	361.5
Liao Shizhong	Director	Male	1962.10	2013.10.15-2016.10.14	0
Andrew H C Fung	Director	Male	1957.07	2013.10.15-2016.10.14	0
Li Liangwen	Director	Male	1951.10	2013.12.24-2016.10.14	0
Zhang Yuxia	Director	Female	1955.06	2013.12.24-2016.10.14	0
Chua Phuay Hee	Director	Male	1953.09	2013.10.15-2016.10.14	0
Li Renjie	Director and president	Male	1955.03	2013.10.15-2016.10.14	350.8
Jiang Yunming	Director and vice president	Male	1965.10	2013.12.24-2016.10.14	278.5
Lin Zhangyi	Director and vice president	Male	1971.09	2013.12.24-2016.10.14	278.1
Tang Bin	Director and board secretary	Male	1957.02	2013.10.15-2016.10.14	263.4
Deng Ruilin	Independent director	Male	1949.06	2013.12.24-2016.10.14	7.5
Li Ruoshan	Independent director	Male	1949.02	2013.10.15-2016.10.14	30
Zhang Jie	Independent director	Male	1965.03	2013.12.24-（see note 4）	7
Zhou Qinye	Independent director	Male	1952.01	2013.10.15-2016.10.14	30
Paul M. Theil	Independent director	Male	1953.05	2013.12.24-2016.10.14	7.5
Kang Yukun	Chairman of the board of supervisors	Male	1954.05	2013.10.15-2016.10.14	330.0
Xu Chiyun	Supervisor	Female	1968.08	2013.10.15-2016.10.14	0
Yan Jie	Supervisor	Male	1980.06	2013.10.15-2016.10.14	0
Li Li	Supervisor	Female	1969.02	2013.10.15-2016.10.14	0
Li Jian	Supervisor	Male	1956.09	2013.10.15-2016.10.14	365.2
Lai Furong	Supervisor	Male	1968.10	2013.10.15-2016.10.14	330.3
Wang Guogang	External supervisor	Male	1955.11	2013.10.15-2016.10.14	24
Xu Bin	External supervisor	Male	1944.09	2013.10.15-2016.10.14	28
Zhou Yeliang	External supervisor	Male	1949.06	2013.10.15-2016.10.14	24
Chen Dekang	Vice president	Male	1954.09	2013.10.15-2016.10.14	305.6
Chen Jinguang	Vice president	Male	1961.11	2013.10.15-2016.10.14	269.5
Xue Hefeng	Vice president	Male	1969.03	2013.10.15-2016.10.14	270.1

Name	Title	Gender	Date of Birth	Tenure	Total remuneration from the Company during the reporting period (pretax) (in RMB ten thousand)
Li Weimin	Vice president	Male	1967.11	2013.10.15-2016.10.14	270.2
Lu Xiaodong	Director	Male	1964.09	2010.12.30-2013.10.15	0
Wu Shinong	Independent director	Male	1956.12	2010.12.06-2013.10.15	22.5
Lim Peng Khoon	Independent director	Male	1949.08	2010.10.28-2013.10.15	21
Wu Xiaohui	Supervisor	Female	1961.01	2010.10.28-2013.10.15	0
Xu Guoping	Supervisor	Male	1968.01	2010.10.28-2013.10.15	0
Li Zhaoming	Supervisor	Male	1968.07	2010.10.28-2013.10.15	0
Zhou Yuhan	Supervisor	Female	1968.10	2010.10.28-2013.10.15	0
Tu Baogui	Supervisor	Male	1953.01	2010.10.28-2013.10.15	115.5

Note: 1. The total remuneration for directors, supervisors and senior management members who held full-time positions in the Company during the reporting period has included the annual risk fund, of which, the amount for Gao Jianping (chairman) was RMB1.116 million, RMB1.082 million for Li Renjie (director and president), RMB1.064 million for Kang Yukun (chairman of the board of supervisors), RMB0.98 million for Chen Dekang (vice president), RMB0.881 million for Jiang Yunming (director and vice president), RMB0.881 million for Lin Zhangyi (director and vice president), RMB0.865 million for Chen Jinguang (vice president), RMB0.865 million for Xue Hefeng (vice president), RMB0.865 million for Li Weimin (vice president) and RMB0.8215 million for Tang Bin (director and board secretary). In accordance with the Measures on Evaluation and Disbursement related to Risk Fund for Senior Management Members, the risk fund should be disbursed in three years following evaluation.

The total remuneration for Xu Bin included the remuneration for his serving as independent director of the seventh board of directors during the reporting period.

During the reporting period, the actual remuneration paid for all directors, supervisors and senior management members totaled RMB39.902 million.

2. As at the end of the reporting period, neither any director, supervisor or senior management member of the Company held any share of the Company, nor there was any change in shareholding.

3. The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management members were as follows: the remuneration for directors, supervisors and senior management members were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Supervisors' Allowance, Measures of Industrial Bank for Performance Evaluation of Senior Management Members and Administrative Measures of Industrial Bank for Remuneration of Senior Management Members. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disbursed in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the compensation and assessment committee under the board of directors and then submitted to the board of directors for approval.

4. The board of directors received Mr. Zhang Jie's written resignation as independent director on February 25, 2014. According to requirements in the Opinions on Issues Concerning Further Regulating Part-time Position (Post) Taken by Party and Government Leading Cadres in Enterprises (Zhong Zu Fa [2013] No. 18) of the Organizing Department of the Central Committee of the CPC, Mr. Zhang Jie resigned from the post as independent director, member of the nomination committee and member of the remuneration & evaluation committee of the board of directors of the Company. In light of relevant stipulations in the Guiding Opinions on Establishment of Independent Director Systems by Listed Companies of CSRC and the Articles of Association, this resignation will take effect after a new independent director is elected at the general meeting to cover the vacancy and qualifications of the new independent director are approved by relevant regulatory department.

(II) Positions held by directors and supervisors in shareholder companies

Name	Shareholder company	Title
Andrew H C Fung	Hang Seng Bank Limited	Executive director and head of Global Banking and Capital Markets
Li Liangwen	The People's Insurance Company (Group) of China Limited	Vice president and executive director
	PICC Life Insurance Company Limited	Deputy chairman and president
Zhang Yuxia	State Tobacco Monopoly Bureau/China National Tobacco Corporation	Chief accountant
Xu Chiyun	Longyan Municipal Bureau of Finance, Fujian Province	Section chief
Li Li	Shanghai Zheng Yang International Business Co., Ltd.	Chairman

(III) An outline of working experience of directors, supervisors and senior management members, and their appointments or concurrent appointments in organizations other than the Company or shareholder companies

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Gao Jianping	Bachelor degree, senior economist. He served previously as deputy general manager of the general office of Industrial Bank, director of the Industrial Bank's office in Fuzhou Economic and Technological Development Zone, general manager of the general office of Industrial Bank, head of Industrial Bank's Shanghai branch preparatory team, president of Industrial Bank's Shanghai branch, president assistant of Industrial Bank, vice president of Industrial Bank and president of Industrial Bank, secretary of communist party committee, chairman and president of Industrial Bank, and currently as secretary of communist party committee and chairman of Industrial Bank, and member of the National Committee of CPPCC.	Member of the 12th National Committee of the Chinese People's Political Consultative Conference
Liao Shizhong	Master degree, associate research fellow. He served previously as assistant research fellow, deputy director and associate research fellow of Scientific Research Division of Economics Institute of Fujian Provincial Academy of Social Sciences, deputy director and director of Fujian Provincial Institute for Fiscal Science Research, vice president and secretary-general of Fujian Provincial Society of Finance; and currently as vice president of Fujian Provincial Society of Finance.	Vice president of Fujian Provincial Society of Finance
Andrew H C Fung	University graduate. He served previously as managing director of global financial market of DBS Bank Ltd., deputy general manager and head of investment and insurance of Hang Seng Bank, general manager and head of investment and insurance of Hang Seng Bank, and currently as executive director and head of global banking and capital markets of Hang Seng Bank.	Director and general manager of Hang Seng Investment Management Ltd., director of Hang Seng Asset Management Pte Ltd., Hang Seng Bullion, Hang Seng Insurance, Hang Seng Investment, Hang Seng Life and Hang Seng Securities
Li Liangwen	Bachelor degree, senior economist. He served previously as deputy general manager, general manager of PICC Qinhuangdao Company, deputy general manager of China Insurance (UK) Company, deputy general manager of PICC Hebei Company, deputy general manager of China Life Insurance Hebei Company, general manager of Department of Actuarial of China Life Insurance, and vice president of China Life Insurance Co., Ltd.; and currently as vice president, executive director of The People's Insurance Company (Group) of China Limited, and deputy chairman and president of PICC Life Insurance Company Limited.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Zhang Yuxia	Bachelor degree, senior accountant. She served previously as section chief, deputy director and director of industry section II, Department of Industry, Transportation and Finance of Ministry of Finance, deputy director of Institution Service Center of Ministry of Finance, and chief of Department of Financial Management and Supervision (Department of Audit) of State Tobacco Monopoly Bureau; and currently as chief accountant of State Tobacco Monopoly Bureau/China National Tobacco Corporation.	Director of Bank of Communications
Chua Phuay Hee	Master degree. He served previously as director of insurance and statistics department, manager of human resources and administration department, director of securities business department of Monetary Authority of Singapore, general manager of investment and plan department, chief financial officer, chief risk officer of Keppel TatLee Bank of Singapore, and executive director of Singapore-based Wilmar International Limited; and currently as director of Singapore-based Temasek Life Sciences Laboratory Ltd.	Director of Singapore-based Temasek Life Sciences Laboratory Ltd
Li Renjie	Bachelor degree, senior economist. He served previously as director of planning division of Fujian branch of The People's Bank of China (PBOC), executive director of Hong Kong Jiang Nan Finance Ltd., chairman of Great Wall Securities Co., Ltd., head of preparatory team, president of Industrial Bank's Shenzhen branch, vice president of Industrial Bank; and currently as communist party committee member and president of Industrial Bank.	None
Jiang Yunming	PhD degree, senior economist. He served previously as deputy section chief of business section of securities business department, manager of issuance department of Industrial Bank, general manager assistant and manager of investment banking of Industrial Securities, deputy general manager of general office, general manager of board secretariat and deputy general manager of general office, general manager of general office of Industrial Bank, president of Industrial Bank Beijing branch; currently as party committee member and vice president of Industrial Bank.	None
Lin Zhangyi	University graduate, master degree, senior economist. He served previously as deputy section chief of general section of general office, deputy head of Fuqing sub-branch, Fuzhou branch of Industrial Bank, president assistant and manager of personnel & education department of Fuzhou branch, vice president of Fuzhou branch, vice president of Industrial Bank Shanghai branch, general manager of Industrial Bank general office; and currently as party committee member, vice president of Industrial Bank, and chairman of Industrial Bank Financial Leasing Co., Ltd.	Chairman of Industrial Bank Financial Leasing Co., Ltd.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Tang Bin	University graduate, master degree, senior economist. He served previously as deputy director of trade statistics department, deputy director of foreign trade statistics department of Fujian Provincial Statistics Bureau, deputy director of integrated planning department, director of distribution system department, system reform commission of Fujian Province, general manager of Industrial Bank general office, business department and corporate finance department of Industrial Bank, head of preparatory team of Industrial Bank Hangzhou branch, general manager of secretariat of Industrial Bank board of directors, board secretary and general manager of board office of Industrial Bank; and currently as board secretary of Industrial Bank.	None
Deng Ruilin	Master degree, senior economist. He served previously as deputy director, director of HR Department, PBOC Guizhou Branch, secretary of Party Group, president of PBOC Zunyi Branch, member of Party Group, member of Party Committee, vice president of PBOC Guizhou Branch and deputy director general of SAFE Guizhou Branch, member of Party Committee of PBOC Chengdu Branch, secretary of Party Group and special delegate of Guiyang Financial Regulation Office, preparatory group leader of CBRC Guizhou Supervision Bureau, director general and secretary of Party Committee of CBRC Guizhou Supervision Bureau, inspector of CBRC Guizhou Supervision Bureau, and member (member of the standing committee) of the 10th CPPC and deputy director of Economic Committee.	None
Li Ruoshan	PhD degree, professor, Chinese certified public accountant. He served previously as deputy dean of accounting department and vice president of school of economics, Xiamen University; dean of accounting department and finance department, and vice president of school of management of Fudan University; currently as MPACC academic dean, professor, PhD tutor, school of management, Fudan University.	MPACC academic dean, professor and PhD tutor of school of management, Fudan University, independent director of China Eastern Airlines and Xi'an Shangu Power Co., Ltd.
Zhang Jie	PhD degree, professor. He served previously as executive deputy director, associate professor, director and professor of department of finance of Shaanxi Institute of Finance and Economics, dean, professor and PhD tutor of School of Economics and Finance of Shaanxi Institute of Finance and Economics, deputy dean, professor, PhD tutor of School of Economics and Finance, director of Academic Committee and director of Financial Institution and Development Research Center of Xi'an Jiaotong University; and currently as deputy dean, professor, PhD tutor of School of Economics and Finance and director of Institute of International Monetary Research of Renmin University of China.	Deputy dean, professor, PhD tutor of School of Economics and Finance and director of Institute of International Monetary Research of Renmin University of China.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Zhou Qinye	Master degree, professor. He served previously as deputy dean of school of accountancy, Shanghai University of Finance and Economics, and deputy director of development research center, director of listing division, deputy general manager and then chief accountant of the Shanghai Stock Exchange.	PhD tutor of Fudan University, adjunct professor of Xiamen University and Shanghai University of Finance and Economics; independent director of Shanghai Pudong Development Bank, Saic Motor, Shanghai Jahwa United and China Coal; and director of Shanghai East-China Computer and Anxin Trust
Paul M. Theil	PhD degree. He served previously as first secretary, commercial counselor of the US Embassy in China and the executive director of Morgan Stanley; and currently as chairman of Shenzhen Zhong An Credit Venture Capital Co, Ltd.	Chairman of Shenzhen Zhong An Credit Venture Capital Co, Ltd., director of Guo An County Bank, independent director of Morgan Stanley Huaxin Fund Management Company Limited, legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd. and president of Small Loans Industry Association of Shenzhen
Kang Yukun	Bachelor degree, senior economist. He served previously as deputy manager of Industrial Bank's credit department, vice president (in charge of overall management) of Industrial Bank's Putian branch, vice president (in charge of overall management) and then president of Industrial Bank's Fuzhou branch and communist party committee member, director and vice president of Industrial Bank, and currently as communist party committee member and chairman of the board of supervisors of Industrial Bank.	None
Xu Chiyun	University graduate, senior accountant. She previously served as deputy section chief, principal section member of Longyan Municipal Bureau of Finance and deputy president of Accountants Society of Longyan, Fujian Province; and currently as section chief of Longyan Municipal Bureau of Finance, Fujian Province, and deputy secretary general of Finance, Accountants & Abacus Society of Longyan.	Deputy secretary general of Finance, Accountants & Abacus Society of Longyan and director of Longyan Huijin Assets Management Development Co., Ltd.
Yan Jie	Master degree. He served previously as manager of Inner Mongolia Yongfeng Investment Management Co., Ltd. and investment specialist of Zheng Yuan Investment Co., Ltd.; and currently as investment market director of Zheng Yuan Investment Co., Ltd.	Investment market director of Zheng Yuan Investment Co., Ltd.
Li Li	Master degree. She served previously as senior manager of head office off-shore banking department and inter-bank department of CMBC, vice president of America headquarters and Hong Kong branch of America-based PIMCO; and currently as chairman of Shanghai Zheng Yang International Business Co., Ltd.	Managing director of Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd., independent director of Sangon Biotech (Shanghai) Co., Ltd. and supervisor of ALL IN PAY Network Services Co., Ltd.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Li Jian	Master degree, senior accountant. He served previously as planning team leader, director assistant, deputy director of budget office, concurrently director of budget office, fiscal revenue inspection office and infrastructure construction office, director of enterprise office of Fujian Provincial Department of Finance; and currently as general manager of planning & finance department of Industrial Bank.	None
Lai Furong	Bachelor degree, senior accountant. He served previously as vice head and head of Jin'an sub-branch, Fuzhou branch of Industrial Bank, deputy general manager of finance and accounting department of Industrial Bank, vice president of Guangzhou branch of Industrial Bank, vice general manager of planning and financial department of Industrial Bank; and currently as general manager of audit department of Industrial Bank.	None
Wang Guogang	PhD degree, research fellow. He served previously as a teacher of Fujian Normal University, professor of international business school of Nanjing University, general manager of Jiangsu Xingda Securities Investment Service Co., Ltd., chairman of Jiangsu Xingda Certified Public Accountants Limited, vice president of China Huaxia Securities Co., Ltd., research fellow of Chinese Academy of Social Sciences; and currently as director of Financial Research Institute, Chinese Academy of Social Sciences.	Director of Financial Research Institute, Chinese Academy of Social Sciences
Xu Bin	PhD degree, senior economist. He served previously as director of PBOC Dandong municipal administration office of Liaoning Province, vice president of PBOC Dandong municipal branch, vice president of PBOC Liaoning Provincial branch, vice director of State Administration of Foreign Exchange, president and chairman of China Everbright Bank, vice chairman of China Everbright (Group) Corporation, vice chairman of Hong Kong China Everbright Group Corporation Limited, vice chairman of Hong Kong-listed China Everbright Holding Company Limited; and currently as director of Sun Life Everbright Life Insurance.	Director of Sun Life Everbright Life Insurance and independent director of China Industrial International Trust Limited
Zhou Yeliang	Bachelor degree. He served previously as deputy head of Nanping region sub-branch, vice president of Jianyang region branch, president of Nanping City branch, vice president of Fujian Provincial branch, head of Fuzhou central sub-branch, head of Hangzhou central sub-branch of PBOC; and currently as counselor of the People's Government of Zhejiang Province, president of Zhejiang Equity Investment Industry Association, distinguished senior fellow of Zhejiang University-Institute of Finance.	Counselor of the People's Government of Zhejiang Province, president of Zhejiang Equity Investment Industry Association, Zhejiang University-Institute of Finance distinguished senior fellow, and independent director of Industrial Trust

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Chen Dekang	Bachelor degree, senior economist. He served previously as vice president of Ningde branch, deputy general manager, general manager of business operation department, vice president (in charge of overall management), president of Xiamen branch of Industrial Bank, and currently as communist party committee member and vice president of Industrial Bank.	None
Chen Jinguang	College graduate, economist. He served previously as head of Pudong sub-branch of Shanghai branch, vice president of Shanghai branch, president of Ningbo branch, president of Chengdu branch and president of Beijing branch of Industrial Bank; and currently as party committee member and vice president of Industrial Bank.	None
Xue Hefeng	Bachelor degree. He served previously as deputy manager of operation department of Fuzhou branch, deputy head of Majiang office of Fuzhou branch, general manager of credit management department of Beijing branch and head of Chaowai sub-branch, general manager of risk management department of Beijing branch, president assistant and general manager of risk management department of Beijing branch, vice president of Beijing branch, and president of Shenzhen branch of Industrial Bank; and currently as party committee member and vice president of Industrial Bank.	None
Li Weimin	University graduate, master degree, senior economist. He served previously as deputy manager and then manager of operation department of Fuzhou branch, president assistant and manager of general office of Fuzhou branch, vice president of Fuzhou branch, vice president of Nanjing branch, president of Zhangzhou branch, president of Zhengzhou branch, and president of Fuzhou branch of Industrial Bank; and currently as party committee member and vice president of Industrial Bank.	None

(IV) Changes of directors, supervisors and senior management members during the reporting period

1. In the general meeting of the Company on October 15, 2013, Mr. Gao Jianping, Mr. Li Renjie, Mr. Jiang Yunming, Mr. Lin Zhangyi and Mr. Tang Bin were elected as executive directors of the eighth board of directors. Mr. Liao Shizhong, Mr. Andrew H C Fung, Mr. Li Liangwen, Ms. Zhang Yuxia and Mr. Chua Phuay Hee were elected as non-executive directors of the eighth board of directors. Mr. Deng Ruilin, Mr. Li Ruoshan, Mr. Zhang Jie, Mr. Zhou Qinye and Mr. Paul M.Theil were elected as independent non-executive directors of the eighth board of directors. Among them, the seven new directors Mr. Li Liangwen, Ms. Zhang Yuxia, Mr. Jiang Yunming, Mr. Lin Zhangyi, Mr. Deng Ruilin, Mr. Zhang Jie and Mr. Paul M.Theil took office after their qualifications for directorship were approved by CBRC Fujian Bureau on December 24, 2013. The term of office of the directors Mr. Lu Xiaodong, Ms. Xu Chiyun, Mr. Chen Dekang, Mr. Xu Bin, Mr. Wu Shinong and Mr. Lim Peng Khoon of the seventh board of directors expired.

2. Through election by the Company’s employees’ conference on October 14, 2013, Mr. Kang Yukun, Mr. Li Jian and Mr. Lai Furong were elected as employee representative supervisors of the sixth board of supervisors. The term of office of the employee representative supervisor Mr. Tu Baogui of the fifth board of supervisors expired.

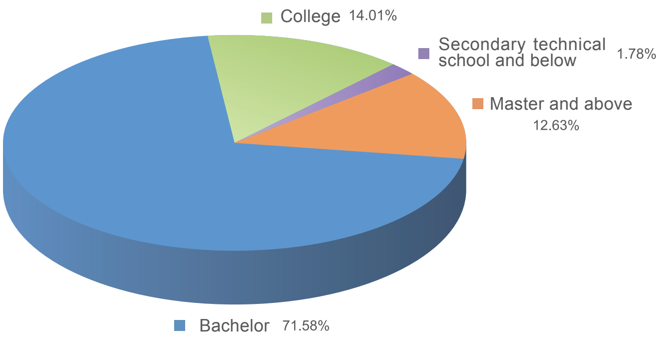
3. In the general meeting of the Company on October 15, 2013, Ms. Xu Chiyun, Mr. Yan Jie and Ms. Li Li were elected as shareholder supervisors of the sixth board of supervisors, and Mr. Wang Guogang, Mr. Xu Bin and Mr. Zhou Yeliang were elected as external supervisors of the sixth board of supervisors. The term of office of shareholder supervisors Ms. Wu Xiaohui, Mr. Xu Guoping, Mr. Li Zhaoming and Ms. Zhou Yuhan of the fifth board of supervisors expired.

II. Employees

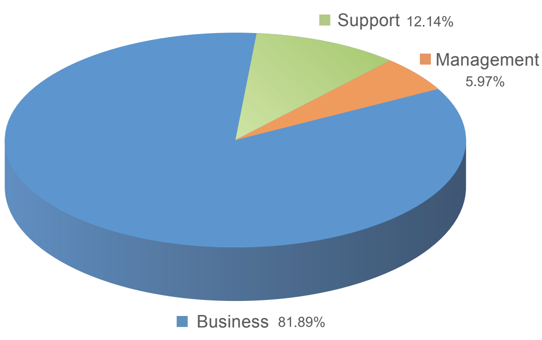
As at the end of the reporting period, particulars of employees of the Company were as follows:

Number of the incumbent staff of the parent company	47,290（incl. 14,156 dispatched employees）
Number of the incumbent staff of main subsidiaries	551（incl. 57 dispatched employees）
Total number of the incumbent staff	47,841
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	276
Education level	
Type of education	Number
Master and above	6,040
Bachelor	34,244
College	6,704
Secondary technical school and below	853
Total	**47,841**
Professional occupation	
Type of professional occupation	Number
Management	2,858
Business	39,177
Support	5,806
Total	**47,841**

Education level



Professional occupation



In remuneration management, the Company stuck to the principles of meeting the requirements of corporate governance, promoting the competitiveness and sustainable development of the Bank, adapting to the operating results and coordinating short and long-term incentives. While internal fairness and external competitiveness were emphasized, the remuneration management should contribute to the implementation of the Company's strategic objectives, support the demands of business development at different stages, and realize the attraction and retaining of key employees.

During the reporting period, following the ideas of "planning before implementation by stage and developing gradually while quickening up steps in certain areas", the Company formulated the Plans for the Creation of a New Training System (2012-2015). Through fully execution of the annual training plan, the Company established a sound training system covering employees at all levels with focus on different fields, which enabled employees to learn in more ways, access to more training resources, and improve their professionalism and comprehensive capabilities, hence better serving the strategy of the Company.

CORPORATE GOVERNANCE

1. Corporate governance overview

Over the last few years, the Company continued to strengthen corporate governance, while constructing and clarifying the objectives and direction of the board of directors and the board of supervisors. The Company continued to solidify the governing concept of sustainable development to shape scientific and democratic decision-making, established a research and training learning system for directors and supervisors, and created a sound corporate governance transmission mechanism.

During the reporting period, the board of directors and the board of supervisors fully performed their functions of making strategic decisions and supervision. It successfully accomplished the transition of the board of directors and the board of supervisors, worked out the operation plan for 2013, enhanced overall capital management, furthered group-oriented operation, boosted the reform to become more professional and earnestly fulfilled social responsibilities. Meanwhile, it also organized investigation for specific topics for directors and supervisors to enable them to gain a comprehensive understanding of the operation of the Company and improve their capacities of legally and professionally performing their duties and responsibilities. In addition, the Company further revised the Company's Articles of Association, the Rules of Procedures for General Meetings, the Rules of Procedures for Board of Directors, the Rules of Procedures for Board of Supervisors and working rules and systems of each committee of the board of directors and the board of supervisors. It also worked out the Data Governance Policy of Industrial Bank and the Internal Accountability Measures for Illegal Behaviors in Securities Transaction, amended the Measures for the Management of Business Continuity and the Administrative Measures of Persons with Inside Information and other basic systems, enhanced the management of archives concerning performance by directors and supervisors of their duties, and made corporate governance operated in a more standard way. Furthermore, the Company effectively implemented the feedback and transmission mechanism for major decisions of the board of directors and the board of supervisors, actually conveyed the spirits of meetings of the board of directors and the board of supervisors, and promoted a sound and sustainable development of the Company to safeguard the interests of all shareholders and stakeholders.

(I) Shareholders and general meetings

During the reporting period, the Company normalized the convening, holding, deliberation and voting procedures of general meetings in accordance with relevant laws and regulations, the articles of association of the Company and the provisions on the rules of procedures for general meetings, and safeguarded the lawful rights of shareholders. Meanwhile, the Company improved the channels it communicated with its shareholders, actively solicited opinions and suggestions from shareholders, and ensured that the rights of shareholders to be informed, participate in and vote on major issues of the Company were exercised according to laws.

The Finance Bureau of Fujian Province, which holds17.86% shares in the Company, is the largest shareholder of the Company. The Company is totally independent from its largest shareholder in all aspects, including asset, personnel, finance, institution and business. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested the Company to act as a guarantor for a third party in any way whatsoever.

(II) Directors and the board of directors

The board of directors of the Company consists of fifteen directors. By type, there are ten non-executive directors (including five independent non-executive directors) and five executive directors. By geography, there are twelve domestic directors and three overseas directors. There are five committees under the board of directors, namely, the strategy committee, the risk management committee, the audit and related party transaction control committee, the nomination committee and the remuneration and evaluation committee. Except for the strategy committee, the other four committees are all chaired by independent directors. By giving full play of their professional strengths, those committees review and discuss a number of important issues, and submit their opinions to the board of directors for consideration and approval, whereby the Company's corporate governance and operating efficiency have been improved effectively. During the reporting period, eight meetings of the board of directors were convened and the aforesaid committees held 20 meetings in total, at which 141 proposals were considered or heard. Through these meetings, the board of directors effectively played its role of decision-making in development of corporate strategies, determination of the business plan and enhancement of capital management and group-oriented operation, and the functions of its committees to give supports to such decision-making were also strengthened.

(III) Supervisors and the board of supervisors

The board of supervisors has nine supervisors, including three shareholder representatives, three employee representatives and three external supervisors. Two specialized committees have been set up under the board of supervisors, namely the supervision committee and the nomination, remuneration and evaluation committee. Both of the committees are headed by external supervisors. By attaching priority to the interests of shareholders and the Company as a whole, the board of supervisors fulfilled its supervision duties by carrying out specific investigations and audits, monitoring financial activities, risk management and internal control of the Company and supervising performance by the board of directors and senior management of their duties. During the reporting period, the Company held seven meetings of the board of supervisors (including two teleconferences), approving or hearing 28 proposals. The committees under the board of supervisors convened four meetings, at which, seven proposals were considered and approved.

(IV) Senior management

As at the end of the reporting period, the Company had seven senior management members, including one president and six vice presidents. Authorized by laws and regulations, the articles of association and the board of directors, the president took responsibilities for guiding overall operation and management of the Company, implementing resolutions approved by the general meeting and the board of directors, and formulating annual business plans, investment plans, annual financial budgets and final accounts, profit distribution plans, basic management rules and regulations.

Under the senior management, there were several committees, namely, the franchise management committee, the asset and liability management committee, the risk management committee, the credit approval committee, the internal control committee, the credit accountability committee, the major purchases committee, the business continuity management committee, the internal accountability committee and the community bank committee.

(V) Related party transactions

During the reporting period, the Company enhanced management of related party transactions. In light of the regulatory provisions of the Ministry of Finance, CBRC, CSRC and Shanghai Stock Exchange, the Articles of Association, the Administrative Measures of Industrial Bank Co., Ltd. for Related Party Transactions and the Implementation Rules of Industrial Bank Co., Ltd. for Management of Related Party Transactions, organs at all levels including the general meeting, the board of directors, the senior management and related departments of head office and branches strictly conducted review, examination, approval and management of related party transactions as well as the monitoring and management of approved quotas according to their functions respectively, disclosed the information of related party transactions in a timely manner and the board of supervisors made supervision over such practices. The principles of "fairness, openness and valuable consideration" were followed in all related party transactions between the Company and related parties, with fair and reasonable transaction terms and fair price not superior to similar transactions with un-related parties, and therefore, the benefits of the Company and shareholders were effectively safeguarded and relevant businesses enjoyed a standard and sustainable development.

(VI) Implementation of the management system to the persons with inside information

In addition to the existing information disclosure management system, the Company released the Administrative Measures of Persons with Inside Information pursuant to the requirements of CSRC and its Fujian Bureau, with a view to enhance the confidentiality management of inside information. By improving the procedures for internal circulation and external submission of material information, the Company strengthened management of filings and archives concerning insiders, urged and asked major shareholders to follow the regulatory provisions on inside information so as to prevent or eliminate illegal acts including insider trading and ensure equality in information disclosure. Meanwhile, the Company specially set up a column for prevention of insider trading on its website, where it posted the telephone number to encourage external supervision over insider trading. During the reporting period, the Company fully carried out the information disclosure system, registering and submitting information about insiders to the competent securities regulator in a timely manner, and there was no instance occurred that the insiders traded the stocks by taking advantage of insider information prior to the disclosure of substantial information.

During the reporting period, the Company's board of directors won the prize of "Best Board of Directors" in the Ninth "Gold Prize of Round Table" of Chinese Boards of Listed Company again after last time in 2010; and it ranked the "2013 Top 10 Boards of Directors of Chinese Mainboard Listed Companies" in the Sixth Best Board of Directors Appraisal among Chinese Listed Companies sponsored by Money Week. The Company also ranked No. 2 in the 2013 Top 100 Capital Brand Value released by China Center for Market Value Management (CCMVM). In the Eighth Asian 21st Century Annual Finance Summit, the Company ranked No.7 in terms of bank competitiveness and topped China's joint-stock banks. In addition, it also won the prize of "Asian Bank Offering the Greatest Returns to Shareholders 2013".

II. Brief introduction to general meetings

Term	Date	Name of proposals	Resolution	Index of the website designated for publication of resolution	Date of disclosure for publishing resolution
Annual general meeting 2012	May 21, 2013	The Annual Work Report of the Board of Directors 2012; the Annual Work Report of the Board of Supervisors 2012; the Annual Appraisal Report on Duty Performance of Directors 2012; the Annual Appraisal Report on Duty Performance of Supervisors 2012; the Annual Appraisal Report by the Board of Supervisors on the Duty Performance of Directors and Senior Management Members 2012; the Report on Final Financial Accounts 2012 & Financial Budget Plan 2013; the Annual Profit Distribution Plan 2012; the Proposal on Employment of Accounting Firms for 2013; and the Annual Report and Abstract 2012.	Adopted	Websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Company (www.cib.com.cn)	May 22, 2013
First extraordinary general meeting 2013	October 15, 2013	The Proposal on Election of Directors for the Eighth Board of Directors; the Proposal on Election of Shareholder Supervisors and External Supervisors for the Sixth Board of Supervisors; the Proposal on Amendment of Articles of Association; the Proposal on Amendment of the Rules of Procedures for Board of Supervisors; and the Proposal on Offering of Write-down Qualified Tier Two Capital Bonds.	Adopted		October 16, 2013

III. Performance by directors of their duties

During the reporting period, the Company held eight meetings of the board of directors, including five onsite meetings and three teleconferences. Specifically, attendances to the meetings of the board of directors and to the general meetings by directors were as follows:

Name	As an inde-pendent director	Attendance to meetings of the board of directors						Attendance to meetings of the shareholders
		Expected attendance	Attendance in person	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for consecutive twice	Attendance
Gao Jianping	No	8	8	0	0	0	No	2
Liao Shizhong	No	8	8	0	0	0	No	2
Andrew H C Fung	No	8	5	0	3	0	No	1
Li Liangwen	No	3	3	0	0	0	No	1
Zhang Yuxia	No	3	2	0	1	0	No	1
Chua Phuay Hee	No	8	7	0	1	0	No	1
Li Renjie	No	8	8	0	0	0	No	2
Jiang Yunming	No	3	3	0	0	0	No	1
Lin Zhangyi	No	3	3	0	0	0	No	2
Tang Bin	No	8	8	0	0	0	No	2
Deng Ruilin	Yes	3	3	0	0	0	No	1
Li Ruoshan	Yes	8	8	0	0	0	No	1
Zhang Jie	Yes	3	3	0	0	0	No	1
Zhou Qinye	Yes	8	7	0	1	0	No	1
Paul M. Theil	Yes	3	3	0	0	0	No	1
Lu Xiaodong	No	5	5	0	0	0	No	1
Xu Chiyun	No	5	5	0	0	0	No	2
Chen Dekang	No	5	5	0	0	0	No	1
Xu Bin	Yes	5	5	0	0	0	No	1
Wu Shinong	Yes	5	4	0	1	0	No	1
Lim Peng Khoon	Yes	5	5	0	0	0	No	0

During the reporting period, independent directors gave no objections to the issues of the Company.

IV. Important opinions and suggestions by the committees under the board of directors in performing their duties during the reporting period

(I) The strategy committee earnestly performed its duties and responsibilities prescribed in the articles of association and exercised its rights authorized by the board of directors. It considered and made decisions on relevant important issues, supervised and urged the senior management to carry out resolutions of the board of directors. To organize the transition of the board of directors, it proposed such fundamental principles as according to the law and routine, keeping continuous work and being efficient and pragmatic, ensuring the successful transition of the board of directors. To strengthen comprehensive capital management, it stressed on the operating orientation of returns on risk assets and boosted the deepened adjustment of business structure. Through overall planning and comprehensive operation, it was approved to establish CIB Fund Management Co., Ltd., and also increased capital to Industrial Trust, which was finished at the beginning of 2014, with the synergistic effect of group-oriented development gradually appearing. It reinforced the management on acquisition planning and use of fixed assets, worked out scientific acquisition budget and presented some potential risks in acquisition or construction of specific projects. To intensify the management of branches, it made overall planning on the positioning and management mode of physical outlets and intangible channels, gave scientific layout of outlets, accelerated the construction of community bank, and promoted to form a diversified channel operation structure with reasonable division of work, complementary advantages and consistent experience. By strengthening the allocation of cadres and management of authorization, it adapted to the demand for sustainable development and improved the operating quality and efficiency. It also suggested the Company should reasonably arrange the write-off of bad debts and transfer of assets, perfect relevant systems and control measures, standardize the disposal procedure and accurately calculate gains and losses, thus reinforcing the ability to resist risks. Besides, it supervised and checked the implementation of the resolutions of the board of directors and guided the senior management to effectively carry out management work, resulting in the coordinated growth between business scale and operation performance, and retaining relatively stable asset quality.

(II) By following changes of the macro-economic situation and regulatory policies and hot issues in the market, the risk management committee made a comprehensive and deep analysis on primary risks confronted by the Bank in operation and management, and provided its opinions and suggestions on risk management, thus effectively improving the Company's professionalization, control effectiveness and market sensitiveness in risk management, and ensuring its steady and compliant operation. In respect of credit risk management, it advised the Company to pay high attention to asset quality management and strengthen the perspectiveness in risk management. With respect to liquidity risk management, it requested the Company to improve relevant business operation and risk control systems and reinforce the management on maturity mismatch and concentration rate to guarantee liquidity safety. As to business continuity management, it recommended the Company to make business continuity management regular via system arrangement and resource support, and establish high efficient emergency mechanism. With respect to compliance risk management, it suggested the Company to pay attention to the legitimacy of business operation and ensure the compliance of relevant trading authorization and information disclosure. With respect to the implementation of the new capital accord, it requested the Company to attach importance to data governance, continuously reinforce the verification and analysis of computational results of the data model and constantly improve applicability and reliability of the model. With respect to risk management in key business area, for example, as to loans to government-backed investment units, it requested the Company to learn about the overall risk condition by means of dual-line management after loan and risk examination; as to credits granted to steel trading companies, it requested the Company to strictly check the authenticity and compliance of the purpose of the loans; and as to emerging businesses, it recommended the Company to further review the internal process and reinforce the operating standardization. The risk management committee also proposed many good suggestions to business development direction of the Bank in the future.

(III) The audit and related party transaction control committee performed its duties with due diligence in strengthening the independence of external audit, reinforcing the authenticity of the Company's financial statements, ensuring the reliability of internal audit and internal control as well as the effectiveness of related party transaction management, gave full play to its supervision and review function, and actively assisted the board of directors in making decisions. During the reporting period, the committee held a total of 5 meetings with the external audit accounting firm in different stages of audit, requiring external auditors to supervise the management to standardize relevant business operation in strict accordance with relevant latest regulatory requirements of CBRC, and focus on capital flow of steel trading companies, risks in loans to government-backed investment units, potential risks in emerging businesses, IT risks, and the independence, specialization and effectiveness of risk management after reform of business lines. Besides, it required external auditors to make full use of quantitative analysis means to specify audit evidences and improve quality of the management proposal so that the board of directors and management could know about the Bank's businesses through external auditors and improve its operation and management. During the review process of quarterly reports, semi-annual report and annual report, the committee earnestly performed its duties, ensured the authenticity and accuracy of financial statements and effective information disclosure, and provided many beneficial opinions and suggestions for the adjustment of business structure, the development of emerging businesses, the group-oriented operation and business compliance. With respect to related party transaction management, the committee required related party transaction management departments to strictly follow the principles of fairness, reasonableness and transparency, improve the uniform credit management and the identification and evaluation management of pricing not superior to that of an independent third party, and prudently manage related party transactions. In addition, the committee also required the internal audit department and the internal control department to further improve the accountability system, supervise the implementation and rectification. It also required the financial department to pay close attention to impacts of the changes of the macro-economic situation and regulatory policies on operating activities of the Company, and reasonably set annual financial budget indicators.

(IV) The nomination committee earnestly made preparations for the transition of the board of directors, considered and studied the Methods for Nomination and Election of Directors so as to guarantee the normal and orderly work of transition. It selected candidates for directors extensively in the aforesaid methods, carefully checked the qualifications of directors, the matching on age, specialty and job among directors, and built a professional board of directors adapting to development of the Company.

(V) Centering on the Company's development plan and annual business objectives, following the performance appraisal criteria and assessment procedure, the remuneration & evaluation committee made annual appraisal on duty performance of senior management members, proposed performance appraisal opinions to the senior management team and individual members, and formulated the 2012 Performance Salary Distribution Plan for Senior Management Members. The committee also put forward some constructive opinions for improving the remuneration and evaluation system of senior management members.

V. Description of risks discovered by the board of supervisors

During the reporting period, the board of supervisors made no objection to the issues under supervision during the reporting period.

VI. Description of independence of the Company from its largest shareholder

The Finance Bureau of Fujian Province, which holds 17.86% shares in the Company, is the largest shareholder of the Company. The Company is totally independent from its largest shareholder in all aspects, including asset, personnel, finance, institution and business. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested the Company to act as a guarantor for a third party in any way whatsoever.

VII. Examination and evaluation mechanism as well as establishment and implementation of the incentive system for senior management members during the reporting period

Senior management members were subject to the examination and assessment by the board of directors. The board of directors has formulated the Measures for Performance Evaluation of Senior Management Members and the Administrative Measures for Remuneration of Senior Management Members. By adopting optimal remuneration structures for senior management members and reasonable evaluation indicators and creating an evaluation mechanism that linked the remuneration with duties, risks and operating results, it motivated and constrained senior management members to work hard for the Company's benefits.

INTERNAL CONTROL

I. Statement of responsibility for internal control and building of internal control system

1. Statement of the board of directors of responsibility for internal control

The Company's internal control was for the purpose of ensuring the implementation of state laws, regulations and internal rules, ensuring the full implementation and realization of the Company's development strategies and business objectives, ensuring the effectiveness of the risk management system, guaranteeing the timeliness, authenticity and integrity of the Company's business records, financial information and other management information, and ensuring security of the Company's assets. On account of the inherent limitation of internal control, the board of directors could only provide reasonable guarantee for the aforesaid objectives.

It was the responsibility of the board of directors to build, perfect and effectively carry out internal control, evaluate its effectiveness and truthfully disclose the internal control evaluation report. The board of supervisors supervised the board of directors' establishment and implementation of internal control. The senior management organized and led the daily operation of the Company's internal control.

2. Basis for building internal control over financial statements

During the reporting period, the Company built and perfected its internal control system over financial statements by following the Basic Internal Control Norms for Enterprises issued by the five ministries and commissions including the Ministry of Finance and supporting guidelines, according to relevant provisions in the Guidelines for Internal Control of Commercial Banks of CBRC and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, based on requirements in the Basic Internal Control System of Industrial Bank Co., Ltd., and centering on the Company's internal control objectives.

3. Building of internal control system

Sticking to the principles of "comprehensiveness, prudence, effectiveness and independence", the Company continued to improve the building of internal control mechanism in terms of internal control environment, risk identification and evaluation, internal control activities, information exchange and feedback, supervision, evaluation and correction, and etc., with internal control running through the whole process of decision-making, execution, supervision and feedback, and covering all kinds of businesses and matters of the Company and its subsidiaries.

In respect of building internal control system, starting from implementing compliant operation and strengthening execution of management and control, according to the laws and regulations, internal and external management requirements, the Company promoted the system management and effectively prevented risks from the sources. During the reporting period, based on the demands for business lines reform and business innovation, the Company continuously propelled the system construction and restructuring, and constantly improved the working mechanism of system management. It completed the daily review of legal compliance of systems, continued to examine and sort systems, carried out evaluation after system and facilitated the transmission and linkage of system management between the Head Office and branches. The Company also reinforced the supervision and evaluation over system execution to guarantee standard business process and orderly operation management.

In respect of self-assessment of internal control, the Company paid close attention to the self-assessment of works concerning internal control. On the basis of daily supervision and special supervision over internal control, it also organized functional departments and branches to make self-assessment on the effectiveness of design and operation of the internal control. During the reporting period, the management formed an internal control evaluation system construction work group with leaders of the Head Office and directors of primary departments as the leading group members, to make decision, guide and coordinate major issues relevant to the implementation of self-assessment. The self-assessment of internal control by the management run through the three levels of the Head Office, branches and sub-branches. Firstly, based on the principle of materiality, it clarified the scope of annual self-assessment of internal control, identified the risk points and control points in relevant businesses and management process, formed key points of self-assessment, and distributed to organizations at all levels for implementation; secondly, at the enterprise level, process level and information technology level, the Company tested and evaluated the effectiveness of internal control in relevant areas with such methods and tools as questionnaire, seminar, walk-through test and control test, and etc., paid high attention to defects found during the evaluation, worked out rectification plan and implemented it in a timely manner; thirdly, the legal & compliance department followed up the organization and implementation of self-assessment of internal control by each unit, grasped the Company's compliance management situation of internal control, and issued the self-assessment report of internal control of the management; and fourthly, on the basis of self-assessment of the management, the audit department continuously supervised the implementation of various internal control measures, finished the Company's annual self-assessment report of internal control, submitted to the board of directors for review, and then disclosed to the public.

The Company laid stress on the culture of internal control compliance and operating risk prevention and control, consolidated the concept that internal control was everyone's responsibility, carried out the regulation orientation "guided by compliance" and "positive motivation", increased the weight of internal control compliance indexes, steadily promoted the management integration of compliance, internal control and operating risk, and perfected the internal control compliance management mechanism. The Company further standardized the working process of internal control inspection, intensified inspection and management from multiple dimensions, established evaluation mechanism after inspection, and continuously reinforced the monitoring and inspection efforts to high risk areas, key businesses, key posts and unusual transactions of employees. In addition, the Company kept close contact and communication with regulators and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the external auditor of the Company, strictly followed the provisions of the regulators with respect to establishment of an internal control system, and ensured coordination between self-assessment and external audit of internal control.

During the reporting period, no material deficiencies were detected in the mechanism or system of the Company's internal control in terms of completeness and reasonableness.

The Company's board of directors has produced a self-assessment report of internal control. Please refer to the website of Shanghai Stock Exchange for details.

II. Description of the internal control audit report

The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP in auditing the effectiveness of its internal control with regard to the Company's financial report, and the latter held that the Company maintained an effective internal control regarding the financial report in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2013.

III. Description of the accountability system regarding material errors in the annual report as well as its implementation

The Company continuously enhanced its management of regular reports disclosure to ensure the truthfulness, accuracy and completeness of the information disclosed. The contents of regular reports were constantly enriched and the quality of information disclosure was improved. By releasing the Measures for Accountability for Material Errors in Annual Report, the Company urged the relevant personnel to exercise diligence and fully discharge their obligations in information disclosure and comply with the relevant laws and regulations, accounting standards and disclosure norms, so as to ensure that the financial report gives a true and fair view of the Company's financial position and operating results and to prevent any significant errors or omissions in disclosure of information in the annual report. During the reporting period, there was no material accounting error or omission, or revision of result forecast.

FINANCIAL STATEMENTS

The Company's financial statements 2012 has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Tao Jian and Shen Xiaohong, who have issued a standard and unqualified auditor's report. For full text of the financial statements, please refer to the appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

I. Financial statements bearing the signatures and seals of the Company's legal representative, president and financial department director.

II. Original auditor's report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.

III. Original annual reports bearing the signature and seal of chairman of the Company.

IV. All the original documents and announcements publicized by the Company during the reporting period.

V. The articles of association of Industrial Bank Co., Ltd.

Chairman: Gao Jianping

Board of Directors of Industrial Bank Co., Ltd.

March 28, 2014

兴业银行股份有限公司
董事会

APPENDIX: FINANCIAL STATEMENTS AND AUDITOR'S REPORT

CONTENTS

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (14) No. P0628

[Translation]

To the Shareholders of Industrial Bank Co., Ltd.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank") and its subsidiaries (hereinafter collectively refered to as the "Group"), which comprise the Bank's and consolidated balance sheets as at 31 December 2013, and the Bank's and consolidated income statements, the Bank's and consolidated statements of changes in shareholders' equity and the Bank's and consolidated cash flow statements for the year ended, and the notes to the financial statements.

1.Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements. The responsibilities include: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary so enable that the financial statements are free from material misstatements, whether the material misstatements are due to fraud or error.

2.Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our auditing work. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants, planning and performing the audit to obtain reasonable assurance about the fact of whether the financial statements are free from material misstatement.

An audit includes performing audit procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected are depended on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. While making those risk assessments, Certified Public Accountants consider the internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3.Opinion

In our opinion, the financial statements of the Bank present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2013, and the Bank's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant
Tao Jian
Shen Xiaohong
28 March 2014

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

THE BANK'S AND CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	The Group		The Bank	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets					
Cash and balances with central bank	1	**422,871**	391,631	**422,683**	391,433
Due from banks and other financial institutions	2	**62,845**	164,642	**62,313**	164,633
Precious metals		**276**	4,976	**276**	4,976
Placements with banks and other financial institutions	3	**87,091**	214,812	**87,177**	214,812
Held-for-trading financial assets	4	**42,295**	21,540	**42,267**	21,540
Derivative financial assets	5	**6,414**	3,266	**6,414**	3,266
Financial assets held under resale agreements	6	**921,090**	792,797	**921,090**	792,797
Interest receivable	7	**23,249**	19,535	**23,146**	19,482
Loans and advances to customers	8	**1,320,682**	1,204,542	**1,320,682**	1,204,394
Available-for-sale financial assets	9	**263,681**	192,057	**261,104**	190,084
Held-to-maturity investments	10	**117,655**	69,199	**117,655**	69,199
Debt securities classified as receivables	11	**328,628**	111,360	**326,963**	110,178
Finance lease receivables	12	**46,094**	33,779	**-**	-
Long-term equity investments	13	**1,682**	1,494	**9,662**	7,532
Fixed assets	14	**7,276**	6,656	**7,234**	6,624
Construction in progress	15	**3,481**	2,731	**3,476**	2,731
Intangible assets		**530**	250	**517**	245
Goodwill	16	**446**	446	**-**	-
Deferred tax assets	17	**10,107**	4,936	**9,830**	4,796
Other assets	18	**11,042**	10,326	**5,146**	4,771
Total assets		**3,677,435**	**3,250,975**	**3,627,635**	**3,213,493**

AT 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	The Group		The Bank	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
Liabilities					
Due to banks and other financial institutions	20	**1,007,544**	894,436	**1,009,420**	895,490
Placements from banks and other financial institutions	21	**78,272**	88,389	**40,627**	57,679
Held-for-trading financial liabilities	22	**1,216**	-	**1,216**	-
Derivative financial liabilities	5	**6,864**	2,996	**6,864**	2,996
Financial assets sold under repurchase agreements	23	**81,781**	161,862	**78,656**	161,862
Due to customers	24	**2,170,345**	1,813,266	**2,170,345**	1,813,266
Employee benefits payable	25	**9,213**	7,435	**8,862**	7,243
Tax payable	26	**12,103**	9,556	**11,753**	9,309
Interest payable	27	**26,317**	18,895	**26,098**	18,629
Debt securities issued	28	**67,901**	68,969	**67,901**	68,969
Other liabilities	29	**14,708**	14,536	**9,215**	9,885
Total liabilities		**3,476,264**	**3,080,340**	**3,430,957**	**3,045,328**
Shareholders' equity					
Share capital	30	**19,052**	12,702	**19,052**	12,702
Capital reserve	31	**46,242**	50,021	**46,478**	50,244
Surplus reserve	32	**9,824**	6,648	**9,824**	6,648
General and regulatory reserve	33	**31,325**	28,923	**31,325**	28,923
Retained earnings	34	**93,326**	71,283	**89,999**	69,648
Equity attributable to equity holders of the Bank		**199,769**	169,577	**196,678**	168,165
Minority interests		**1,402**	1,058	**-**	-
Total shareholders' equity		**201,171**	**170,635**	**196,678**	**168,165**
Total liabilities and shareholders' equity		**3,677,435**	**3,250,975**	**3,627,635**	**3,213,493**

The accompanying notes form part of the financial statements.

The financial statements on pages 108 to 229 were signed by the following:

Gao Jianping	Li Renjie	Li Jian
Chairman of the Board Legal Representative	Director President Person in Charge of the Accounting Body	Financial Director

THE BANK'S AND CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	The Group		The Bank	
		2013	2012	2013	2012
1. Operating income		**109,287**	87,619	**105,330**	84,678
Net interest income	35	**85,845**	72,193	**84,157**	70,755
Interest income	35	**189,602**	155,755	**186,107**	153,005
Interest expense	35	**(103,757)**	(83,562)	**(101,950)**	(82,250)
Net fee and commission income	36	**23,762**	14,947	**21,644**	13,544
Fee and commission income	36	**24,736**	15,681	**22,620**	14,269
Fee and commission expense	36	**(974)**	(734)	**(976)**	(725)
Investment income (losses)	37	**22**	(346)	**(127)**	(445)
Including: income from investments in an associate		**248**	221	**240**	221
Gains (losses) from changes in fair values	38	**(1,142)**	339	**(1,142)**	339
Foreign exchange gains		**744**	439	**742**	439
Other operating income		**56**	47	**56**	46
2. Operating expenses		**(55,209)**	(41,551)	**(53,789)**	(40,504)
Business taxes and levies	39	**(7,831)**	(5,748)	**(7,620)**	(5,586)
General and administrative expenses	40	**(28,757)**	(22,877)	**(28,045)**	(22,405)
Impairment losses of assets	41	**(18,188)**	(12,382)	**(17,691)**	(11,969)
Other operating expenses		**(433)**	(544)	**(433)**	(544)
3. Operating profit		**54,078**	46,068	**51,541**	44,174
Add: Non-operating income	42	**313**	187	**196**	156
Less: Non-operating expenses	43	**(130)**	(62)	**(128)**	(60)
4. Profit before tax		**54,261**	46,193	**51,609**	44,270
Less: Income tax expenses	44	**(12,750)**	(11,266)	**(12,090)**	(10,782)
5. Net profit		**41,511**	34,927	**39,519**	33,488
Attributable to:					
Equity holders of the Bank		**41,211**	34,718	**39,519**	33,488
Minority interests		**300**	209	**-**	-
6. Earnings per share:					
Basic earnings per share (RMB Yuan)	45	**2.16**	2.15	**-**	-
Diluted earnings per share (RMB Yuan)	45	**2.16**	2.15	**-**	-
7. Other comprehensive income	46	**(3,785)**	176	**(3,766)**	162
8. Total comprehensive income		**37,726**	**35,103**	**35,753**	**33,650**
Attributable to:					
Equity holders of the Bank		**37,432**	34,890	**35,753**	33,650
Minority interests		**294**	213	**-**	-

THE BANK'S AND CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	The Group 2013	The Group 2012	The Bank 2013	The Bank 2012
Cash flows from operating activities:					
Net increase in due to customers and due to banks and other financial institutions		**470,187**	735,592	**471,009**	733,572
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**-**	56,073	**-**	45,693
Cash receipts from interest, fee and commission		**178,022**	151,429	**173,024**	147,877
Other cash receipts relating to operating activities		**2,950**	1,273	**2,372**	745
Sub-total of cash inflows from operating activities		**651,159**	**944,367**	**646,405**	**927,887**
Net increase in loans and advances to customers		**132,282**	247,225	**132,432**	247,276
Net increase in finance leases		**12,174**	11,759	**-**	-
Net increase in balances with central bank and due from banks and other financial institutions		**1,895**	142,983	**1,907**	143,007
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		**61,900**	308,288	**61,986**	308,288
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**90,198**	-	**100,258**	-
Cash payments to interest, fee and commission		**94,187**	76,607	**92,273**	75,332
Cash payments to and on behalf of employees		**15,526**	11,195	**15,223**	10,986
Cash payments of various types of taxes		**22,127**	15,172	**21,175**	14,503
Other cash payments relating to operating activities		**11,751**	14,437	**11,512**	14,244
Sub-total of cash outflows from operating activities		**442,040**	**827,666**	**436,766**	**813,636**
Net cash flow from operating activities	47	**209,119**	**116,701**	**209,639**	**114,251**
Cash flows from investing activities:					
Cash receipts from recovery of investments		**875,425**	784,940	**775,068**	698,473
Cash receipts from investment income		**32,186**	12,147	**31,811**	11,908
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**99**	368	**99**	368
Other cash receipts relating to investing activities		**2,287**	3	**2,287**	-
Sub-total of cash inflows from investing activities		**909,997**	**797,458**	**809,265**	**710,749**
Net cash payments to acquire investments		**1,230,147**	922,156	**1,128,646**	833,109
Cash payments for acquisitions of subsidiaries and other business units		**-**	-	**1,950**	-
Net cash payments to acquire fixed assets, intangible assets and other long-term assets		**4,144**	3,415	**3,958**	3,404
Other cash payments relating to investing activities		**1,060**	5	**1,060**	-
Sub-total of cash outflows from investing activities		**1,235,351**	**925,576**	**1,135,614**	**836,513**
Net cash flow from investing activities		**(325,354)**	**(128,118)**	**(326,349)**	**(125,764)**
Cash flows from financing activities:					
Cash receipts from capital contributions		**50**	23,672	**-**	23,672
Including: cash receipts from capital contributions from minority owners of subsidiary		**50**	-	**-**	-
Cash receipts from issue of bonds		**3,000**	-	**3,000**	-
Sub-total of cash inflows from financing activities		**3,050**	**23,672**	**3,000**	**23,672**
Cash repayments of borrowings		**4,080**	12,000	**4,080**	12,000
Cash payments for distribution of dividends or profits or settlement of interest expenses		**10,413**	7,718	**10,413**	7,631
Including: payments for distribution of dividends to minority owners of subsidiary		**-**	88	**-**	-
Other cash payments relating to financing activities		**139**	-	**139**	-
Sub-total of cash outflows from financing activities		**14,632**	**19,718**	**14,632**	**19,631**
Net cash flow from financing activities		**(11,582)**	**3,954**	**(11,632)**	**4,041**
Effect of foreign exchange rate changes on cash and cash equivalents		**(195)**	(49)	**(195)**	(49)
Net decrease in cash and cash equivalents	47	**(128,012)**	**(7,512)**	**(128,537)**	**(7,521)**
Add: Opening balance of cash and cash equivalents		**255,133**	262,645	**255,122**	262,643
Closing balance of cash and cash equivalents	47	**127,121**	**255,133**	**126,585**	**255,122**

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	Attributable to owners of the Bank					Minority interests	Total
		Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings		
As at 1 January 2013		12,702	50,021	6,648	28,923	71,283	1,058	170,635
Changes for the year								
(I) Net profit		-	-	-	-	41,211	300	41,511
(II) Other comprehensive income	46	-	(3,779)	-	-	-	(6)	(3,785)
Subtotal		**-**	**(3,779)**	**-**	**-**	**41,211**	**294**	**37,726**
(III) Capital contribution from owners		-	-	-	-	-	50	50
(IV) Profit distribution		6,350	-	3,176	2,402	(19,168)	-	(7,240)
1. Transfer to surplus reserve		-	-	3,176	-	(3,176)	-	-
2. Transfer to general and regulatory reserve		-	-	-	2,402	(2,402)	-	-
3. Distribution of dividends		6,350	-	-	-	(13,590)	-	(7,240)
As at 31 December 2013		**19,052**	**46,242**	**9,824**	**31,325**	**93,326**	**1,402**	**201,171**

FOR THE YEAR ENDED 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	Attributable to owners of the Bank					Minority interests	Total
		Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings		
As at 1 January 2012		10,786	28,296	5,913	13,787	56,427	869	116,078
Changes for the year								
(I) Net profit		-	-	-	-	34,718	209	34,927
(II)Other comprehensive income	46	-	172	-	-	-	4	176
Subtotal		**-**	**172**	**-**	**-**	**34,718**	**213**	**35,103**
(III) Capital contribution from owners		1,916	21,617	-	-	-	-	23,533
(IV) Profit distribution		-	-	735	15,136	(19,862)	(24)	(4,015)
1. Transfer to surplus reserve		-	-	735	-	(735)	-	-
2. Transfer to general and regulatory reserve		-	-	-	15,136	(15,136)	-	-
3. Distribution of dividends		-	-	-	-	(3,991)	-	(3,991)
4. Distribution of dividends to minority owners		-	-	-	-	-	(24)	(24)
(V) Others		-	(64)	-	-	-	-	(64)
As at 31 December 2012		**12,702**	**50,021**	**6,648**	**28,923**	**71,283**	**1,058**	**170,635**

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 1 January 2013		12,702	50,244	6,648	28,923	69,648	168,165
Changes for the year							
(I) Net profit		-	-	-	-	39,519	39,519
(II) Other comprehensive income	46	-	(3,766)	-	-	-	(3,766)
Subtotal		**-**	**(3,766)**	**-**	**-**	**39,519**	**35,753**
(III) Capital contribution from owners		-	-	-	-	-	-
(IV) Profit distribution		6,350	-	3,176	2,402	(19,168)	(7,240)
1. Transfer to surplus reserve		-	-	3,176	-	(3,176)	-
2. Transfer to general and regulatory reserve		-	-	-	2,402	(2,402)	-
3. Distribution of dividends		6,350	-	-	-	(13,590)	(7,240)
As at 31 December 2013		**19,052**	**46,478**	**9,824**	**31,325**	**89,999**	**196,678**

FOR THE YEAR ENDED 31 DECEMBER 2013 UNIT: RMB Million

	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 1 January 2012		10,786	28,465	5,913	13,787	56,022	114,973
Changes for the year							
(I) Net profit		-	-	-	-	33,488	33,488
(II) Other comprehensive income	46	-	162	-	-	-	162
Subtotal		**-**	**162**	**-**	**-**	**33,488**	**33,650**
(III) Capital contribution from owners		1,916	21,617	-	-	-	23,533
(IV) Profit distribution		-	-	735	15,136	(19,862)	(3,991)
1. Transfer to surplus reserve		-	-	735	-	(735)	-
2. Transfer to general and regulatory reserve		-	-	-	15,136	(15,136)	-
3. Distribution of dividends		-	-	-	-	(3,991)	(3,991)
As at 31 December 2012		**12,702**	**50,244**	**6,648**	**28,923**	**69,648**	**168,165**

The accompanying notes form part of the financial statements.

I. GENERAL INFORMATION

Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a joint-stock commercial bank approved by the People's Bank of China (the "PBOC"), with the document YF [1988] No. 347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank has obtained its license for carrying out financial activities from China Banking Regulatory Commission (the "CBRC") with the license number of No. B0013H135010001. The Bank's business license was approved by Fujian Provincial Administration of Industry and Commerce with the registration number of 350000100009440, the registered address is 154 Hudong Road, Fuzhou, Fujian Province. The legal representative of the Bank is Mr. Gao Jianping.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; settlement services; issuance of discounted bills and notes; issuing financial bonds; issue and encashment, underwriting and trading of government bonds; trading of government and financial bonds and debentures; underwriting and trading of securities except stock; asset management; inter-bank lending and borrowings; foreign exchange; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services and other banking activities approved by the CBRC.

The principal activities of the Bank's subsidiaries comprise financial leasing, operating leasing, trust services, fund raising and marketing, asset management for specific clients, asset management, equity investment, industrial investment, investment management and consulting; other banking activities approved by the CBRC as well as other businesses permitted by China Securities Regulatory Commission.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank and its subsidiaries (hereinafter referred to as "the Group") has adopted the Accounting Standards for Business Enterprises (the "ASBE") issued by the Ministry of Finance (the "MoF") on 15 February 2006.

In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15- General Provisions on Financial Reporting (Revised in 2010) and the relevant regulations released by the China Securities Regulatory Commission.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank's and consolidated financial position as of 31 December 2013, and the Bank's and consolidated results of operations and cash flows for the year then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

2. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Bank and its subsidiaries operate. Therefore, the Bank and its subsidiaries choose RMB as their functional currency. The Group adopts RMB to prepare its financial statements.

3. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. The Group has no business combination involving enterprises under common control in the reporting period.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is assessed based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale. The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

4. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Bank.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that exchange differences arising from changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

7. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

7.1 Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

7.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

7.3 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

7.3.1 Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss. The Group's financial assets at FVTPL are all financial assets held for trading.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term or repurchasing; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Financial assets held for trading are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

7.3.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

7.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include balances with central bank, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, interest receivables, loans and advances to customers, debt securities classified as receivables, finance lease receivables and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

7.3.4 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in interest income and investment gains, respectively.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

7.4 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

- Adverse changes in the payment status of borrower in the group of assets;

- Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

(7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(9) Other objective evidence indicating there is an impairment of a financial asset.

7.4.1 Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

7.4.2 Impairment of available-for-sale financial assets

Objective evidence that an available-for-sale financial asset is impaired includes significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group assesses each available-for-sale financial asset individually on balance sheet date, and recognizes 50%(including) decline or above in the fair value below its cost as significant, and 12-month or above decline below its cost as prolonged.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

7.4.3 Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

7.5 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

7.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

7.6.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition. All Financial liabilities at fair value through profit or loss of the Group are held-for trading financial liabilities.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

7.6.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities except those arising from financial guarantee contracts are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

7.6.3 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

7.7 Asset securitisation

The Group securitises a portion of financial assets by selling these assets to a special purpose trust, and the special purpose trust issues assets-backed securities to investors. The Group holds subordinated assets-backed securities which are not transferrable until the principal and interests of the preference assets-backed securities have been repaid. The Group acts as an asset service provider to provide services such as collection of the principal and interests of loans in asset pool, keep account records related to asset pool, and issue service reports. The trust property, after paying trust taxation and relevant fees, will be firstly used to repay the principal and interests of the preference assets-backed securities; after fully paid to the holders of the preference assets-backed securities, the remaining trust property is treated as property of subordinated assets-backed securities and attributable to the Group and other owners of subordinated assets-backed securities. Whether the Groups derecognises a financial asset partially or completely depends on the extent of retaintion of the risks and rewards of those assets transferred to the other entity.

When applying the accounting policy of securitisation of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Group:

- When the Group has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognise the relevant financial asset;

- When the Group has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the relevant financial asset;

- When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Group has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the transferred financial asset.

7.8 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

7.9 Derivatives and embedded derivatives

Derivative financial instruments include forward exchange contracts, currency swaps, interest rate swaps and foreign exchange options, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if 1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

7.10 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

7.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

8. Precious metal

Trading precious metal is initially measured at actual amountat acquisition, and subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

9. Long-term equity investments

9.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

9.2 Subsequent measurement and recognition of profit or loss

9.2.1 Long-term equity investment accounted for using the cost method

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

9.2.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.2.3 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

9.3 Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.4 Methods of impairment assessment and determining the provision for impairment loss

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

10. Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period(years)	Estimated Residual value rate(%)	Annual depreciation rate (%)
Buildings	20-30 years	0-3	3.23-5.00
Property improvement	the lower of improvement period and remaining useful life	0	
Equipment	3-10 years	0-3	10.00-33.33
Transportation vehicles	5-8 years	0-3	12.50-20.00

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

10.4 Other explanations

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

11. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset or a other asset when it is ready for intended use.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

12. Intangible assets

12.1 Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangle assets are recognised in profit or loss for the period in which it is incurred.

The acquired land use right is recognized as intangible assets. Expenses related to land use right and construction cost from buildings such as self-built factory, etc. are recognized as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related cost between land use right and buildings. If related cost can not be allocated reasonably, it is recognized as fixed assets.

When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and account for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If there is evidence the duration of associated economic benefits is predictable, then estimate the useful life and amortize the intangible assets.

12.2 Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

13. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

14. Assets transferred under repurchase agreements

14.1 Financial assets purchased under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date and price are not recognised in the balance sheet. The cost of purchasing such assets is presented under “financial assets purchased under resale agreements” in the balance sheet. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

14.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the balance sheet. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the balance sheet. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

15. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

16. Interest income and expense

Interest income and expense is carried at amortised cost of related financial assets and liabilities using the effective interest method, and recognized in profit or loss. If the difference between effective interest and contract interest is an insignificant amount, contract interest also can be applied.

17. Fee and commission income

Fee and commission income is recognized on accrual basis when providing related service.

18. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, except the capital from the government as the owner. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

For repayment of a government grant already recognised, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

19. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

19.1 Current income tax

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

19.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders equity, in which case they are recognised in other comprehensive income or in shareholders equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

20. Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fee and commission. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statements.

21. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. The net amount of financial lease receivables less unearned finance income is listed in “financial lease receivables” for presentation.

Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

22. Other significant accounting policies and accounting estimates

22.1 Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realisable value. The difference by which the net realisable value is lower than the carrying amount of the assets shall be provided for and recognized in the income statement for the current period.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to non-operating income or expense.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to taken into account if applicable.

22.2 Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

Except for statutory retirement benefit, the Group has set up a pension plan for employees to supplement the retirement benefit.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the Group has made at the balance sheet date.

1. Impairment losses on loans and advances to customers

The Group reviews its loan portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profi t or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, management uses estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data; however areas such as credit risk of the Bank and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3. Impairment of available-for-sale financial assets

The determination of whether an available-for-sale financial asset is impaired requires significant judgement. In making this judgement, the Group evaluates the duration and extent to which the fair value of an investment of equity instrument is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Classification of held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

5. Impairment of held-to-maturity investments and debt securities classified as receivables

The determination of whether a held-to-maturity financial asset or debt securities classified as receivables is impaired requires significant judgement. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments, etc. In making such judgement, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

6. Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

VI. TAXATION

1. Enterprise income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax is calculated and settled at the tax rate of 25%.

The deductible items of enterprise income tax are in accordance with the relevant regulations. Enterprise income tax is prepaid by branches and conducted annual filing by the head office.

2. Business tax

Business tax is calculated according to 5% of taxable revenue. Branches declare and pay the business tax to local tax bureau.

3. City maintenance and construction tax

City maintenance and construction tax is calculated according to 1% ~ 7% of business tax.

4. Education surcharge

Education surcharge is calculated according to 3% ~ 5% of business tax.

VII. SUBSIDIARIES AND CONSOLIDATION RANGE

Details of the Bank's principal subsidiaries are set out as follows:

Name of entity	Date of establishment	Place of establishment	Proportion of equity interest (%)	Principle activities	Authorised capital/ Paid-in capital	Proportion of voting power on the board of directors (%)
Industrrial Bank Financial Leasing Co., Ltd.(1)	2010	Tianjin	100.00	Financial Leasing	RMB 5,000 million	100.00
China Industrial International Trust Limited	2003	Fuzhou	73.00	Trust	RMB 2,576 million	73.00
Industrial Fund Management Co., Ltd.(2)	2013	Fuzhou	90.00	Fund management	RMB500 million	90.00
China Industrial Asset Management Limited (3)	2013	Shanghai	73.00	Assets management, equity investment, industrial investment, investment management and consulting	RMB100 million	73.00
Industrial Wealth Asset Management Co., Ltd.(3)	2013	Shanghai	90.00	Assets management	RMB200 million	90.00
Shanghai Yuansheng Investment Management Co., Ltd. (4)	2013	Shanghai	73.00	Assets management, industrial investment, investment management and consulting (except brokage)	RMB5 million	73.00

(1) On January 2013, the Bank capitalized RMB 1.5 billion at Industrial Bank Financial Leasing Co., Ltd, and the authorized capital of Industrial Bank Financial Leasing Co., Ltd reached to RMB 5 billion after that.

(2) The Bank received the notice of "China Banking Regulatory Commission approved Industrial Bank Co., Ltd. initiated the establishment of the fund management company" (YJF [2013] NO.105) from the CBRC on 5 March 2013, and the notice of "Approval of the establishment of Industrial Fund Management Co., Ltd." (ZJXK [2013] NO.288) from the the China Securities Regulatory Commission on 27 March, 2013. Upon the notices from the regulators, the Bank is officially to set up the Industrial Fund Management Co., Ltd. accordingly. Industrial Fund Management Co., Ltd, whose authorised capital was RMB 500 million yuan (the Bank invested RMB 450 million yuan), was co-sponsored with the China Shipping Group Investments Limited and the Bank, and was registered on 27 April, 2013. As at 31 December, 2013, the Bank held 90% of its shares.

(3) The companies are the subsidiaries of the Bank's controlled subsidiaries.

(4) The Company is the subsidiary of China Industrial Asset Management Limited.

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash	**6,442**	5,705	**6,442**	5,704
Statutory deposit reserves (1)	**349,902**	292,837	**349,717**	292,641
Surplus deposit reserves (2)	**66,208**	92,585	**66,205**	92,584
Other deposit reserves (3)	**319**	504	**319**	504
Total	**422,871**	**391,631**	**422,683**	**391,433**

(1)The Group places statutory deposit recerves mainly with the PBOC, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transfered without the PBOC's approval. General deposit generates from Organizations deposit, financial budget deposit, individual deposit, enterprise deposit, net trust funds and other deposit. On 31 December 2013, the ratio of the Bank's RMB deposit reserves is 18% (31 December 2012:18 %), the ratio of foreign deposit reserves is 5% (31 December 2012:5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing.

(2)Surplus deposit reserves are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3)The majority of other deposits are the fiscal deposits placed with the PBOC according to regulations, including central budgetary revenues, Local Treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Due from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Banks in mainland China	**58,182**	160,604	**57,661**	160,595
Other financial institutions in mainland China	**888**	1,495	**877**	1,495
Banks outside mainland China	**3,796**	2,564	**3,796**	2,564
Subtotal	**62,866**	**164,663**	**62,334**	**164,654**
Less: Provisions for impairment	**(21)**	(21)	**(21)**	(21)
Net value	**62,845**	**164,642**	**62,313**	**164,633**

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Banks in mainland China	**60,275**	186,175	**60,275**	186,175
Other financial institutions in mainland China	**26,884**	28,454	**26,970**	28,454
Banks outside mainland China	**-**	251	**-**	251
Subtotal	**87,159**	**214,880**	**87,245**	**214,880**
Less: Provisions for impairment	**(68)**	(68)	**(68)**	(68)
Net value	**87,091**	**214,812**	**87,177**	**214,812**

4. Held-for-trading financial assets

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Government bonds	**177**	1,255	**177**	1,255
The central bank bills and policy financial bonds	**4,560**	2,096	**4,560**	2,096
Corporate bonds	**37,530**	18,189	**37,530**	18,189
Equity instrument	**24**	-	**-**	-
Trust plan of assembled funds	**4**	-	**-**	-
Total	**42,295**	**21,540**	**42,267**	**21,540**

5. Derivative financial instruments

The Group enters into foreign currency exchange rate, interest rate and precious metals related derivative financial instruments for purposes of trading, asset and liability management and customer driven business.

The notional amounts of derivative instruments represents the value of the underlying asset or the reference rate, which provide a basis for measuring the change in fair value and an indication of the volume of business transacted by the Group, but don't stand for the relevant future cash flow or current fair value, thus, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group's derivative financial instruments:

UNIT: RMB Million

	The Group and the Bank					
	12/31/2013			12/31/2012		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	372,459	4,142	3,989	346,583	1,385	1,255
Exchange rate derivatives	504,752	2,195	2,741	418,952	1,821	1,658
Precious metal derivatives	5,264	68	134	4,926	59	83
Credit derivatives	670	9	-	859	1	-
Total		**6,414**	**6,864**		**3,266**	**2,996**

6. Financial assets held under resale agreements

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Bonds	**12,846**	23,265
Bills	**352,626**	370,452
Beneficial rights of trust and others (Note 1)	**554,016**	394,715
Credit assets	**700**	3,291
Lease receivables	**902**	1,074
Total	**921,090**	**792,797**

Note 1: Beneficial rights of trust and others mainly comprised of the investment to trust plans and asset management plans operated by trust companies, securities companies and asset management companies.

7. Interest receivable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Due from central bank and financial institutions	**909**	2,266	**910**	2,266
Placements with banks and other financial institutions	**596**	3,284	**597**	3,284
Financial assets held under resale agreements	**10,169**	5,761	**10,169**	5,761
Loans and advances to customers	**4,048**	3,428	**4,048**	3,427
Bonds and other investments	**7,469**	4,738	**7,419**	4,712
Others	**58**	58	**3**	32
Total	**23,249**	**19,535**	**23,146**	**19,482**

8. Loans and advances to customers

(1) Analysis of loans and advances to customers by personal and corporate:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Personal loans and advances				
Residential and business mortgage loans	**185,061**	172,943	**185,061**	172,943
Credit cards	**60,375**	40,354	**60,375**	40,354
Others	**108,208**	86,639	**108,208**	86,639
Subtotal	**353,644**	**299,936**	**353,644**	**299,936**
Corporate loans and advances				
Loans and advances	**988,808**	912,187	**988,808**	912,038
Discounted bills	**14,605**	17,042	**14,605**	17,042
Subtotal	**1,003,413**	**929,229**	**1,003,413**	**929,080**
Gross loans and advances	**1,357,057**	1,229,165	**1,357,057**	1,229,016
Less: Provisions for impairment	**(36,375)**	(24,623)	**(36,375)**	(24,622)
-Individually assessed	**(3,139)**	(2,025)	**(3,139)**	(2,025)
-Collectively assessed	**(33,236)**	(22,598)	**(33,236)**	(22,597)
Loans and advances to customers	**1,320,682**	**1,204,542**	**1,320,682**	**1,204,394**

(2)Analysis of loans and advances to customers by industry distribution:

UNIT: RMB Million

	The Group				The Bank			
	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Manufacturing	**281,108**	**20.71**	261,458	21.27	**281,108**	**20.71**	261,458	21.27
Retail and wholesale	**203,774**	**15.02**	165,785	13.49	**203,774**	**15.02**	165,745	13.49
Real estate	**131,253**	**9.67**	110,649	9.00	**131,253**	**9.67**	110,649	9.00
Leasing and commercial services	**83,125**	**6.13**	81,371	6.62	**83,125**	**6.13**	81,371	6.62
Construction	**64,362**	**4.74**	50,385	4.10	**64,362**	**4.74**	50,385	4.10
Water, environment and public facilities administration	**50,527**	**3.72**	55,106	4.48	**50,527**	**3.72**	55,106	4.48
Transport, logistics and postal service	**47,608**	**3.51**	55,524	4.52	**47,608**	**3.51**	55,524	4.52
Mining	**46,146**	**3.40**	50,974	4.15	**46,146**	**3.40**	50,974	4.15
Production and supply of power, gas and water	**41,048**	**3.02**	40,676	3.31	**41,048**	**3.02**	40,676	3.31
Public administration and social organization activities	**5,199**	**0.38**	7,073	0.58	**5,199**	**0.38**	7,073	0.58
Other corporate industries	**34,658**	**2.55**	33,186	2.70	**34,658**	**2.55**	33,077	2.69
Bill discounted	**14,605**	**1.08**	17,042	1.39	**14,605**	**1.08**	17,042	1.39
Personal loans	**353,644**	**26.07**	299,936	24.39	**353,644**	**26.07**	299,936	24.40
Gross loans and advances	**1,357,057**	**100.00**	**1,229,165**	**100.00**	**1,357,057**	**100.00**	**1,229,016**	**100.00**
Less: Provisions for impairment	**(36,375)**		(24,623)		**(36,375)**		(24,622)	
-Individually assessed	**(3,139)**		(2,025)		**(3,139)**		(2,025)	
-Collectively assessed	**(33,236)**		(22,598)		**(33,236)**		(22,597)	
Loans and advances to customers	**1,320,682**		**1,204,542**		**1,320,682**		**1,204,394**	

(3) Analysis of loans and advances to customers by geographical distribution:

	The Group				The Bank			
	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Head office (Note 1)	73,771	5.44	53,740	4.37	73,771	5.44	53,740	4.37
Fujian	200,481	14.77	181,543	14.77	200,481	14.77	181,394	14.76
Beijing	88,455	6.52	72,552	5.90	88,455	6.52	72,552	5.90
Shanghai	91,640	6.75	89,420	7.28	91,640	6.75	89,420	7.28
Guangdong	150,069	11.06	132,172	10.75	150,069	11.06	132,172	10.75
Zhejiang	98,728	7.28	93,723	7.63	98,728	7.28	93,723	7.63
Jiangsu	73,682	5.43	66,274	5.39	73,682	5.43	66,274	5.39
Others (Note 2)	580,231	42.75	539,741	43.91	580,231	42.75	539,741	43.92
Gross loans and advances	**1,357,057**	**100.00**	**1,229,165**	**100.00**	**1,357,057**	**100.00**	**1,229,016**	**100.00**
Less: Provisions for impairment	(36,375)		(24,623)		(36,375)		(24,622)	
-Individually assessed	(3,139)		(2,025)		(3,139)		(2,025)	
-Collectively assessed	(33,236)		(22,598)		(33,236)		(22,597)	
Loans and advances to customers	**1,320,682**		**1,204,542**		**1,320,682**		**1,204,394**	

Note 1: Head office contains the credit card center and the treasury center.

Note 2: As at 31 December 2013, the Bank has 39 tier-1 branches. Apart from the tier-1 branches mentioned above, the rest all catogorises into “Others”.

(4) Analysis of loans and advances to customers by security type:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Unsecured loans	**255,792**	231,063	**255,792**	231,063
Guaranteed loans	**305,317**	276,693	**305,317**	276,544
Collateralised loans	**781,343**	704,367	**781,343**	704,367
-Secured by mortgage	**600,367**	531,556	**600,367**	531,556
-Secured by collaterals	**180,976**	172,811	**180,976**	172,811
Discounted bills	**14,605**	17,042	**14,605**	17,042
Gross loans and advances	**1,357,057**	**1,229,165**	**1,357,057**	**1,229,016**
Less: Provisions for impairment	**(36,375)**	(24,623)	**(36,375)**	(24,622)
-Individually assessed	**(3,139)**	(2,025)	**(3,139)**	(2,025)
-Collectively assessed	**(33,236)**	(22,598)	**(33,236)**	(22,597)
Loans and advances to customers	**1,320,682**	**1,204,542**	**1,320,682**	**1,204,394**

(5) Overdue loans

UNIT: RMB Million

	The Group and the Bank									
	12/31/2013					12/31/2012				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total
Unsecured loans	1,184	1,013	201	13	**2,411**	644	337	160	27	**1,168**
Guaranteed loans	2,034	2,164	988	99	**5,285**	1,348	859	597	325	**3,129**
Collateralised loans	2,779	3,035	714	106	**6,634**	2,513	1,204	680	411	**4,808**
-Secured by mortgage	2,602	2,506	654	71	**5,833**	2,352	1,057	649	312	**4,370**
-Secured by collaterals	177	529	60	35	**801**	161	147	31	99	**438**
Total	**5,997**	**6,212**	**1,903**	**218**	**14,330**	**4,505**	**2,400**	**1,437**	**763**	**9,105**

Note: The loan will be catogorised into overdue if principal or interest is overdue for one day.

(6) Provisions for loan impairment

UNIT: RMB Million

	The Group					
	2013			2012		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	**2,025**	**22,597**	**24,622**	1,868	12,446	14,314
Charge for the year	**5,011**	**11,407**	**16,418**	1,388	10,370	11,758
Write-offs	**(413)**	**(484)**	**(897)**	(924)	(207)	(1,131)
Transfer in/out	**(3,484)**	**(242)**	**(3,726)**	(307)	(11)	(318)
-Recoveries of loans and advances written off in previous years	**63**	**50**	**113**	37	17	54
-Unwinding of discount on allowance	**(329)**	**(58)**	**(387)**	(161)	(28)	(189)
-Transfer out due to disposal	**(3,218)**	**(234)**	**(3,452)**	(183)	-	(183)
Fluctuation in exchange rate	**-**	**(42)**	**(42)**	-	-	-
Closing balance	**3,139**	**33,236**	**36,375**	**2,025**	**22,598**	**24,623**

UNIT: RMB Million

	The Bank					
	2013			2012		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	**2,025**	**22,597**	**24,622**	1,868	12,446	14,314
Charge for the year	**5,011**	**11,407**	**16,418**	1,388	10,369	11,757
Write-offs	**(413)**	**(484)**	**(897)**	(924)	(207)	(1,131)
Transfer in/out	**(3,484)**	**(242)**	**(3,726)**	(307)	(11)	(318)
-Recoveries of loans and advances written off in previous years	**63**	**50**	**113**	37	17	54
-Unwinding of discount on allowance	**(329)**	**(58)**	**(387)**	(161)	(28)	(189)
-Transfer out due to disposal	**(3,218)**	**(234)**	**(3,452)**	(183)	-	(183)
Fluctuation in exchange rate	**-**	**(42)**	**(42)**	-	-	-
Closing balance	**3,139**	**33,236**	**36,375**	**2,025**	**22,597**	**24,622**

9. Available-for-sale financial assets

(1) Listed by types:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Bond investment:				
Government bonds	**49,163**	13,170	**49,163**	13,170
The central bank bills and policy financial bonds	**50,061**	50,913	**50,061**	50,913
Bonds issued by banks and other financial institutions	**5,713**	5,556	**5,713**	5,556
Corporate bonds	**79,721**	66,078	**77,628**	65,113
Subtotal	**184,658**	**135,717**	**182,565**	**134,752**
Trust fund plans and others (Note 1)	**78,774**	55,914	**78,524**	55,314
Equity instrument	**256**	434	**15**	18
Subtotal	**263,688**	192,065	**261,104**	190,084
Less: Provision for impairment	**(7)**	(8)	**-**	-
Total	**263,681**	**192,057**	**261,104**	**190,084**

Note 1: Trust fund plans and others are the beneficial rights of trust or asset management plans which are designated as available-for-sale financial assets when initially invested by the Group. These products' investment directions are mainly the trust loans or fund management plans run by the trust companies, asset management companies or securities companies as entrusted fund administrators. According to the liquidity management or operation management, these beneficial rights of trust or fund management plans will be probably for sale.

(2) Related analysis for available-for-sale financial assets:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Available-for-sale debt instrument:				
Amortized cost	**269,613**	192,743	**267,232**	191,185
Fair value	**263,432**	191,631	**261,089**	190,066
Accumulative appropriation to other comprehensive income	**(6,181)**	(1,112)	**(6,143)**	(1,119)
Accumulative appropriation to provisions	**-**	-	**-**	-
Available-for-sale equity instrument:				
Cost	**219**	420	**4**	10
Fair value	**249**	426	**15**	18
Accumulative appropriation to other comprehensive income	**37**	14	**11**	8
Accumulative appropriation to provisions	**(7)**	(8)	**-**	-
Total:				
Cost	**269,832**	193,163	**267,236**	191,195
Fair value	**263,681**	192,057	**261,104**	190,084
Accumulative appropriation to other comprehensive income	**(6,144)**	(1,098)	**(6,132)**	(1,111)
Accumulative appropriation to provisions	**(7)**	(8)	**-**	-

(3) Related analysis about provisions for impairment on available-for-sale financial assets

UNIT: RMB Million

	The Group			The Bank		
	Available-for-sale debt instrument	Available-for-sale equity instrument	Total	Available-for-sale debt instrument	Available-for-sale equity instrument	Total
Opening	-	8	**8**	-	-	**-**
Charge for the year	-	-	**-**	-	-	**-**
Including: transfer in from other comprehensive income	-	-	**-**	-	-	**-**
Credit for the year	-	(1)	**(1)**	-	-	**-**
Including: recovery due to the rising of fair value	-	-	**-**	-	-	**-**
Closing	-	7	**7**	-	-	**-**

10. Held-to-maturity investments

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Government bonds	**89,101**	46,863
The central bank bills and policy financial bonds	**1,396**	2,276
Bonds issued by banks and other financial institutions	**2,116**	19
Corporate bonds	**24,123**	20,167
Deposit receipt from banks (Note 1)	**1,041**	-
Subtotal	**117,777**	**69,325**
Less: Provisions	**(122)**	(126)
Net value	**117,655**	**69,199**

Note 1: The deposit receipt from banks refers to accouting deposit certificate issued on national inter-bank market by banks which have licesence of deposit invested by the Group.

11. Debt securities classified as receivables

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Government bonds	**528**	819	**528**	819
Bonds issued by banks				
and other financial institutions	**8,719**	7,770	**8,719**	7,770
Corporate bonds	**17,747**	17,732	**17,747**	17,732
Wealth management products (Note 1)	**5,936**	4,450	**5,936**	4,450
Trust fund plans and others (Note 2)	**297,070**	80,740	**295,405**	79,558
Subtotal	**330,000**	**111,511**	**328,335**	**110,329**
Less: Provisions	**(1,372)**	(151)	**(1,372)**	(151)
Net value	**328,628**	**111,360**	**326,963**	**110,178**

Note 1: Wealth management products are fixed-period financial products issued by other financial institutions.

Note 2: Trust fund plans and others are the beneficial rights of the trust or fund management plans, etc. These products' investment directions are mainly the trust loans or fund management plans operated by the trust companies, securities companies and asset management companies as entrusted fund administrators.

12. Finance lease receivables

Analysis by nature:

UNIT: RMB Million

	The Group	
	12/31/2013	12/31/2012
Financel lease receivables	**55,440**	40,391
Less: unrealized financing income	**(8,119)**	(5,901)
Subtotal	**47,321**	**34,490**
Less: Provision for finance lease	**(1,227)**	(711)
-Collectively assessed	**(1,227)**	(711)
Net value	**46,094**	**33,779**

List as follows:

UNIT: RMB Million

	The Group	
	12/31/2013	12/31/2012
1st year subsequant to the balance sheet date	**14,109**	10,641
2nd year subsequant to the balance sheet date	**13,140**	10,099
3rd year subsequant to the balance sheet date	**11,298**	8,519
Subsequant periods	**16,893**	11,132
Subtotal	**55,440**	40,391
Unrealized financing income	**(8,119)**	(5,901)
Subtotal	**47,321**	**34,490**
Less: Provision for finance lease	**(1,227)**	(711)
-Collectively assessed	**(1,227)**	(711)
Net value	**46,094**	**33,779**
-Finance lease receivables due less than 1 year	**11,731**	8,160
-Finance lease receivables due more than 1 year	**34,363**	25,619

13. Long-term equity investments

Breakdown of long-term equity investments:

UNIT: RMB Million

Investee	The Group									
	Accounting method	Initial investment	01/01/2013	Additions	12/31/2013	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explaination on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	1,094	180	1,274	14.72	14.72	Not Applicable	-	60
China Unionpay Co., Ltd.	Cost method	81	81	-	81	2.13	2.13	Not Applicable	-	3
Huafu Securities Co., Ltd. (2)	Cost method	180	180	-	180	4.35	4.35	Not Applicable	-	13
Zijin Mining Group Finance Limited (2)	Cost method	25	25	-	25	5.00	5.00	Not Applicable	-	2
Chongqing Machinery and Electronics Holding Group Finance Company Limited(2) (3)	Equity method	114	114	8	122	19.00	19.00	Not Applicable	-	-
Total			**1,494**	**188**	**1,682**				**-**	**78**

Investee	The Bank									
	Accounting method	Initial investment	01/01/2013	Additions	12/31/2013	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explaination on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	1,094	180	1,274	14.72	14.72	Not Applicable	-	60
China Unionpay Co., Ltd.	Cost method	81	81	-	81	2.13	2.13	Not Applicable	-	3
Industrial Bank Financial Leasing Co., Ltd. (Note 7)	Cost method	5,000	3,500	1,500	5,000	100.00	100.00	Not Applicable	-	-
China Industrial International Trust Limited (Note 7)	Cost method	2,857	2,857	-	2,857	73.00	73.00	Not Applicable	-	-
Industrial Fund Management Co., Ltd. (Note 7)	Cost method	450	-	450	450	90.00	90.00	Not Applicable	-	-
Total			**7,532**	**2,130**	**9,662**				**-**	**63**

(1) In accordance with the YJF [2008] No.449, approved by the CBRC on 4 November, 2008, the Bank has acquired 102.2 million shares of Bank of Jiujiang Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB 2.9 yuan per share. As the result, the Bank holds 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. In 2009, Bank of Jiujiang increases 4 shares for every 10 shares to all recorded shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Bank held 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increases its registered capital RMB400.66 million, offered privately and subscribed in cash for the price of RMB 3.3 yuan per share. The Bank has acquired 80.12 million shares. After the acquisition, the Bank holds 223.20 million shares and the proportion of equity interest remains 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. On 14 December 2011, Bank of Jiujiang increased its registered capital by RMB 400 million, the Bank didn't subscribe, and the proportion of equity interest of the Bank was diluted to 14.72% after the increase of share capital. The equity invesment is accounted for using the equity method since the Bank sent a director to the Bank of Jiujiang and has significant influnce over the Bank of Jiujiang.

(2) Huafu Securities Co., Ltd., Zijin Mining Group Finance Limited, Chongqing Machinery and Electronics Holding Group Finance Company Limited are the investees of China Industrial International Trust Limited's long-term investments.

(3) As China Industrial International Trust Limited holds 19% of the total shares and sends directors to the investee, China Industrial International Trust Limited has significant influnce over Chongqing Machinery and Electronics Holding Group Finance Company Limited, therefore the equity invesment is accounted by the equity method.

(4) There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December 2013.

14. Fixed Asset

UNIT: RMB Million

	The Group				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2013	5,954	385	3,645	336	10,320
Purchase	45	4	882	89	1,020
Transfers from					
constructions in progress	492	47	23	-	562
Sales/disposals	(57)	(7)	(196)	(26)	(286)
12/31/2013	**6,434**	**429**	**4,354**	**399**	**11,616**
Accumulated depreciation					
1/1/2013	1,322	202	2,021	116	3,661
Depreciation for the year	171	50	569	45	835
Eliminated on sales/disposals	(3)	(4)	(135)	(17)	(159)
12/31/2013	**1,490**	**248**	**2,455**	**144**	**4,337**
Net value					
1/1/2013	4,632	183	1,624	220	6,659
12/31/2013	**4,944**	**181**	**1,899**	**255**	**7,279**
Provision for impairment					
1/1/2013	(3)	-	-	-	(3)
Recognised in profit or loss	-	-	-	-	-
Eliminated on sales/disposals	-	-	-	-	-
12/31/2013	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
1/1/2013	4,629	183	1,624	220	6,656
12/31/2013	**4,941**	**181**	**1,899**	**255**	**7,276**

All the buildings of the Group are located in the PRC. Buildings cost RMB 1,014 million are in use but the legal ownership registrations were still in process as at 31 December, 2013 (31 December 2012: RMB 825 million).

UNIT: RMB Million

	The Bank				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2013	5,938	385	3,633	324	**10,280**
Purchase	45	4	870	85	**1,004**
Transfers from					
constructions in progress	492	47	23	-	**562**
Sales/disposals	(57)	(7)	(195)	(26)	**(285)**
12/31/2013	**6,418**	**429**	**4,331**	**383**	**11,561**
Accumulated depreciation					
1/1/2013	1,320	202	2,016	115	**3,653**
Depreciation for the year	170	50	566	43	**829**
Eliminated on sales/disposals	(2)	(4)	(135)	(17)	**(158)**
12/31/2013	**1,488**	**248**	**2,447**	**141**	**4,324**
Net value					
1/1/2013	4,618	183	1,617	209	**6,627**
12/31/2013	**4,930**	**181**	**1,884**	**242**	**7,237**
Provision for impairment					
1/1/2013	(3)	-	-	-	**(3)**
Recognised in profit or loss	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
12/31/2013	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
1/1/2013	4,615	183	1,617	209	**6,624**
12/31/2013	**4,927**	**181**	**1,884**	**242**	**7,234**

All the buildings of the Group are located in the PRC. Buildings cost RMB 1,014 million are in use but the legal ownership registrations were still in process as at 31 December, 2013(31 December 2012: RMB 825 million).

15. Construction in progress

(1) Details of construction in progress are as follows:

UNIT: RMB Million

	The Group					
	12/31/2013			12/31/2012		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
CIB building, Beijing	**1,271**	**-**	**1,271**	1,108	-	1,108
Operating building, Lujiazui Shanghai	**804**	**-**	**804**	804	-	804
Operating building, Dalian	**321**	**-**	**321**	-	-	-
Operating building, Wuxi	**300**	**-**	**300**	144	-	144
Operating building, Suzhou	**148**	**-**	**148**	-	-	-
Operating building, Nantong	**144**	**-**	**144**	-	-	-
Others	**493**	**-**	**493**	675	-	675
Total	**3,481**	**-**	**3,481**	**2,731**	**-**	**2,731**

UNIT: RMB Million

	The Bank					
	12/31/2013			12/31/2012		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
CIB building, Beijing	**1,271**	**-**	**1,271**	1,108	-	1,108
Operating building, Lujiazui Shanghai	**804**	**-**	**804**	804	-	804
Operating building, Dalian	**321**	**-**	**321**	-	-	-
Operating building, Wuxi	**300**	**-**	**300**	144	-	144
Operating building, Suzhou	**148**	**-**	**148**	-	-	-
Operating building, Nantong	**144**	**-**	**144**	-	-	-
Others	**488**	**-**	**488**	675	-	675
Total	**3,476**	**-**	**3,476**	**2,731**	**-**	**2,731**

(2) Changes in significant construction in progress:

UNIT: RMB Million

	The Group				
	2013				
	1/1/2013	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2013
CIB building, Beijing	1,108	163	-	-	**1,271**
Operating building, Lujiazui Shanghai	804	-	-	-	**804**
Operating building, Dalian	-	321	-	-	**321**
Operating building, Wuxi	144	156	-	-	**300**
Operating building, Suzhou	-	148	-	-	**148**
Operating building, Nantong	-	144	-	-	**144**
Others	675	806	(562)	(426)	**493**
Total	**2,731**	**1,738**	**(562)**	**(426)**	**3,481**

UNIT: RMB Million

	The Bank				
	2013				
	1/1/2013	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2013
CIB building, Beijing	1,108	163	-	-	**1,271**
Operating building, Lujiazui Shanghai	804	-	-	-	**804**
Operating building, Dalian	-	321	-	-	**321**
Operating building, Wuxi	144	156	-	-	**300**
Operating building, Suzhou	-	148	-	-	**148**
Operating building, Nantong	-	144	-	-	**144**
Others	675	801	(562)	(426)	**488**
Total	**2,731**	**1,733**	**(562)**	**(426)**	**3,476**

16. Goodwill

UNIT: RMB Million

Investee	The Group				
	1/1/2013	Additions	Less	12/31/2013	12/31/2013 Provision
China Industrial International Trust Limited	**446**	-	-	**446**	-

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011.

At the end of the year, the Group performed impairment tests on goodwill based on future cash flow of the investee for next 5 years, applying appropriate discount rate, reflecting current time value of money and the risk of specific assets. No evidence shows that the recoverable amount of goodwill is less than the carrying amount, therefore no impairment is recognised.

17. Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities before offset

UNIT: RMB Million

	The Group				The Bank			
	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets								
Impairment losses on assets	**25,090**	**6,273**	12,383	3,095	**24,316**	**6,079**	11,976	2,994
Fair value changes of								
derivative financial instruments	**450**	**113**	-	-	**450**	**113**	-	-
Fair value changes of held-for-								
trading financial instruments	**672**	**167**	89	21	**672**	**167**	89	21
Fair value changes of								
available-for-sale financial assets	**6,144**	**1,536**	1,098	275	**6,132**	**1,533**	1,111	278
Accrued but not paid staff cost	**7,675**	**1,919**	5,916	1,479	**7,353**	**1,838**	5,753	1,438
Fair value changes of								
precious metals	**1**	**-**	164	41	**1**	**-**	164	41
Others	**397**	**99**	367	92	**393**	**100**	365	91
Subtotal	**40,429**	**10,107**	**20,017**	**5,003**	**39,317**	**9,830**	**19,458**	**4,863**
Deferred tax liabilities								
Fair value changes of								
held-for-trading financial instruments	**-**	**-**	(270)	(67)	**-**	**-**	(270)	(67)
Subtotal	**-**	**-**	**(270)**	**(67)**	**-**	**-**	**(270)**	**(67)**
Net value	**40,429**	**10,107**	**19,747**	**4,936**	**39,317**	**9,830**	**19,188**	**4,796**

The tax payment of various branches of Bank can be aggregated, the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; the subsidiaries are individual taxable entities, the deferred tax assets and deferred tax liabilities of the respective entity can be presented at the net amount after offset.

UNIT: RMB Million

	The Group	The Bank
	2013	2013
Opening balance of net value	4,936	4,796
-Deferred tax assets	5,003	4,863
-Deferred tax liabilities	(67)	(67)
Net changes of deferred tax recognised in income tax expenses	3,910	3,779
Net changes of deferred tax recognised in other comprehensive income	1,261	1,255
Closing balance of net value	**10,107**	**9,830**
-Deferred tax assets	10,107	9,830
-Deferred tax liabilities	-	-

(2) According to the Group's future profit forecast, the Group believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the Group can recognize the deferred tax assets.

18. Other assets

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Other receivables[(1)]	**3,566**	2,611	**3,229**	2,460
Prepaid purchase cost of finance lease assets	**5,553**	5,396	**-**	-
Foreclosed assets[(2)]	**136**	479	**136**	479
Items in the process of clearance and settlement	**410**	644	**410**	644
Long term deferred assets [(3)]	**1,377**	1,196	**1,371**	1,188
Total	**11,042**	**10,326**	**5,146**	**4,771**

(1) Other receivables

Listed by account age:

UNIT: RMB Million

Account age	The Group				The Bank			
	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	**3,374**	89.38	2,406	88.04	**3,045**	88.57	2,280	88.30
1-2years	**213**	5.64	201	7.35	**205**	5.96	176	6.82
2-3years	**99**	2.62	34	1.24	**99**	2.88	34	1.32
Over 3 years	**89**	2.36	92	3.37	**89**	2.59	92	3.56
Subtotal	**3,775**	**100.00**	**2,733**	**100.00**	**3,438**	**100.00**	**2,582**	**100.00**
Less: Provision for bad debts	**(209)**		(122)		**(209)**		(122)	
Net value	**3,566**		**2,611**		**3,229**		**2,460**	

(2) Foreclosed assets

Analyzed by nature of the foreclosed assets:

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Buildings	**199**	616
Land use rights	**31**	31
Others	**1**	1
Subtotal	**231**	**648**
Less: Provision for losses	**(95)**	(169)
Net value	**136**	**479**

(2) Long term deferred assets

UNIT: RMB Million

	The Group				
	1/1/2013	Additions	Transferred from construction in progress	Amortization	12/31/2013
Leasehold improvements	1,110	190	417	(416)	1,301
Others	86	15	9	(34)	76
Total	**1,196**	**205**	**426**	**(450)**	**1,377**

UNIT: RMB Million

	The Bank				
	1/1/2013	Additions	Transferred from construction in progress	Amortization	12/31/2013
Leasehold improvements	1,102	189	417	(413)	1,295
Others	86	15	9	(34)	76
Total	**1,188**	**204**	**426**	**(447)**	**1,371**

19. Provision for impairment losses of assets

UNIT: RMB Million

	The Group					
	2013					
	1/1/2013	Charge/ (credit)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2013
Loss provision for due from banks and other financial institutions	21	-	-	-	-	**21**
Loss provision for placement with banks and other financial institutions	68	-	-	-	-	**68**
Loss provision for loans and advances to customers	24,623	16,417	(3,726)	(897)	(42)	**36,375**
Loss provision for held-to-maturity investments	126	-	-	-	(4)	**122**
Loss provision for available-for-sale financial assets	8	-	(1)	-	-	**7**
Loss provision for debt securities classified as receivables	151	1,221	-	-	-	**1,372**
Loss provision for finance lease receivables	711	516	-	-		**1,227**
Loss provision for fixed assets	3	-	-	-	-	**3**
Loss provision for foreclosed assets	169	(74)	-	-	-	**95**
Loss provision for prepaid purchase cost of finance lease assets	88	(18)	-	-	-	**70**
Loss provision for other assets	122	126	-	(39)	-	**209**
Total	**26,090**	**18,188**	**(3,727)**	**(936)**	**(46)**	**39,569**

UNIT: RMB Million

	The Bank					
	2013					
	1/1/2013	Charge/ (credit)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2013
Loss provision for due from banks and other financial institutions	21	-	-	-	-	**21**
Loss provision for placement with banks and other financial institutions	68	-	-	-	-	**68**
Loss provision for loans and advances to customers	24,622	16,418	(3,726)	(897)	(42)	**36,375**
Loss provision for held-to-maturity investments	126	-	-	-	(4)	**122**
Loss provision for debt securities classified as receivables	151	1,221	-	-	-	**1,372**
Loss provision for fixed assets	3	-	-	-	-	**3**
Loss provision for foreclosed assets	169	(74)	-	-	-	**95**
Loss provision for other assets	122	126	-	(39)	-	**209**
Total	**25,282**	**17,691**	**(3,726)**	**(936)**	**(46)**	**38,265**

20. Due to banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Due to banks:				
Domestic banks	**590,130**	670,470	**590,130**	670,470
Foreign banks	**7,453**	-	**7,453**	-
Due to other financial institutions:				
Domestic other financial institutions	**409,961**	223,966	**411,837**	225,020
Total	**1,007,544**	**894,436**	**1,009,420**	**895,490**

21. Placements from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Domestic banks	**64,324**	83,964	**26,679**	53,254
Domestic other financial institutions	**-**	400	**-**	400
Overseas banks	**13,948**	4,025	**13,948**	4,025
Total	**78,272**	**88,389**	**40,627**	**57,679**

22. Held-for-trading financial liabilities

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Sale of rented precious metal	1,216	-

23. Financial assets sold under repurchase agreements

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Bonds	**53,170**	102,488	**53,170**	102,488
Bills	**18,729**	47,398	**18,729**	47,398
Others	**9,882**	11,976	**6,757**	11,976
Total	**81,781**	**161,862**	**78,656**	**161,862**

24. Due to customers

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Demand deposits		
Corporate	**721,121**	599,305
Personal	**185,957**	148,994
Subtotal	**907,078**	**748,299**
Term deposits (including call deposits)		
Corporate	**811,637**	670,317
Personal	**167,406**	150,151
Subtotal	**979,043**	**820,468**
Guaranteed and margin deposits	**280,853**	241,265
Others	**3,371**	3,234
Total	**2,170,345**	**1,813,266**

Analysed by business/products for which guaranteed and margin deposits are required:

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Bank acceptances	**147,311**	126,002
Reimbursement refinance	**-**	4,946
Letters of credit	**24,342**	24,722
Guarantee	**6,618**	2,868
Others	**102,582**	82,727
Total	**280,853**	**241,265**

25. Employee benefits payable

UNIT: RMB Million

	The Group				The Bank			
	1/1 /2013	Increase	Decrease	12/31 /2013	1/1/2013	Increase	Decrease	12/31 /2013
Salaries and bonus	6,833	13,095	(11,518)	**8,410**	6,652	12,714	(11,291)	**8,075**
Labour union expenditure								
and staff educational funds	502	544	(349)	**697**	498	532	(341)	**689**
Social insurance	100	2,869	(2,881)	**88**	93	2,812	(2,822)	**83**
Supplmentary pension funds	-	796	(778)	**18**	-	784	(769)	**15**
Total	**7,435**	**17,304**	**(15,526)**	**9,213**	**7,243**	**16,842**	**(15,223)**	**8,862**

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies.

26. Tax payable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Income tax	**9,675**	7,450	**9,384**	7,266
Business tax	**1,999**	1,704	**1,956**	1,661
City maintenance and construction tax	**139**	116	**135**	113
Others	**290**	286	**278**	269
Total	**12,103**	**9,556**	**11,753**	**9,309**

27. Interest payable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Interest due to banks and other financial institutions	**4,989**	3,649	**4,990**	3,649
Interest of placement from banks and other financial institutions	**339**	396	**136**	130
Interest of debt securities issued	**624**	697	**624**	697
Interest of financial assets sold under repurchase agreements	**301**	487	**285**	487
Interest due to customers	**20,058**	13,653	**20,058**	13,653
Others	**6**	13	**5**	13
Total	**26,317**	**18,895**	**26,098**	**18,629**

28. Debt securities issued

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Long term subordinated bonds	**22,948**	22,944
Financial bonds	**37,960**	42,025
Hybrid capital bonds	**4,000**	4,000
Deposit receipt from banks	**2,993**	-
Total	**67,901**	**68,969**

Debt securities issued by the Group include long-term subordinated bonds, financial bonds, hybrid capital bonds and deposit receipt from banks. The hybrid capital bonds are issued to meet the requirement of hybrid capital instrument (debt, equity) according to The Basel Capital Accord, whose liquidation sequence is behind subordinated debts. The deposit receipt from banks refers to accouting deposit receipt issued on national inter-bank market by the Bank.

Detailed information for debt securities issued as follows:

UNIT: RMB Million

Type	Issuing date	Interest payable fruequency	12/31/2013
Long-term subordinate bonds			
09 CIB 01[(1)]	2009-09-09	Yearly	**2,005**
09 CIB 02[(2)]	2009-09-09	Yearly	**7,995**
10 CIB 01[(3)]	2010-03-29	Yearly	**3,000**
11 CIB 01[(4)]	2011-06-28	Yearly	**10,000**
Less: unamortized issuance cost			**(52)**
Subtotal			**22,948**
Financial bonds			
06 CIB 03[(5)]	2006-12-15	Yearly	**8,000**
11 CIB 01 [(6)]	2011-12-28	Yearly	**30,000**
Less: unamortized issuance cost			**(40)**
Subtotal			**37, 960**
Hybrid capital bonds			
06 CIB 02 fixed [(7)]	2006-09-28	Yearly	**3,000**
06 CIB 02 floating [(8)]	2006-09-28	Yearly	**1,000**
Less: unamortized issuance cost			**-**
Subtotal			**4,000**
Deposit receipt from banks			
13 CIB CD001 [(9)]	2013-12-13	Expiration	**3,000**
Less: unamortized issuance cost			**(7)**
Subtotal			**2,993**
Total			**67,901**

(1) In September 2009, the Group issued RMB 2,005 million subordinated bonds with a 10-year maturity, a fixed interest rate and a redemption option in the end of the fifth year. The annual coupon rate in first five interet-bearing years is 4.30%, and the rate in late five years is 7.30% if the issuer does not exercise the option of redemption.

(2) In September 2009, the Group issued RMB 7,995 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption option in the end of the tenth year. The annual coupon rate in first ten interet-bearing years is 5.17%, and the rate in late five years is 8.17% if the issuer does not exercise the option of redemption.

(3) In March 2010, the Group issued RMB 3,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate in first ten interet-bearing years is 4.80%, and the rate in late five years is 7.80% if the issuer does not exercise the option of redemption.

(4) In June 2011, the Group issued RMB 10,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate is 5.75% consistently.

(5) In December 2006, the Group issued RMB 8,000 million financial bond with a 10-year maturity and a fixed interest rate. The annual coupon rate is 3.75%.

(6) In December 2011, the Group issued RMB 30,000 million special financial bond for small enterprises with a 5-year maturity and a fixed interest rate. The annual coupon rate is 4.20%.

(7) In September 2006, the Group issued RMB 3,000 million hybrid capital bond with a 15-year maturity and a fixed interest rate. The Bank has an option to redeem all of the bonds at face value from the eleventh year to maturity day. The annual coupon rate of the first ten years is 4.94%. If the Bank does not exercise this option, the annual coupon rate of the bonds will be 7.74% for the next five years.

(8) In September 2006, the Group issued RMB 1,000 million hybrid capital bond with a 15-year maturity and a floating interest rate. The Bank has an option to redeem all of the bonds at face value from the eleventh year to maturity day. Annual interest rate is the summation of the benchmark interest rate and the basic margin; the benchmark interest rate refers to the interest rate for fixed amount and period deposit with a term of one year stipulated by the PBOC, which is applicable on the issuance date and repricing date. The basic margin of the first ten years (the original basic margin) is 1.82%. If the Bank does not exercise this option, the basic margin will be the original basic margin plus 1% during the period from the 11th year to the maturity of the bond.

(9) In December 2013, the Group issued RMB 30,000 deposit receipt from banks with a 1-month maturity and a fixed interest rate. The annual coupon rate is 5.16%.

29. Other liabilites

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Bank promissory notes	**412**	151	**412**	151
Items in the process of clearance and settlement	**639**	863	**639**	863
Dividend payables	**6**	5	**6**	5
Wealth management and entrusted investment fund	**2,889**	3,881	**2,889**	3,881
Deferred income	**2,693**	2,058	**1,718**	1,187
Other payables	**8,069**	7,578	**3,551**	3,798
Total	**14,708**	**14,536**	**9,215**	**9,885**

30. Share capital

UNIT: RMB Million

	The Group and the Bank		
		Change for the year	
	1/1/2013	Capitalisation of stock dividend	12/31/2013
Shares without limited sales restrictions			
RMB ordinary shares (A shares)	10,786	5,392	**16,178**
Shares with limited sales restrictions			
RMB ordinary shares (A shares)	1,916	958	**2,874**
Total shares	**12,702**	**6,350**	**19,052**

According to the 2012 Profit Distribution Proposal of the Bank, the Bank distributed 5 ordinary shares (tax inclusive) every 10 shares on the basis of 12,701,557,834 ordinary shares. As at 31 December 2013, the distribution has been completed. The net registered capital has been increased to RMB 19,052,336,751, which was verified by Deloitte Touche Tohmatsu CPA LLP who issued the capital verification report De Shi Bao (Yan) Zi (13) No. 0159 on 12 July 2013.

As at 31 December 2013, the share capital of the Bank is RMB 19, 052 million (31 December 2012: 12,702 million) with par value of RMB 1 Yuan per share.

31. Capital reserve

UNIT: RMB Million

	The Group				The Bank			
	1/1 /2013	Increase	De-crease	12/31 /2013	1/1 /2013	Increase	De-crease	12/31 /2013
Equity premium	50,828	-	-	**50,828**	51,048	-	-	**51,048**
Changes in fair value of available-for-sale financial assets	(836)	-	(3,779)	**(4,615)**	(833)	-	(3,766)	**(4,599)**
Others	29	-	-	**29**	29	-	-	**29**
Total	**50,021**	**-**	**(3,779)**	**46,242**	**50,244**	**-**	**(3,766)**	**46,478**

32. Surplus reserve

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Statutory surplus reserve	**9,527**	6,351
Discrentionary surplus reserve	**297**	297
Total	**9,824**	**6,648**

Pursuant to the relating laws issued by the government, the Bank is required to transfer 10% of its net profit to the statutory surplus reserve. The statutory surplus reserve is no longer appropriated when the accumulated amount exceeds 50% of the Bank's registered capital. As of 31 December, 2013, the Bank appropriated the amout which was equal to the difference between 50% of the balance of the registered capital and the balance of the accumulated statutory surplus reserves appropriated at the end of last year to the statutory suplus reserve.

33. General and regulatory reserve

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
General and regulatory reserve	**31,325**	28,923

Pursuant to (CJ[2012] No. 20)Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general and regulatory reserve balance should not be lower than 1.5% of the ending balance of gross risk-bearing assets. Gross risk-bearing assets, inclue loans and advances to customers, available-for-sale financial assets, held-to-maturity investments, long-term equity investments, due from banks and other financial institutions, placements with banks and other financial institutions, foreclosed assets and other receivables and so forth. As at 31 December, 2013, the balance of the provision of general risk is 1.5% of the balance of risk-bearing assets at the end of the year.

34. Retained earnings

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Opening balance	**71,283**	56,427	**69,648**	56,022
Net profit for the year	**41,211**	34,718	**39,519**	33,488
Appropriations to statutory surplus reserve	**(3,176)**	(735)	**(3,176)**	(735)
Appropriations to general and regulatory reserve	**(2,402)**	(15,136)	**(2,402)**	(15,136)
Dividend distributions	**(13,590)**	(3,991)	**(13,590)**	(3,991)
Closing balance	**93,326**	**71,283**	**89,999**	**69,648**

(1) “2013 Profit Distribution Proposal of Industrial Bank” was approved by the Board of Directors on 28 March 2014:

(i) Transfer RMB 3,176 million to statutory surplus reserve based on the net profit RMB 39,519 million. As at 31 December 2013, the statutory surplus reserve recommended to transfer has been included in the surplus reserve.

(ii) Transfer RMB 2,402 million to general and regulatory reserve. As at 31 December 2013, the general and regulatory reserve recommended to transfer has been included in the general and regulatory reserve.

(iii) Distribute a cash dividend of RMB 0.46 per ordinary share (tax inclusive) on the basis of 19,052,336,751 ordinary shares at the end of 2013.

The profit distribution plan above has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme is not carried out.

(2) “2012 Profit Distribution Proposal of Industrial Bank” was approved on 21 May 2013 on the Annual General Meeting of the Bank ,the detailed plan are as follows:

(i) Transfer RMB 735 million to statutory surplus reserve based on the net profit RMB 33,488 million. As at 31 December 2012, the statutory surplus reserve recommended to transfer has been included in the surplus reserve.

(ii) Transfer RMB 15,136 million to general and regulatory reserve. As at 31 December 2012, the general and regulatory reserve recommended to transfer has been included in the general and regulatory reserve.

(iii) Distribute 5 ordinary shares (tax inclusive) every 10 shares and a cash dividend of RMB 0.57 per ordinary share (tax inclusive) on the basis of 12,701,557,834 ordinary shares in the end of 2012.

As at December 31, 2013, the above-mentioned dividend distribution scheme has been done.

(3) Surplus reserves and risk reserves appropriated by subsidiaries

As at 31 December 2013, the balance of the Group’s retained earnings contained surplus reserves appropriated by subsidiaries: RMB 360 million (31 December 2012: RMB 192million) and statutory reserves (including general and regulatory reserve, trust compensation reserve, etc.) appropriated by subsidiaries: RMB 957 million (31 December 2012: RMB 700 million).

35. Net interest income

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Interest income				
Balances with central bank	**5,831**	4,532	**5,828**	4,532
Due from banks and other financial instituions	**6,086**	5,369	**6,057**	5,360
Placements with banks and other financial institutions	**6,998**	12,865	**7,008**	12,865
Financial assets held under resale agreements	**50,231**	40,836	**50,230**	40,836
Loans and advances to customers	**82,505**	74,727	**82,497**	74,707
Including: Corporate	**60,561**	54,356	**60,553**	54,336
Personal	**20,377**	17,549	**20,377**	17,549
Bill discount	**1,567**	2,822	**1,567**	2,822
Bonds and other investment	**34,694**	14,888	**34,458**	14,689
Finance lease	**3,228**	2,522	**-**	-
Others	**29**	16	**29**	16
Subtotal	**189,602**	**155,755**	**186,107**	**153,005**
Interest expense				
Due to banks and other financial institutions	**(47,367)**	(35,997)	**(47,411)**	(36,036)
Placement from banks and other financial intitutions	**(2,718)**	(2,066)	**(883)**	(734)
Financial assets sold under repurchase agreements	**(5,537)**	(7,801)	**(5,521)**	(7,782)
Due to customers	**(44,209)**	(33,662)	**(44,209)**	(33,662)
Debt securities issued	**(3,100)**	(3,283)	**(3,100)**	(3,283)
Others	**(826)**	(753)	**(826)**	(753)
Subtotal	**(103,757)**	**(83,562)**	**(101,950)**	**(82,250)**
Net interest income	**85,845**	**72,193**	**84,157**	**70,755**
Including: Interest income accrued on impaired financial assets	**387**	189	**387**	189

36. Net fee and commission income

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Fee and commission income				
Settlement and clearing fee	**517**	474	**517**	474
Bank card fee	**4,742**	2,497	**4,742**	2,497
Agency commissions	**2,724**	1,832	**2,724**	1,832
Guarantee and commitment commissions	**1,111**	1,343	**1,111**	1,343
Transactional service fee	**105**	127	**105**	127
Custodian fee	**3,357**	1,494	**3,357**	1,494
Consultancy and advisory fee	**9,642**	6,046	**9,540**	5,988
Trust service fee	**1,630**	1,090	**-**	-
Lease service fee	**384**	264	**-**	-
Others	**524**	514	**524**	514
Subtotal	**24,736**	**15,681**	**22,620**	**14,269**
Fee and commission expense				
Settlement and clearing expenses	**(81)**	(64)	**(81)**	(64)
Bank card expenses	**(421)**	(162)	**(421)**	(162)
Inter-bank expenses	**(100)**	(175)	**(100)**	(175)
Others	**(372)**	(333)	**(374)**	(324)
Subtotal	**(974)**	**(734)**	**(976)**	**(725)**
Net fee and commision income	**23,762**	**14,947**	**21,644**	**13,544**

37. Investment income (loss)

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Precious metal	**837**	56	**837**	56
Held-for-trading financial assets	**(232)**	(19)	**(237)**	(19)
Derivative financial instruments	**(1,069)**	(785)	**(1,069)**	(785)
Available-for-sale financial assets	**196**	162	**75**	78
Long-term equity investment (equity method)	**248**	221	**240**	221
Dividend declared by investee (cost method)	**18**	18	**3**	3
Held-for-trading financial liabilites	**24**	1	**24**	1
Total	**22**	**(346)**	**(127)**	**(445)**

38. Gains (losses) from changes in fair value

UNIT: RMB Million

	The Group and the Bank	
	2013	2012
Net gains (losses) on precious metals	**163**	(32)
Net gains (losses) on held-for-trading financial assets	**(595)**	(22)
Net gains (losses) on derivative financial instruments	**(722)**	393
Net gains (losses) on held-for-trading financial liabilites	**12**	-
Total	**(1,142)**	**339**

39. Business tax and levies

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Business tax	**6,937**	5,103	**6,756**	4,960
City maintenance and construction tax	**488**	356	**471**	346
Education surcharge	**327**	241	**315**	233
Others	**79**	48	**78**	47
Total	**7,831**	**5,748**	**7,620**	**5,586**

40. General and administrative expenses

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Staff costs	**17,304**	13,404	**16,842**	13,096
Depreciation and amortization	**1,404**	1,230	**1,392**	1,223
Lease expenses	**1,885**	1,469	**1,847**	1,442
Others	**8,164**	6,774	**7,964**	6,644
Total	**28,757**	**22,877**	**28,045**	**22,405**

41. Impairment losses of assets

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Loans and advances to customers	**16,417**	11,758	**16,418**	11,757
Debt securities classified as receivables	**1,221**	76	**1,221**	76
Available-for-sale financial assets	**-**	8	**-**	-
Finance lease receivables	**516**	400	**-**	-
Others	**34**	140	**52**	136
Total	**18,188**	**12,382**	**17,691**	**11,969**

42. Non-operating income

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Gains from disposal of non-current assets	**6**	1	**6**	1
Including: Gains from disposal of fixed assets	**3**	1	**3**	1
Gains from disposal of foreclosed assets	**3**	-	**3**	-
Penalties and fines received	**4**	1	**4**	1
Gains from dormant accounts	**8**	6	**8**	6
Government grants	**162**	119	**45**	89
Others	**133**	60	**133**	59
Total	**313**	**187**	**196**	**156**

The credit card center of the Bank received Newly Established Financial Institution supporting fund of RMB 45 million from Shanghai Municipal People's Government under "The regulations of focalizing financial resources, strengthing financial services, and facilitating the development of financial industry in Shanghai" (HFF [2009] No.40) ; Industrial Bank Financial Leasing Co., Ltd, the subsidiary of the Bank, received financial support fund of RMB 94 million from Tianjin Municipal People's Government under " the finance and tax preferential policies on promoting the development of modern service industry in Tianjin" (JCJ [2006] No.22), Rebates of value-added tax levied under BT-to-VAT reform of RMB 18 million and fiscal award for the financing to small and micro enterprises of RMB 2 million. Industrial Guoxin Investment Company received one-time investing award RMB 3 million from "Investment Promotion Office of Hongkou District .Shanghai". The Group's government grants are all related to profits.

43. Non-operating expenses

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Losses on disposal of non-current assets	**34**	3	**34**	3
Including: Losses on disposal of fixed assets	**2**	3	**2**	3
Losses on disposal of foreclosed assets	**32**	-	**32**	-
Looses from dormant accounts	**-**	2	**-**	1
Donation expenses	**55**	18	**53**	17
Penalties and fines paid	**1**	3	**1**	3
Others	**40**	36	**40**	36
Total	**130**	**62**	**128**	**60**

44. Income tax expenses

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Current income tax	**16,615**	13,904	**15,824**	13,329
Deferred income tax	**(3,910)**	(2,631)	**(3,779)**	(2,540)
Adjustment income tax for previous year	**45**	(7)	**45**	(7)
Total	**12,750**	**11,266**	**12,090**	**10,782**

The tax charges can be reconciled to the profit as follows:

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Profit before tax	**54,261**	46,193	**51,609**	44,270
Tax calculated at applicable statuory tax rate of 25%	**13,565**	11,548	**12,902**	11,068
Adjustments on income tax:				
Income not taxable for tax purpose	**(1,115)**	(557)	**(1,104)**	(554)
Expenses not deductible for tax purpose	**255**	282	**247**	275
Adjustment on income tax for previous year	**45**	(7)	**45**	(7)
Total	**12,750**	**11,266**	**12,090**	**10,782**

45. Earnings per share

UNIT: RMB Million

	The Group	
	2013	2012
Net profit attributable to ordinary shareholders of the Bank (RMB million)	**41,211**	34,718
Weighted average ordinary shares issued by the Bank (shares in million)	**19,052**	16,180
Basic and diluted earnings per share (RMB Yuan)	**2.16**	2.15

Note 1: The Group distributed stock dividends in July 2013, transerred retained earnings to capital, and therefore, earning per share in each reporting period is recalculated under adjusted shares.

Note 2: As at 31 December 2013 and 31 December 2012, there is no dilutive potential ordinary share of the Group.

46. Other comprehensive income

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
Profit (loss) generated from the fair value changes of available-for-sale financial assets	**(4,926)**	914	**(4,896)**	883
Tax impact from the fair value changes of available-for-sale financial assets	**1,231**	(229)	**1,224**	(221)
Net value recognised in comprehensive income in last period and currently transferred to profit and loss	**(90)**	(509)	**(94)**	(500)
Total	**(3,785)**	**176**	**(3,766)**	**162**

47. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

UNIT: RMB Million

	The Group		The Bank	
	2013	2012	2013	2012
1. Reconciliation of net profit to cash				
flows from operating activities Net profit	**41,511**	34,927	**39,519**	33,488
Add: Provision for impairment losses of assets	**18,188**	12,382	**17,691**	11,969
Depreciation of fixed assets	**835**	759	**829**	755
Amortisation of intangible assets	**119**	82	**116**	82
Amortisation of long-term prepaid expenses	**450**	389	**447**	386
Losses from disposal of fixed assets,				
intangible assets and other long-term assets	**28**	2	**28**	2
Interest income of bonds and other investments	**(34,694)**	(14,888)	**(34,458)**	(14,689)
Interest income of impairment financial assets	**(387)**	(189)	**(387)**	(189)
Gains (losses) from changes in fair value	**1,142**	(339)	**1,142**	(339)
Investment income(losses)	**(22)**	346	**127**	445
Interest expense for debt securities issued	**3,100**	3,283	**3,100**	3,283
Increase in deferred tax assets	**(3,843)**	(2,698)	**(3,712)**	(2,607)
Decrease(increase) in deferred tax liabilities	**(67)**	67	**(67)**	67
Increase in receivables of operating activities	**(209,727)**	(717,380)	**(196,840)**	(704,192)
Increase in payables of operating activites	**392,486**	799,958	**382,104**	785,790
Net cash flow from operating activities	**209,119**	**116,701**	**209,639**	**114,251**
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**127,121**	255,133	**126,585**	255,122
Less: opening balance of cash and cash equivalents	**255,133**	262,645	**255,122**	262,643
Net decrease of cash and cash equivalents	**(128,012)**	**(7,512)**	**(128,537)**	**(7,521)**

(2) Composition of cash and cash equivalents

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash on hand	**6,442**	5,705	**6,442**	5,704
Balances with central bank	**66,208**	92,585	**66,205**	92,584
Due from banks and other financial institutions with original maturity of less than three months	**19,709**	66,521	**19,176**	66,512
Placements with banks and other financial institutions with original maturity of less than three months	**5,597**	10,626	**5,597**	10,626
Financial assets held under resale agreements with original maturity of less than three months	**21,186**	77,485	**21,186**	77,485
Bonds investment with original maturity of less than three months	**7,979**	2,211	**7,979**	2,211
Closing balance of cash and cash equivalents	**127,121**	**255,133**	**126,585**	**255,122**

IX. SEGMENT REPORTING

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other northern region, western region, central region, a total of ten segments, of which branches within the northeast and other northern region, western region, central region are presented in a consolidated manner.

Among them, the northeast and other northern region includes: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch and Industrial Bank Financial Leasing Co., Ltd;

Western region includes: Chendu branch, Chongqing branch, Guiyang branch, Xia'an brach, Kunming branch, Nanning branch, Urumqi branch and Lanzhou branch.

Central region includes: Hohhot brach, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

UNIT: RMB Million

	The Group											
	2013											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	Total
Operating income	15,718	14,313	7,346	7,448	10,034	5,069	6,150	14,200	14,342	14,667	-	**109,287**
Net interest income	7,884	11,207	6,401	5,767	8,153	4,515	4,855	12,260	11,640	13,163	-	**85,845**
Including: Net inter-segment												
interest income	(22,224)	1,146	2,182	4,126	1,664	(1,472)	2,685	1,248	5,145	5,500	-	**-**
Net fee and commission income	8,635	2,878	916	1,679	1,841	538	1,259	1,872	2,676	1,468	-	**23,762**
Other income	(801)	228	29	2	40	16	36	68	26	36	-	**(320)**
Operating expenses	(17,578)	(5,378)	(2,219)	(2,729)	(3,885)	(4,414)	(2,330)	(5,772)	(4,704)	(6,200)	-	**(55,209)**
Operating profit	(1,860)	8,935	5,127	4,719	6,149	655	3,820	8,428	9,638	8,467	-	**54,078**
Add: Non-operating income	70	23	2	3	15	21	18	137	12	12	-	**313**
Less: Non-operating expenses	(16)	(36)	-	(39)	(4)	(8)	(3)	(4)	(9)	(11)	-	**(130)**
Profit before tax	(1,806)	8,922	5,129	4,683	6,160	668	3,835	8,561	9,641	8,468	-	**54,261**
Less: Income tax expenses												**(12,750)**
Net profit												**41,511**
Segment assets	1,173,435	345,646	254,994	289,430	405,854	190,531	256,121	517,944	508,845	600,136	(875,608)	**3,667,328**
Including: Investment in an associate												**1,396**
Undistributed assets												**10,107**
Total assets												**3,677,435**
Segment liabilities	1,047,523	332,751	250,004	284,814	399,828	189,865	252,285	503,933	499,202	591,667	(875,608)	**3,476,264**
Undistributed liabilities												**-**
Total liabilities												**3,476,264**
Supplemental information												
Credit commitments	41,340	56,326	13,005	17,334	61,940	35,111	62,731	130,844	96,154	161,801	-	**676,586**
Depreciation and amortization	234	189	33	56	179	73	91	184	149	216	-	**1,404**
Capital expenditures	629	240	191	46	122	97	566	632	315	547	-	**3,385**

UNIT: RMB Million

	The Group											
	2012											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	Total
Operating income	9,377	11,498	5,719	6,129	9,031	4,733	4,784	12,443	11,545	12,360	-	**87,619**
Net interest income	5,009	9,578	5,175	4,971	7,764	4,203	3,709	10,791	9,793	11,200	-	**72,193**
Including: Net inter-segment												
interest income	(10,282)	711	3,272	2,826	919	(18)	639	(1,265)	462	2,736	-	**-**
Net fee and commission income	4,372	1,751	475	1,099	1,191	513	1,059	1,615	1,737	1,135	-	**14,947**
Other income	(4)	169	69	59	76	17	16	37	15	25	-	**479**
Operating expenses	(12,246)	(4,227)	(1,708)	(2,013)	(3,661)	(2,716)	(1,692)	(4,810)	(3,804)	(4,674)	-	**(41,551)**
Operating profit	(2,869)	7,271	4,011	4,116	5,370	2,017	3,092	7,633	7,741	7,686	-	**46,068**
Add: Non-operating income	99	10	1	3	7	1	2	52	9	3	-	**187**
Less: Non-operating expenses	(13)	(6)	(2)	(13)	(1)	(8)	(4)	(3)	(4)	(8)	-	**(62)**
Profit before tax	(2,783)	7,275	4,010	4,106	5,376	2,010	3,090	7,682	7,746	7,681	-	**46,193**
Less: Income tax expenses												**(11,266)**
Net profit												**34,927**
Segment assets	883,958	285,537	219,473	241,901	351,683	166,340	196,181	480,956	409,040	524,564	(513,594)	**3,246,039**
Including: Investment in an associate	1,208	-	-	-	-	-	-	-	-	-	-	**1,208**
Undistributed assets												
Total assets												**4,936**
Segment liabilities												**3,250,975**
Undistributed liabilities	773,657	275,400	215,372	237,734	346,357	164,330	193,091	469,818	401,294	516,881	(513,594)	**3,080,340**
Total liabilities												**-**
Supplemental information												**3,080,340**
Credit commitments												
Depreciation and amortization	6,450	43,042	4,720	10,115	52,182	38,238	51,061	122,900	82,557	132,203	-	**543,468**
Capital expenditures	221	180	30	54	160	80	67	153	114	171	-	**1,230**
Capital expenditures	210	269	69	842	245	48	317	384	380	574	-	**3,338**

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related Party Relationship

The Group

Related parties with no controlling interest

(1) Shareholders holding more than 5% (inclusive) of the Bank’s shares

Name	Economic nature	Place of registration	Registered capital	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Chen Xiaoping
Hang Seng Bank Limited	Limited Company	Hong Kong	HKD11 billion	Financial services	Rose Lee
People's Insurance Company of China	Incorporated Company	Beijing	RMB13.604 billion	Insurance services	Wu Yan
China Life Insurance Company	Incorporated Company	Beijing	RMB25.761 billion	Insurance services	Wu Yan
China National Tobacco Corporation	Limited Company	Beijing	RMB57 billion	Production, and sales of tobacco products	Ling Chengxing
Fujian Tobacco Haisheng Investment Management Company	Limited Company	Xiamen	RMB2.647 billion	Diverse investment management of commercial system in Fujian Tobacco System	Huang Xueliang
China Tabacco Hunan Investment Management Company	Limited Company	Changsha	RMB0.2 billion	Diverse investment management of commercial system in Hunan Tobacco System	Cheng Dongping
The People’s Insurance Company (Group) of China Limited	Incorporated Company	Beijing	RMB42.424 billion	Insurance services	Wu Yan
China Tobacco Hunan Industrial Corporation	Limited Company	Changsha	RMB4.3 billion	Production, and sales of tobacco products	Lu Ping

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name of share holders	12/31/2013		12/31/2012	
	Shares Million Shares	Proportion (%)	Shares Million Shares	Proportion (%)
The Finance Bureau of Fujian Province	**3,402**	**17.86**	2,268	17.86
Hang Seng Bank Limited	**2,070**	**10.87**	1,380	10.87
People's Insurance Company of China	**948**	**4.98**	632	4.98
China Life Insurance Company	**948**	**4.98**	632	4.98
China National Tabacco Corporation	**614**	**3.22**	409	3.22
Fujian Tabacco Haisheng Investment Management Company	**441**	**2.32**	294	2.32
China Tabacco Hunan Investment Management Company	**226**	**1.19**	-	-
The people's Insurance Company (Group) of China Limited	**174**	**0.91**	116	0.91
China Tobacco Hunan Industrial Corporation	**-**	**-**	151	1.19
Total	**8,823**	**46.33**	5,882	46.33

Notes of relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 10.87%. Both Fujian Tabacco Haisheng Investment Management Company and China Tobacco Hunan Investment Managerment Company are subsidiaries of China National Tabacco Corporation. The aggregate proportion is 6.73%.

According to "The approval of China National Tabacco Corporation on the change in the equity investor of China Tobacco Hunan Industrial Corporation", the ownership of 151 million shares held by China Tobacco Hunan Industrial Corporation will be transferred to China tabacco Hunan investment Management Company(a subsidiary of China National Tabacco Corporation). The shareholders have completed the transfer of ownership registration in March 2013.After the changes, China tabacco Hunan Investment Management Company held 151 million shares. With the dividend distribution of this year, it held 226 million shares, its total share capital of the Bank accounted for 1.19%.

(2) Associates

Name of related party	Economic nature	Domicile	Registered Capital RMB100 million	Business Scope	Legal Representative
Bank of Jiujiang Co., Ltd.	Incorporated Company	Jiujiang	15.16	Financial Service	Liu Xianting
Chongqing Machinery and Electronics Holding Group Finance Company Limited	Limited Company	Chongqing	6	Financial and Financing Consulting Service	Wang Yuxiang

(3) Other related party

Other related party includes key management personnel (including directors, supervisors, the senior management personnel of the head office), key management personnel or close family members who have control or joint control of the enterprise and the subsidiary of Hang Seng Bank Limited, Hang Seng Bank (China) Limited.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are exanmined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

For newly added related parties, China Tabacco Hunan Investment Management Company, comparative numbers in previous year has not been disclosed.

(1) Interest income

UNIT: RMB Million

Related party	2013	2012
Hang Seng Bank Limited	**-**	1
People's Insurance Company of China	**46**	37
The people's Insurance Company (Group) of China Limited	**43**	-
Bank of Jiujiang Co., Ltd	**41**	83
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**214**	-
Total	**344**	**121**

(2) Interest expense

UNIT: RMB Million

Related party	2013	2012
The Finance Bureau of Fujian Province	**341**	211
Hang Seng Bank Limited	**5**	4
Hang Seng Bank (China) Limited	**12**	1
People's Insurance Company of China	**34**	-
China Life Insurance Company	**13**	1
China National Tabacco Corporation	**419**	275
Haisheng Investment Management Company of Fujian Tabacco	**40**	2
China Tobacco Hunan Industrial Corporation	**4**	40
Bank of Jiujiang Co., Ltd	**22**	-
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**17**	-
Total	**907**	**534**

(3) Net fee and commission income

UNIT: RMB Million

Related party	2013	2012
Bank of Jiujiang Co., Ltd.	**8**	7

(4) General and administrative expenses-insurance

UNIT: RMB Million

Related party	2013	2012
People's Insurance Company of China	**105**	-

In 2013, the Bank was paid RMB 73 million in compensation from People's Insurance Company of China(2012:Nil).

3. Unsettled amount of related party transactions

Because the shares have been transferred from China Tobacco Hunan Industrial Corporation to China Tabacco Hunan Investment Management Company in March 2013, the unsettled amount of related party transactions of China Tobacco Hunan Industrial Corporation didn't been disclosed as at 31 December 2013.

(1) Due from banks

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Hang Seng Bank Limited	**11**	11

(2) Placements with banks

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Bank of Jiujiang Co., Ltd.	**-**	1,275

(3) Derivative financial instruments

UNIT: RMB Million

Related party	Transaction Type	12/31/2013		12/31/2012	
		Nominal amount	Fair value	Nominal amount	Fair value
Hang Seng Bank (China) Limited	Interest Rate Derivative	**4,130**	**3**	5,925	(1)
Hang Seng Bank (China) Limited	Exchange Rate Derivative	**8,024**	**6**	2,763	2
China Life Insurance Company	Interest Rate Derivative	**1,300**	**(2)**	1,300	(15)
Total		**13,454**	**7**	**9,988**	**(14)**

(4) Financial assets held under resale agreements

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Bank of Jiujiang Co., Ltd.	**434**	2,190
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**15,584**	-
Total	**16,018**	2,190

(5) Interest receivable

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
People's Insurance Company of China	**10**	10
The people's Insurance Company (Group) of China Limited	**43**	-
Bank of Jiujiang Co., Ltd	**1**	32
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**198**	-
Total	**252**	**42**

(6) Investment classified as receivables

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
People's Insurance Company of China	**850**	850
China Life Insurance Company	**200**	-
The people's Insurance Company (Group) Of China Limited	**1,600**	-
Total	**2,650**	**850**

All the investment classified as receivables are the bonds issued by the above-mentioned related parties.

(7) Loans and advances to customers

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Key management personnel and their close relatives	**10**	11

(8) Due to banks and other financial institution

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Hang Seng Bank Limited	**29**	485
Hang Seng Bank (China) Limited	**571**	11
Bank of Jiujiang Co., Ltd.	**5**	2,198
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**436**	-
Total	**1,041**	**2,694**

(9) Placements from banks

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Hang Seng Bank Limited	**168**	1,131
Hang Seng Bank (China) Limited	**32**	250
Total	**200**	**1,381**

(10) Due to customers

UNIT: RMB Million

Related party	31/12/2013	31/12/2012
The Finance Bureau of Fujian Province	**16,081**	14,489
China Life Insurance Company	**496**	840
People's Insurance Company of China	**701**	102
China National Tabacco Corporation	**19,003**	11,662
Haisheng Investment Management Company of Fujian Tabacco	**1,120**	835
China Tobacco Hunan Industrial Corporation	**54**	-
Chongqing Machinery and Electronics		
Holding Group Finance Company Limited	**27**	-
Key managers and their close relatives	**20**	17
Total	**37,502**	**27,945**

(11) Interest payable

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
The Finance Bureau of Fujian Province	**201**	-
Hang Seng Bank Limited	**-**	1
Hang Seng Bank (China) Limited	**2**	1
People's Insurance Company of China	**12**	-
China Life Insurance Company	**4**	-
China National Tabacco Corporation	**221**	-
Haisheng Investment Management Company of Fujian Tabacco	**38**	-
Total	**478**	**2**

(12) Other payables

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
The Finance Bureau of Fujian Province	**-**	2

(13) Credit facility

UNIT: RMB Million

Related party	12/31/2013	12/31/2012
Hang Seng Bank Limited & Hang Seng Bank (China) Limited	**3,000**	2,000
The people's Insurance Company (Group) of China Limited & its subsidiaries	**5,000**	-
Total	**8,000**	**2,000**

4. Key management personnel remuneration

UNIT: RMB Million

Related party	2013	2012
Salary and welfare	**40**	45

XI. CONTINGENCIES AND COMMITMENTS

1. Pending Litigations

On balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements that needs to be disclosed.

2. Off-balance sheet items

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	12/31/2013	12/31/2012
Credit card commitments	**41,341**	6,450
Letters of credit	**129,383**	69,233
Letters of guarantee	**53,152**	25,429
Bank acceptances	**452,710**	392,352
Reimbursement refinances	**-**	50, 004
Total	**676,586**	**543,468**

In addition, the Group also provides credit facilities to specific customers. According to the management's opinion, since such credit facilities are conditional and can be canceled, the Group is not committed to these customers for the credit risk of the undrawed facilities.

3. Capital commitments

UNIT: RMB Million

	Contractual amount of the Group		Contractual amount of the Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Authorised but not contracted for	**1,138**	104	**1,138**	104
Contracted but not paid for	**4,884**	296	**4,883**	293
Total	**6,022**	**400**	**6,021**	**397**

4. Operating lease commitments

As a tenant, according to the non-cancellable lease contracts, the required minimum lease payments by the Group and the Bank are as follows:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Within one year	**1,466**	1,883	**1,433**	1,859
One to five years	**4,159**	3,061	**4,151**	3,035
Over five years	**1,705**	1,232	**1,705**	1,232
Total	**7,330**	**6,176**	**7,289**	**6,126**

5. Collateral

(1) Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Bonds	**51,463**	101,812	**51,463**	101,812
Bills	**18,729**	47,398	**18,729**	47,398
Others	**9,882**	11,976	**6,757**	11,976
Total	**80,074**	**161,186**	**76,949**	**161,186**

On 31 December 2013, the bills purchased under resale agreements of the Group used for sale under repurchase agreements amount to RMB18,598 million (31 December 2012: RMB47,398 million).

(2) Collateral obtained

In the resale agreement, if the counterparty of the transaction has not violated the contractual terms, the Group can sell some of the pledged assets or transfer the pledged assets in other transactions. The fair value of the pledged assets available for sale and available for pledge on 31 December 2013 is RMB353,018 million. (31 December 2012: RMB370,452 million).

6. Redemption commitment of certificate government bonds and saving government bonds

(1) The Group entrusted by the MOF as its agent issues certificate government bonds and saving government bonds. Holders of certificate government bonds and saving government bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate government bonds and saving government bonds includes principal and interest payable till redemption date.

As of 31 December 2013and 31 December 2012, the cumulative principal balances of the certificate government bonds and saving government bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	12/31/2013	12/31/2012
Certificate government bonds and saving government bonds	**3,899**	4,071

The Group believes, before maturity date of certificate government bonds and saving government bonds, the amount redempyed by the Group is not significant.

(2) The Group has no announced but unissued bonds underwriting amount on 31 December 2013(31 December 2012: Nil).

7. Fiduciary Business

UNIT: RMB Million

	The Group and the Bank	
	12/31/2013	12/31/2012
Fiduciary deposits and loans	**365,237**	133,608
Fiduciary wealth management	**461,506**	417,222
Fiduciary investment	**13,331**	-

Fiduciary deposits and loans are deposits and loans that depositor designated specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management is borne by the trustee.

Fiduciary investment refers to a kind of service that the entrusted Group engaged in capital operation, investment management, investment advisory and other investment services based on the principal-agent relationship. The investment risk of fiduciary investment is borne by the trustee.

XII. OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

UNIT: RMB Million

	The Group				
	2013				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Held-for-trading financial assets	21,540	(595)	-	-	**42,295**
Derivative financial assets	3,266	3,148	-	-	**6,414**
Available-for-sale financial assets	192,057	-	(6,144)	-	**263,681**
Total	**216,863**	**2,553**	**(6,144)**	**-**	**312,390**
Financial liabilities (1)	**(2,996)**	**(3,858)**	**-**	**-**	**(8,080)**

UNIT: RMB Million

	The Bank				
	2013				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Held-for-trading financial assets	21,540	(595)	-	-	**42,267**
Derivative financial assets	3,266	3,148	-	-	**6,414**
Available-for-sale financial assets	190,084	-	(6,132)	-	**261,104**
Total	**214,890**	**2,553**	**(6,132)**	**-**	**309,785**
Financial liabilities (1)	**(2,996)**	**(3,858)**	**-**	**-**	**(8,080)**

(1) Financial liabilities include held-for-trading financial liabilities and derivative financial liabilities.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

UNIT: RMB Million

	The Group				
	2013				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Cash and balances with central bank	6,989	-	-	-	8,615
Due from banks and other financial institutions	24,178	-	-	-	10,778
Placements with banks and other financial institutions	7,417	-	-	-	1,000
Derivative financial assets	983	(670)	-	-	313
Loans and advances to customers	103,322	-	-	884	104,802
Available-for-sale financial assets	1,050	-	56	-	2,139
Held-to-maturity investments	854	-	-	-	336
Other financial assets	1,562	-	-	-	1,201
Total of financial assets	**146,355**	**(670)**	**56**	**884**	**129,184**
Financial liabilities (1)	**(151,499)**	**(1,095)**	**-**	**-**	**(180,043)**

UNIT: RMB Million

	The Bank				
	2013				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Cash and balances with central bank	6,989	-	-	-	8,615
Due from banks and other financial institutions	24,178	-	-	-	10,778
Placements with banks and other financial institutions	7,417	-	-	-	1,000
Derivative financial assets	983	(670)	-	-	313
Loans and advances to customers	103,322	-	-	884	104,802
Available-for-sale financial assets	1,050	-	56	-	2,139
Held-to-maturity investments	854	-	-	-	336
Other financial assets	1,562	-	-	-	950
Total of financial assets	**146,355**	**(670)**	**56**	**884**	**128,933**
Financial liabilities (1)	**(151,499)**	**(1,095)**	**-**	**-**	**(180,128)**

(1) Financial liabilities include due to banks and other financial institutions, placements from banks and other financial institutions, held-for-trading financial liabilities, financial assets sold under repurchase agreements, derivative financial liabilities, due to customers and debt securities issued, etc,.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

XIII. FINANCIAL RISK MANAGEMENT

1. Overview

The Group is exposed to various types of risk due to its banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

The Group’s risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focus on business operation as well as risk management, established risk control system with a core of risk asset management, set up risk management rules and operation regulations for each business sector, improved risk accountability and punishment mechanism. The Group has integrated credit risk, market risk, liquidity risk, operational risk and other risk into the overall risk management, clarified specific responsibility of Board of Directors, Board of Supervisors, senior management and operation executives, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group’s business sector, risk management department and internal audit department build up the “three defenses”; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defense to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risk, while business sector is in charge of making its risk management policy, evaluating the effectivenss of risk management regularly and taking corrective actions if necessary.The risk management department is the second line of defense, which is responsible for the constitution of the Group’s risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group’s risk condition periodically, taking measures for continuously improvement, pushing forward the outspread of overall risk management work. The internal audit department is the third line of defense. It provides independent, objective supervision, evaluation and consultation to the Group’s risk management, provides post-event risk management assessment and feedback adjustment.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty’s failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group’s major credit risks come from loans and receivables, treasury operations and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the group, it is also responsible for making basic rules for the group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control.

The group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail banking line and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post disbursement monitoring and recovery process. In addition, the Group issued "Due diligence of credit approval" to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

The Group set up detailed rules for implementing of credit policy, which intensified the credit support for the real economy. In accordance with the discriminative credit policy of "protecting, controlling, and pressing", the Group also goes along with the policy that "speeds up the transforming of economy development mode, intensifies the adjustment of economic structure, and ties to the core spirit of protecting & improving the people's livelihood". The Group accurately understands the credit layout of mainstream business, give more financial support to related entities in key industry or field, strengthen the credit management over the industries that involves in " high contaminative, high level of energy consumption, and industries over capacities" .The group compresses and gradually withdraws projects that belong to the restrictive and eliminative list of backward production capacity, and continue to promote the structure optimization and adjustment of credit assets.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. The Group has developed and established the non-retail section of internal rating system according to the Basel New Capital Accord and the relevant guidelines of CBRC, the accomplishment is put into practice in risk management such as business authorization,quota management and development of client to enhance the ability of credit risk identification, estimation and control. The retail section of internal rating system is in progress.

The Group strengthens the monitoring and warning of credit operations by drawing up Corporate Customer Risk Warning Regulations and Personal Credit Risk Warning Regulations, so that a variety of credit risk information can be accessed through internal and external sources. Also, warnings would be notified and relevant procedures would be carried out to prevent and overcome risks. Besides, the Group develops the credit management information system to provide management information and advices 24/7 to detect and prevent the credit risk through conducting dynamic monitoring, real-time warning and pre-controlling of customer operation status and credit assets status of the Group.

The Group deals with the relationship between risk management and development by establishing quota management implementation plan, so as to strenthen the real-time warning of credit concentration risk for those emphasized credit industries. The Group will re-adjust and optimize the quota among industries, which advices the branches to optimize structure and control credit concentration risk.

In order to accurately identify the risk profile of credit assets and reasonably reflect the risk-adjusted earnings position, the Group establishes Implementation Rules of Credit Assets Risk Classification, Implementation Standards of Credit Assets Risk Classification, etc., guiding the operating units to optimize the allocation of capital and credit resources and strengthen the awareness of risk management. Based on the five grades classification method established by CBRC, the Company further classifies its credit assets into nine grades: normal 1, 2 and 3; special mention 1, 2 and 3; substandard; doubtful and loss. Different management policies are addressed to the credit assets according to their grades. Provision is also made for these credit assets according to their grades.

Risk arises from credit commitment is similar with risk associate with loans and advances to customer. Therefore, the requirements for application, post disbursement management and collateral and other enhancements for these transactions are the same with the requirements for loans and advances to customer.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group operates the lending business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VIII 8.

3.2 Maximum exposure to credit risk

The maximum exposure to credit risk represents a worst case scenario of credit risk exposure to the Group at the balance sheet date without taking into consideration of any collateral held or other credit enhancements attached. The Group's credit risk exposure mainly derives from credit business and debt investment business. In addition, off-balance sheet instruments also have credit risk, such as derivatives transaction, loan commitments, acceptances, letters of guarantee and letters of credit, etc.

At the balance sheet date, maximum exposure to credit risk is as follows:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Balances with central bank	**416,429**	385,926	**416,241**	385,729
Due from banks and other financial institutions	**62,845**	164,642	**62,313**	164,633
Placements with banks and other financial institutions	**87,091**	214,812	**87,177**	214,812
Held-for-trading financial assets	**42,271**	21,540	**42,267**	21,540
Derivative financial assets	**6,414**	3,266	**6,414**	3,266
Financial assets held under resale agreements	**921,090**	792,797	**921,090**	792,797
Loans and advances to customers	**1,320,682**	1,204,542	**1,320,682**	1,204,394
Available-for-sale financial assets	**263,432**	191,631	**261,089**	190,066
Debt securities classified as receivables	**328,628**	111,360	**326,963**	110,178
Finance lease receivables	**46,094**	33,779	**-**	-
Held-to-maturity investments	**117,655**	69,199	**117,655**	69,199
Other financial assets (1)	**32,778**	28,186	**26,785**	22,586
Total on-balance sheet	**3,645,409**	**3,221,680**	**3,588,676**	**3,179,200**
Total off-balance sheet	**676,586**	**543,468**	**676,586**	**543,468**
Total	**4,321,995**	**3,765,148**	**4,265,262**	**3,722,668**

(1) Other financial assets mainly include interest receivable, other receivables, prepaid purchase cost of finance lease assets and items in the process of clearance and settlement.

3.3 Analysis of exposure to credit risk of the Group and the Bank about loans and advances to customers, inter-bank placement, investment and finance lease receivables

UNIT: RMB Million

	The Group				
	12/31/2013				
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	8,381	89	509	-	**8,979**
Provision for impairment	(3,139)	(89)	(215)	-	**(3,443)**
Net value of assets	5,242	-	294	-	**5,536**
Collective assessment					
Total assets	1,950	-	-	-	**1,950**
Provision for impairment	(1,345)	-	-	-	**(1,345)**
Net value of assets	605	-	-	-	**605**
Past due but not impaired:					
Total assets	4,490	-	-	-	**4,490**
Including:					
Within 90 days	4,055	-	-	-	**4,055**
90 to 360 days	435	-	-	-	**435**
360 days to 3 years	-	-	-	-	**-**
Provision for impairment	(668)	-	-	-	**(668)**
Net value of assets	3,822	-	-	-	**3,822**
Neither past due nor impaired:					
Total assets	1,342,236	1,071,026	752,971	47,321	**3,213,554**
Provision for impairment	(31,223)	-	(1,279)	(1,227)	**(33,729)**
Net value of assets	1,311,013	1,071,026	751,692	46,094	**3,179,825**
Total of net value of assets	**1,320,682**	**1,071,026**	**751,986**	**46,094**	**3,189,788**

UNIT: RMB Million

	The Group				
	12/31/2012				
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	4,334	89	126	-	**4,549**
Porvision for impairment	(2,025)	(89)	(126)	-	**(2,240)**
Net value of assets	2,309	-	-	-	**2,309**
Collective assessment					
Total assets	953	-	-	-	**953**
Provision for impairment	(506)	-	-	-	**(506)**
Net value of assets	447	-	-	-	**447**
Past due but not impaired:					
Total assets	3,873	-	-	-	**3,873**
Including:					
Within 90 days	3,542	-	-	-	**3,542**
90 to 360 days	-	-	-	-	**-**
360 days to 3 years	331	-	-	-	**331**
Provision for impairment	(326)	-	-	-	**(326)**
Net value of assets	3,547	-	-	-	**3,547**
Neither pass due nor impaired:					
Total assets	1,220,005	1,172,251	393,881	34,490	**2,820,627**
Provision for impairment	(21,766)	-	(151)	(711)	**(22,628)**
Net value of assets	1,198,239	1,172,251	393,730	33,779	**2,797,999**
Total of net value of assets	**1,204,542**	**1,172,251**	**393,730**	**33,779**	**2,804,302**

UNIT: RMB Million

	The Bank			
	12/31/2013			
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Total
Impaired:				
Individual assessment				
Total assets	8,381	89	509	**8,979**
Provision for impairment	(3,139)	(89)	(215)	**(3,443)**
Net value of assets	5,242	-	294	**5,536**
Collective assessment				
Total assets	1,950	-	-	**1,950**
Provision for impairment	(1,345)	-	-	**(1,345)**
Net value of assets	605	-	-	**605**
Past due but not impaired:				
Total assets	4,490	-	-	**4,490**
Including:				
Within 90 days	4,055	-	-	**4,055**
90 to 360 days	435	-	-	**435**
360 days to 3 years	-	-	-	**-**
Provision for impairment	(668)	-	-	**(668)**
Net value of assets	3,822	-	-	**3,822**
Neither past due nor impaired:				
Total assets	1,342,236	1,070,580	748,959	**3,161,775**
Provision for impairment	(31,223)	-	(1,279)	**(32,502)**
Net value of assets	1,311,013	1,070,580	747,680	**3,129,273**
Total of net value of assets	**1,320,682**	**1,070,580**	**747,974**	**3,139,236**

UNIT: RMB Million

	THE BANK			
	12/31/2012			
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Total
Impaired:				
Individual assessment				
Total assets	4,334	89	126	**4,549**
Provision for impairment	(2,025)	(89)	(126)	**(2,240)**
Net value of assets	2,309	-	-	**2,309**
Collective assessment				
Total assets	953	-	-	**953**
Provision for impairment	(506)	-	-	**(506)**
Net value of assets	447	-	-	**447**
Past due but not impaired:				
Total assets	3,873	-	-	**3,873**
Including:				
Within 90 days	3,542	-	-	**3,542**
90 to 360 days	-	-	-	**-**
360 days to 3 years	331	-	-	**331**
Provision for impairment	(326)	-	-	**(326)**
Net value of assets	3,547	-	-	**3,547**
Neither past due nor impaired:				
Total assets	1,219,856	1,172,242	391,134	**2,783,232**
Provision for impairment	(21,765)	-	(151)	**(21,916)**
Net value of assets	1,198,091	1,172,242	390,983	**2,761,316**
Total of net value of assets	**1,204,394**	**1,172,242**	**390,983**	**2,767,619**

(1) Inter-bank placement includes due from banks and other financial institutions, placements with banks and other financial institutions and financial assets sold under repurchase agreements.

(2) Investment includes held-for-trading financial assets, available-for-sale financial assets, held-to-maturity investments and debt investment of debt securities classified as receivables.

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgors, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

- For reverse repurchase agreements, collateral mainly includes bills, loans and securities
- For commercial loans, collateral mainly includes land, properties, equipment and shares, etc.
- For retail loans, collateral mainly includes properties

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the change in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Analysis of collateral value

3.5.1 The Group evaluates the fair value of collateral periodically

A. As at 31 December 2013, the fair value of collateral that related to loans past due but not impaired amounted to RMB 7,294 million (31 December 2012: RMB 6,055 million). The collateral includes land, properties, equipment and shares.

B. As at 31 December 2013, the fair value of collateral that related to loans individually assessed to be impaired amounted to RMB4, 874 million (31 December 2012: RMB2,143 million). The collateral includes land, properties, equipment and shares.

3.5.2 The book value of foreclosed assets the Group obtained during 2013 amounted to RMB34 million (2012: RMB101 million).

3.6 Rescheduled loans and advances

As at 31 December 2013, the carrying amount of rescheduled loans and advances to customers amounted to RMB996 million (31 December 2012: RMB981 million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB106 million (31 December 2012: RMB108 million).

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the management of the Group's assets and liabilities. Any major events should be reported to the Asset and

Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analyzing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date and the repricing date of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and liabilities are as follows:

UNIT: RMB Million

	The Group					
	12/31/2013					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	408,431	-	-	-	14,440	**422,871**
Due from banks and other financial institutions	33,976	18,367	10,502	-	-	**62,845**
Placements with banks and other financial institutions	41,648	43,543	1,900	-	-	**87,091**
Held-for-trading financial assets	12,396	15,027	13,942	902	28	**42,295**
Derivative financial assets	-	-	-	-	6,414	**6,414**
Financial assets held under resale agreements	380,717	288,180	252,193	-	-	**921,090**
Loans and advances to customers	810,834	478,016	28,609	3,223	-	**1,320,682**
Available-for-sale financial assets	19,605	55,211	146,986	41,381	498	**263,681**
Debt securities classified as receivables	27,235	76,723	189,401	35,269	-	**328,628**
Finance lease receivables	45,766	-	328	-	-	**46,094**
Held-to-maturity investments	4,741	901	23,917	88,096	-	**117,655**
Other assets	5,553	-	-	-	27,225	**32,778**
Total financial assets	**1,790,902**	**975,968**	**667,778**	**168,871**	**48,605**	**3,652,124**
Financial liabilities:						
Due to banks and other financial institutions	799,959	193,698	13,887	-	-	**1,007,544**
Placements from banks and other financial institutions	42,437	30,467	5,368	-	-	**78,272**
Held-for-trading financial liabilities	-	-	-	-	1,216	**1,216**
Derivative financial liabilities	-	-	-	-	6,864	**6,864**
Financial assets sold under repurchase agreements	67,018	11,638	3,125	-	-	**81,781**
Due to customers	1,415,464	514,114	237,413	271	3,083	**2,170,345**
Debt securities issued	2,993	2,001	41,961	20,946	-	**67,901**
Other liabilities	-	-	40	-	38,292	**38,332**
Total financial liabilities	**2,327,871**	**751,918**	**301,794**	**21,217**	**49,455**	**3,452,255**
Net position	**(536,969)**	**224,050**	**365,984**	**147,654**	**(850)**	**199,869**

UNIT: RMB Million

	The Group					
	12/31/2012					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	379,037	-	-	-	12,594	**391,631**
Due from banks and other financial institutions	87,799	72,325	4,518	-	-	**164,642**
Placements with banks and other financial institutions	117,322	97,490	-	-	-	**214,812**
Held-for-trading financial assets	2,638	5,305	10,107	3,490	-	**21,540**
Derivative financial assets	-	-	-	-	3,266	**3,266**
Financial assets held under resale agreements	335,443	344,377	112,977	-	-	**792,797**
Loans and advances to customers	670,181	515,569	16,657	2,135	-	**1,204,542**
Available-for-sale financial assets	17,559	23,123	105,956	44,393	1,026	**192,057**
Debt securities classified as receivables	8,059	29,740	65,354	8,207	-	**111,360**
Finance lease receivables	33,779	-	-	-	-	**33,779**
Held-to-maturity investments	285	2,014	8,911	57,989	-	**69,199**
Other assets	5,396	-	-	-	22,790	**28,186**
Total financial assets	**1,657,498**	**1,089,943**	**324,480**	**116,214**	**39,676**	**3,227,811**
Financial liabilities:						
Due to banks and other financial institutions	806,378	84,258	3,800	-	-	**894,436**
Placements from banks and other financial institutions	59,101	29,288	-	-	-	**88,389**
Held-for-trading financial liabilities	-	-	-	-	-	**-**
Derivative financial liabilities	-	-	-	-	2,996	**2,996**
Financial assets sold under repurchase agreements	149,719	12,143	-	-	-	**161,862**
Due to customers	1,154,334	421,334	234,971	10	2,617	**1,813,266**
Debt securities issued	-	5,078	42,947	20,944	-	**68,969**
Other liabilities	22	-	-	-	31,351	**31,373**
Total financial liabilities	**2,169,554**	**552,101**	**281,718**	**20,954**	**36,964**	**3,061,291**
Net position	**(512,056)**	**537,842**	**42,762**	**95,260**	**2,712**	**166,520**

UNIT: RMB Million

	The Bank					
	12/31/2013					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	408,243	-	-	-	14,440	**422,683**
Due from banks and other financial institutions	33,444	18,367	10,502	-	-	**62,313**
Placements with banks and other financial institutions	41,734	43,543	1,900	-	-	**87,177**
Held-for-trading financial assets	12,396	15,027	13,942	902	-	**42,267**
Derivative financial assets	-	-	-	-	6,414	**6,414**
Financial assets held under resale agreements	380,717	288,180	252,193	-	-	**921,090**
Loans and advances to customers	810,834	478,016	28,609	3,223	-	**1,320,682**
Available-for-sale financial assets	19,605	55,151	146,031	40,302	15	**261,104**
Debt securities classified as receivables	27,222	76,421	188,051	35,269	-	**326,963**
Held-to-maturity investments	4,741	901	23,917	88,096	-	**117,655**
Other assets	-	-	-	-	26,785	**26,785**
Total financial assets	**1,738,936**	**975,606**	**665,145**	**167,792**	**47,654**	**3,595,133**
Financial liabilities:						
Due to banks and other financial institutions	801,835	193,698	13,887	-	-	**1,009,420**
Placements from banks other financial institutions	32,336	8,291	-	-	-	**40,627**
Held-for-trading financial liabilities	-	-	-	-	1,216	**1,216**
Derivative financial liabilities	-	-	-	-	6,864	**6,864**
Financial assets sold under repurchase agreements	67,018	11,638	-	-	-	**78,656**
Due to customers	1,415,464	514,114	237,413	271	3,083	**2,170,345**
Debt securities issued	2,993	2,001	41,961	20,946		**67,901**
Other liabilities	-	-	-	-	33,595	33,595
Total financial liabilities	**2,319,646**	**729,742**	**293,261**	**21,217**	**44,758**	**3,408,624**
Net position	**(580,710)**	**245,864**	**371,884**	**146,575**	**2,896**	**186,509**

UNIT: RMB Million

	The Bank					
	12/31/2012					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	378,839	-	-	-	12,594	**391,433**
Due from banks and other financial institutions	87,790	72,325	4,518	-	-	**164,633**
Placements with banks and other financial institutions	117,322	97,490	-	-	-	**214,812**
Held-for-trading financial assets	2,638	5,305	10,107	3,490	-	**21,540**
Derivative financial assets	-	-	-	-	3,266	**3,266**
Financial assets held under resale agreements	335,443	344,377	112,977	-	-	**792,797**
Loans and advances to customers	670,033	515,569	16,657	2,135	-	**1,204,394**
Available-for-sale financial assets	17,559	23,123	105,842	43,542	18	**190,084**
Debt securities classified as receivables	8,028	29,204	64,739	8,207	-	**110,178**
Held-to-maturity investments	285	2,014	8,911	57,989	-	**69,199**
Other assets	-	-	-	-	22,586	**22,586**
Total financial assets	**1,617,937**	**1,089,407**	**323,751**	**115,363**	**38,464**	**3,184,922**
Financial liabilities:						
Due to banks and other financial institutions	807,432	84,258	3,800	-	-	**895,490**
Placements from banks other financial institutions	50,411	7,268	-	-	-	**57,679**
Derivative financial liabilities	-	-	-	-	2,996	**2,996**
Financial assets sold under repurchase agreements	149,719	12,143	-	-	-	**161,862**
Due to customers	1,154,334	421,334	234,971	10	2,617	**1,813,266**
Debt securities issued	-	5,078	42,947	20,944	-	**68,969**
Other liabilities	-	-	-	-	27,327	**27,327**
Total financial liabilities	**2,161,896**	**530,081**	**281,718**	**20,954**	**32,940**	**3,027,589**
Net position	**(543,959)**	**559,326**	**42,033**	**94,409**	**5,524**	**157,333**

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and liabilities at the balance sheet date.

UNIT: RMB Million

	The Group			
	12/31/2013		12/31/2012	
	Net interest income increase(decrease)	Other comprehensive income increase(decrease)	Net interest income increase(decrease)	Other comprehensive income increase(decrease)
+100 basis points	**4,079**	**(3,438)**	4,084	(3,413)
- 100 basis points	**(4,079)**	**3,650**	(4,084)	3,639

UNIT: RMB Million

	The Bank			
	12/31/2013		12/31/2012	
	Net interest income increase(decrease)	Other comprehensive income increase(decrease)	Net interest income increase(decrease)	Other comprehensive income increase(decrease)
+100 basis points	**3,778**	**(3,396)**	3,885	(3,369)
- 100 basis points	**(3,778)**	**3,606**	(3,885)	3,592

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate available-for-sale financial assets at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallel. Therefore it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation. And such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD and other currencies. RMB is the functional currency. The foreign exchange rate is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The financial market department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “day time self-trading positions”. The positions are centralized to the financial market department in a timely way and managed centrally. This kind of position is relatively small compared to the Group’s asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and liabilities by currency.

UNIT: RMB Million

	The Group			
	12/31/2013			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	414,256	8,226	389	**422,871**
Due from banks and other financial institutions	52,067	10,008	770	**62,845**
Placements with banks and other financial institutions	86,091	1,000	-	**87,091**
Held-for-trading financial assets	42,295	-	-	**42,295**
Derivative financial assets	6,101	82	231	**6,414**
Financial assets held under resale agreements	921,090	-	-	**921,090**
Loans and advances to customers	1,215,880	98,640	6,162	**1,320,682**
Available-for-sale financial assets	261,542	2,076	63	**263,681**
Debt securities classified as receivables	328,628	-	-	**328,628**
Finance lease receivables	46,094	-	-	**46,094**
Held-to-maturity investments	117,319	168	168	**117,655**
Other assets	31,577	1,147	54	**32,778**
Total financial assets	**3,522,940**	**121,347**	**7,837**	**3,652,124**
Financial liabilities:				
Due to banks and other financial institutions	1,006,300	1,161	83	**1,007,544**
Placements from banks and other financial institutions	49,760	28,426	86	**78,272**
Held-for-trading financial liabilities	1,216	-	-	**1,216**
Derivative financial liabilities	3,993	2,769	102	**6,864**
Financial assets sold under repurchase agreements	81,574	-	207	**81,781**
Due to customers	2,024,791	139,350	6,204	**2,170,345**
Debt securities issued	67,901	-	-	**67,901**
Other liabilities	36,677	1,563	92	**38,332**
Total financial liabilities	**3,272,212**	**173,269**	**6,774**	**3,452,255**
Net position	**250,728**	**(51,922)**	**1,063**	**199,869**

UNIT: RMB Million

	The Group			
	12/31/2012			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	384,642	6,725	264	**391,631**
Due from banks and other financial institutions	140,464	23,402	776	**164,642**
Placements with banks and other financial institutions	207,395	7,417	-	**214,812**
Held-for-trading financial assets	21,540	-	-	**21,540**
Derivative financial assets	2,283	414	569	**3,266**
Financial assets held under resale agreements	792,797	-	-	**792,797**
Loans and advances to customers	1,101,220	85,178	18,144	**1,204,542**
Available-for-sale financial assets	191,007	985	65	**192,057**
Debt securities classified as receivables	111,360	-	-	**111,360**
Finance lease receivables	33,779	-	-	**33,779**
Held-to-maturity investments	68,345	688	166	**69,199**
Other assets	26,624	1,267	295	**28,186**
Total financial assets	**3,081,456**	**126,076**	**20,279**	**3,227,811**
Financial liabilities:				
Due to banks and other financial institutions	892,861	1,400	175	**894,436**
Placements from banks and other financial institutions	79,757	8,585	47	**88,389**
Derivative financial liabilities	1,220	1,517	259	**2,996**
Financial assets sold under repurchase agreements	161,862	-	-	**161,862**
Due to customers	1,675,241	125,232	12,793	**1,813,266**
Debt securities issued	68,969	-	-	**68,969**
Other liabilities	29,882	1,335	156	**31,373**
Total financial liabilities	**2,909,792**	**138,069**	**13,430**	**3,061,291**
Net position	**171,664**	**(11,993)**	**6,849**	**166,520**

UNIT: RMB Million

	The Bank			
	12/31/2013			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	414,068	8,226	389	**422,683**
Due from banks and other financial institutions	51,535	10,008	770	**62,313**
Placements with banks and other financial institutions	86,177	1,000	-	**87,177**
Held-for-trading financial assets	42,267	-	-	**42,267**
Derivative financial assets	6,101	82	231	**6,414**
Financial assets held under resale agreements	921,090	-	-	**921,090**
Loans and advances to customers	1,215,880	98,640	6,162	**1,320,682**
Available-for-sale financial assets	258,965	2,076	63	**261,104**
Debt securities classified as receivables	326,963	-	-	**326,963**
Held-to-maturity investments	117,319	168	168	**117,655**
Other assets	25,835	896	54	**26,785**
Total financial assets	**3,466,200**	**121,096**	**7,837**	**3,595,133**
Financial liabilities:				
Due to banks and other financial institutions	1,008,176	1,161	83	**1,009,420**
Placements from banks and other financial institutions	12,029	28,512	86	**40,627**
Held-for-trading financial liabilities	1,216	-	-	**1,216**
Derivative financial liabilities	3,993	2,769	102	**6,864**
Financial assets sold under repurchase agreements	78,449	-	207	**78,656**
Due to customers	2,024,791	139,350	6,204	**2,170,345**
Debt securities issued	67,901	-	-	**67,901**
Other liabilities	31,941	1,562	92	**33,595**
Total financial liabilities	**3,228,496**	**173,354**	**6,774**	**3,408,624**
Net position	**237,704**	**(52,258)**	**1,063**	**186,509**

UNIT: RMB Million

	The Bank			
	12/31/2012			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	384,444	6,725	264	**391,433**
Due from banks and other financial institutions	140,455	23,402	776	**164,633**
Placements with banks and other financial institutions	207,395	7,417	-	**214,812**
Held-for-trading financial assets	21,540	-	-	**21,540**
Derivative financial assets	2,283	414	569	**3,266**
Financial assets held under resale agreements	792,797	-	-	**792,797**
Loans and advances to customers	1,101,072	85,178	18,144	**1,204,394**
Available-for-sale financial assets	189,034	985	65	**190,084**
Debt securities classified as receivables	110,178	-	-	**110,178**
Held-to-maturity investments	68,345	688	166	**69,199**
Other assets	21,024	1,267	295	**22,586**
Total financial assets	**3,038,567**	**126,076**	**20,279**	**3,184,922**
Financial liabilities:				
Due to banks and other financial institutions	893,915	1,400	175	**895,490**
Placements from banks and other financial institutions	49,047	8,585	47	**57,679**
Derivative financial liabilities	1,220	1,517	259	**2,996**
Financial assets sold under repurchase agreements	161,862	-	-	**161,862**
Due to customers	1,675,241	125,232	12,793	**1,813,266**
Debt securities issued	68,969	-	-	**68,969**
Other liabilities	25,836	1,335	156	**27,327**
Total financial liabilities	**2,876,090**	**138,069**	**13,430**	**3,027,589**
Net position	**162,477**	**(11,993)**	**6,849**	**157,333**

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses.

UNIT: RMB Million

	The Group 2013 Foreign Exchange Increase/(Decrease)	2012 Foreign Exchange Increase/(Decrease)
5% appreciation	**238**	(32)
5% depreciation	**(238)**	32

UNIT: RMB Million

	The Bank 2013 Foreign Exchange Increase/(Decrease)	2012 Foreign Exchange Increase/(Decrease)
5% appreciation	**255**	(32)
5% depreciation	**(255)**	32

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portofolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: (1) drafting liquidity risk management policies and measures; (2) monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets' and liabilities' structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly; (3) analysing the liquidity risk and reporting to the assets and liability management committee regularly; and (4) daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, loan-to-deposit ratio and sets alarming and security limits for each ratio. The Group also prepares general liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee of the Board of Directors for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 A maturity analysis of financial assets and liabilities of the Group as follows

The following tables are the structure analysis of non-derivative financial assets and liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group							
	12/31/2013							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	72,983	-	-	-	-	-	350,072	**423,055**
Due from banks and other financial institutions	10,782	15,940	7,350	19,013	11,529	-	21	**64,635**
Placements with banks and other financial institutions	-	17,642	24,513	44,716	1,985	-	68	**88,924**
Held-for-trading financial assets	28	1,187	9,366	14,415	21,536	1,034	-	**47,566**
Financial assets held under resale agreements	-	198,351	229,812	309,964	267,904	-	-	**1,006,031**
Loans and advances to customers	-	117,234	159,333	655,207	336,105	293,561	11,187	**1,572,627**
Available-for-sale financial assets	445	3,324	7,684	43,531	197,699	63,901	-	**316,584**
Debt securities classified as receivables	-	19,001	13,768	91,873	216,280	45,826	-	**386,748**
Financial lease receivables	-	1,080	2,480	10,549	37,184	4,147	-	**55,440**
Held-to-maturity investments	-	230	5,434	4,665	42,201	130,178	122	**182,830**
Other non-derivative financial assets	1,040	723	758	1,998	5,228	1,061	162	**10,970**
Total non-derivative financial assets:	**85,278**	**374,712**	**460,498**	**1,195,931**	**1,137,651**	**539,708**	**361,632**	**4,155,410**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	215,948	301,448	289,944	200,375	15,365	-	-	**1,023,080**
Placements from banks and other financial institutions	-	22,802	19,826	32,081	5,507	-	-	**80,216**
Held-for-trading financial liabilities	1,216	-	-	-	-	-	-	**1,216**
Financial assets sold under repurchase agreements	-	38,531	28,748	11,847	3,743	-	-	**82,869**
Due to customers	1,004,072	179,031	243,254	533,653	268,940	346	-	**2,229,296**
Debt securities issued	-	3,000	144	4,831	50,043	23,427	-	**81,445**
Other non-derivative financial liabilities	3,111	3,669	108	591	3,687	661	188	**12,015**
Total non-derivative financial liabilities	**1,224,347**	**548,481**	**582,024**	**783,378**	**347,285**	**24,434**	**188**	**3,510,137**
Net position	**(1,139,069)**	**(173,769)**	**(121,526)**	**412,553**	**790,366**	**515,274**	**361,444**	**645,273**

UNIT: RMB Million

	The Group							
	12/31/2012							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	98,802	-	-	-	-	-	292,970	**391,772**
Due from banks and other financial institutions	24,949	43,792	19,257	74,153	4,853	-	21	**167,025**
Placements with banks and other financial institutions	-	42,771	77,653	100,872	-	-	68	**221,364**
Held-for-trading financial assets	-	204	2,651	6,048	11,880	3,994	-	**24,777**
Financial assets held under resale agreements	-	111,904	247,104	345,989	120,079	-	-	**825,076**
Loans and advances to customers	-	55,138	142,433	605,949	330,492	278,370	7,318	**1,419,700**
Available-for-sale financial assets	993	1,102	6,283	31,490	129,234	51,732	-	**220,834**
Debt securities classified as receivables	-	1,195	4,298	34,217	78,056	10,518	-	**128,284**
Financial lease receivables	-	650	1,735	8,256	27,902	1,847	-	**40,390**
Held-to-maturity investments	-	30	696	4,248	19,204	83,737	126	**108,041**
Other non-derivative financial assets	693	790	493	2,160	5,222	447	4	**9,809**
Total non-derivative financial assets:	**125,437**	**257,576**	**502,603**	**1,213,382**	**726,922**	**430,645**	**300,507**	**3,557,072**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	157,180	353,493	303,941	84,465	3,867	-	-	**902,946**
Placements from banks and other financial institutions	-	36,823	22,316	30,125	408	-	-	**89,672**
Financial assets sold under repurchase agreements	-	116,255	34,584	12,110	-	-	-	**162,949**
Due to customers	869,482	112,458	170,870	460,082	290,908	12	-	**1,903,812**
Debt securities issued	-	-	144	7,084	53,886	24,559	-	**85,673**
Other non-derivative financial liabilities	2,720	4,389	151	1,131	2,540	582	965	**12,478**
Total non-derivative financial liabilities	**1,029,382**	**623,418**	**532,006**	**594,997**	**351,609**	**25,153**	**965**	**3,157,530**
Net position	**(903,945)**	**(365,842)**	**(29,403)**	**618,385**	**375,313**	**405,492**	**299,542**	**399,542**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances with central bank, due from banks and other financial institutions, placements with banks and other financial institutions and held-for-trading financial assets, etc,. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition, the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

UNIT: RMB Million

	The Bank							
	12/31/2013							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	72,980	-	-	-	-	-	349,888	**422,868**
Due from banks and other financial institutions	11,530	14,660	7,350	19,013	11,529	-	21	**64,103**
Placements with banks and other financial institutions	-	17,642	24,600	44,716	1,985	-	68	**89,011**
Held-for-trading financial assets	-	1,187	9,366	14,415	21,536	1,034	-	**47,538**
Financial assets held under resale agreements	-	198,351	229,812	309,964	267,904	-	-	**1,006,031**
Loans and advances to customers	-	117,234	159,333	655,207	336,105	293,561	11,187	**1,572,627**
Available-for-sale financial assets	15	3,324	7,651	43,322	196,177	62,686	-	**313,175**
Debt securities classified as receivables	-	18,990	13,734	91,456	214,850	45,826	-	**384,856**
Held-to-maturity investments	-	230	5,434	4,665	42,201	130,178	122	**182,830**
Other non-derivative financial assets	1,040	696	567	1,110	189	33	4	**3,639**
Total non-derivative financial assets:	**85,565**	**372,314**	**457,847**	**1,183,868**	**1,092,476**	**533,318**	**361,290**	**4,086,678**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	217,824	301,448	289,944	200,375	15,365	-	-	**1,024,956**
Placements with banks and other financial institutions	-	18,774	13,715	8,559	-	-	-	**41,048**
Held-for-trading financial liabilities	1,216	-	-	-	-	-	-	**1,216**
Financial assets sold under repurchase agreements	-	38,531	28,748	11,847	-	-	-	**79,126**
Due to customers	1,004,072	179,031	243,254	533,653	268,940	346	-	**2,229,296**
Debt securities issued	-	3,000	144	4,831	50,043	23,427	-	**81,445**
Other non-derivative financial liabilities	3,111	3,647	88	257	387	7	-	**7,497**
Total non-derivative financial liabilities	**1,226,223**	**544,431**	**575,893**	**759,522**	**334,735**	**23,780**	**-**	**3,464,584**
Net position	**(1,140,658)**	**(172,117)**	**(118,046)**	**424,346**	**757,741**	**509,538**	**361,290**	**622,094**

UNIT: RMB Million

	The Bank							
	12/31/2012							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	98,801	-	-	-	-	-	292,773	**391,574**
Due from banks and other financial institutions	24,940	43,792	19,257	74,153	4,853	-	21	**167,016**
Placements with banks and other financial institutions	-	42,771	77,653	100,872	-	-	68	**221,364**
Held-for-trading financial assets	-	204	2,651	6,048	11,880	3,994	-	**24,777**
Financial assets held under resale agreements	-	111,904	247,104	345,989	120,079	-	-	**825,076**
Loans and advances to customers	-	55,138	142,423	605,787	330,492	278,370	7,318	**1,419,528**
Available-for-sale financial assets	18	1,102	6,258	31,423	128,820	50,748	-	**218,369**
Debt securities classified as receivables	-	1,182	4,273	33,605	77,378	10,519	-	**126,957**
Held-to-maturity investments	-	30	696	4,248	19,204	83,737	126	**108,041**
Other non-derivative financial assets	693	712	281	1,226	162	26	4	**3,104**
Total non-derivative financial assets:	**124,452**	**256,835**	**500,596**	**1,203,351**	**692,868**	**427,394**	**300,310**	**3,505,806**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	158,234	353,493	303,941	84,465	3,867	-	-	**904,000**
Placements with banks and other financial institutions	-	34,113	16,417	7,476	-	-	-	**58,006**
Financial assets sold under repurchase agreements	-	116,255	34,584	12,110	-	-	-	**162,949**
Due to customers	869,482	112,458	170,870	460,082	290,908	12	-	**1,903,812**
Debt securities issued	-	-	144	7,084	53,886	24,559	-	**85,673**
Other non-derivative financial liabilities	2,720	4,388	136	1,011	404	39	-	**8,698**
Total non-derivative financial liabilities	**1,030,436**	**620,707**	**526,092**	**572,228**	**349,065**	**24,610**	**-**	**3,123,138**
Net position	**(905,984)**	**(363,872)**	**(25,496)**	**631,123**	**343,803**	**402,784**	**300,310**	**382,668**

5.2 Liquidity risk analysis of derivative instruments

(i) Derivative settled on a net basis

Derivatives that will be settled on a net basis are mainly interest rate related and credit related. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	12/31/2013					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(12)	44	10	137	-	**179**
Other derivatives	(99)	-	34	-	-	**(65)**
Total	**(111)**	**44**	**44**	**137**	**-**	**114**

UNIT: RMB Million

	The Group and the Bank					
	12/31/2012					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(2)	16	55	74	-	**143**
Other derivatives	(68)	-	45	-	-	**(23)**
Total	**(70)**	**16**	**100**	**74**	**-**	**120**

(ii) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives and precious metals forward with delivery precious metals. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	12/31/2013					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	255,110	107,253	128,201	12,588	-	**503,152**
-Cash outflow	(255,208)	(107,422)	(128,514)	(12,589)	-	**(503,733)**
Other derivatives						
-Cash inflow	-	-	-	-	-	**-**
-Cash outflow	-	-	(190)	-	-	**(190)**
Total	**(98)**	**(169)**	**(503)**	**(1)**	**-**	**(771)**

UNIT: RMB Million

	The Group and the Bank					
	12/31/2012					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	224,307	51,755	140,426	1,037	-	**417,525**
-Cash outflow	(224,265)	(51,716)	(140,328)	(1,037)	-	**(417,346)**
Other derivatives	-	-	-	-	-	**-**
-Cash inflow	-	-	-	-	-	**-**
-Cash outflow	-	-	(618)	-	-	**(618)**
Total	**42**	**39**	**(520)**	**-**	**-**	**(439)**

5.3 Off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

UNIT: RMB Million

	The Group and the Bank							
	12/31/2013				12/31/2012			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**41,341**	**-**	**-**	**41,341**	6,450	-	-	**6,450**
Letter of credit	**129,150**	**233**	**-**	**129,383**	69,137	96	-	**69,233**
Letter of guarantee	**19,011**	**10,403**	**23,738**	**53,152**	13,108	4,780	7,541	**25,429**
Bank acceptances	**452,710**	**-**	**-**	**452,710**	392,352	-	-	**392,352**
Reimbursement refinances	**-**	**-**	**-**	**-**	50,004	-	-	**50,004**
Total	**642,212**	**10,636**	**23,738**	**676,586**	**531,051**	**4,876**	**7,541**	**543,468**

6. Capital Management

During the year, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking Regulatory Commission "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)". As per "2011-2015 Development Strategy Plan" and "2013-2018 Capital Adequacy Standards Planning of Transition Period", from the perspective of business strategy, risk conditions and regulatory requirements, the Group will achieve healthy, sustainable and rapid development in order to ensure capital adequacy ratio and the overall strategic development match with risk preference and risk management capabilities.

According to the principle that total amount of available capital matchs the Group's current and future business development plans, the Group will issue no more than CNY20 billion write-downs tier 2 bonds in domestic and foreign markets based on regulatory policies and market conditions, which has been reviewed and approved in the board of directors and the shareholders' meeting and currently is waiting for regulatory authorities to approve.

The Group strengthened capital allocation in the internal management, orienting towards to the target risk assets ratio, co-ordinate the arrangements for the various operating divisions, business lines of the size of the risk-weighted assets, to promote the optimal allocation of capital, in order to maximize shareholders' risk-adjusted return

According to related guidelines of CBRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group monitors its capital adequacy and capital application in real time.

7. Fair value of financial instruments

7.1 Financial instruments measured at fair value

Fair values of the financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;

(ii) The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

(iii) The fair value of derivative instruments are determined with reference to quoted market prices in active markets. Where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and on the basis of the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Fair values of financial instruments are determined and disclosed as the following levels:

Level 1 – those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables summarize the analysis for financial instruments using the three-level fair value hierarchy determination.

UNIT: RMB Million

	The Group							
	12/31/2013				12/31/2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Held-for-trading financial assets	**28**	**42,267**	**-**	**42,295**	-	21,540	-	**21,540**
Derivative financial assets	**-**	**6,414**	**-**	**6,414**	-	3,266	-	**3,266**
Available-for-sale financial assets	**214**	**184,658**	**78,809**	**263,681**	407	135,717	55,933	**192,057**
Total	**242**	**233,339**	**78,809**	**312,390**	**407**	**160,523**	**55,933**	**216,863**
Financial liabilities:								
Held-for-trading financial liabilities	**-**	**1,216**	**-**	**1,216**	-	-	-	**-**
Derivative financial liabilities	**-**	**6,864**	**-**	**6,864**	-	2,996	-	**2,996**
Total	**-**	**8,080**	**-**	**8,080**	**-**	**2,996**	**-**	**2,996**

UNIT: RMB Million

	The Bank							
	12/31/2013				12/31/2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Held-for-trading financial assets	**-**	**42,267**	**-**	**42,267**	-	21,540	-	**21,540**
Derivative financial assets	**-**	**6,414**	**-**	**6,414**	-	3,266	-	**3,266**
Available-for-sale financial assets	**15**	**182,565**	**78,524**	**261,104**	18	134,752	55,314	**190,084**
Total	**15**	**231,246**	**78,524**	**309,785**	**18**	**159,558**	**55,314**	**214,890**
Financial liabilities:								
Held-for-trading financial liabilities	**-**	**1,216**	**-**	**1,216**	-	-	-	**-**
Derivative financial liabilities	**-**	**6,864**	**-**	**6,864**	-	2,996	-	**2,996**
Total	**-**	**8,080**	**-**	**8,080**	**-**	**2,996**	**-**	**2,996**

There are no transfers from Level 1 and Level 2 to Level 3, and no transfers between Level 1 and Level 2 for the fair value measurements of the Group's financial instruments in 2013 and in 2012.

Reconciliation of Level 3 fair value measurements for financial assets and financial liabilities is as follows:

UNIT: RMB Million

Available-for-sale financial assets	The Group	
	12/31/2013	12/31/2012
Opening balance	**55,933**	13,966
Total profit or loss	**5,588**	1,411
Profit	**5,588**	1,411
Purchases/disposals	**36,315**	46,106
Settlements	**(19,027)**	(5,550)
Closing balance	**78,809**	**55,933**
Profit or loss from assets/liabilities held at the end of each year	**3,498**	**1,206**

UNIT: RMB Million

Available-for-sale financial assets	The Bank	
	12/31/2013	12/31/2012
Opening balance	**55,314**	13,781
Total profit or loss	**5,513**	1,405
Profit	**5,513**	1,405
Profit	**36,724**	45,096
Settlements	**(19,027)**	(4,968)
Closing balance	**78,524**	**55,314**
Profit or loss from assets/liabilities held at the end of each year	**3,423**	**1,200**

7.2 Financial instruments measured at amortized cost

The following tables disclose the carrying amount and the fair values of financial assets and financial liabilities which are not measured at fair value at the balance sheet date. The following tables do not include items whose carrying amount and fair values are close, such as balances with central bank, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, borrowings from central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements, etc.

UNIT: RMB Million

	The Group			
	12/31/2013		12/31/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans and advances to customers	**1,320,682**	**1,320,633**	1,204,542	1,205,895
Held-to-maturity investments	**117,655**	**109,470**	69,199	69,093
Debt securities issued	**328,628**	**328,113**	111,360	111,117
Total	**1,766,965**	**1,758,216**	**1,385,101**	**1,386,105**
Financial liabilities:				
Due to customers	**2,170,345**	**2,176,810**	1,813,266	1,817,309
Debt securities issued	**67,901**	**62,004**	68,969	68,351
Total	**2,238,246**	**2,238,814**	**1,882,235**	**1,885,660**

UNIT: RMB Million

	The Bank			
	12/31/2013		12/31/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans and advances to customers	**1,320,682**	**1,320,633**	1,204,394	1,205,747
Held-to-maturity investments	**117,655**	**109,470**	69,199	69,093
Debt securities classified as receivables	**326,963**	**326,483**	110,178	109,935
Total	**1,765,300**	**1,756,586**	**1,383,771**	**1,384,775**
Financial liabilities:				
Due to customers	**2,170,345**	**2,176,810**	1,813,266	1,817,309
Debt securities issued	**67,901**	**62,004**	68,969	68,351
Total	**2,238,246**	**2,238,814**	**1,882,235**	**1,885,660**

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XIV. OTHER SIGNIFICANT EVENT

The Hong Kong Monetary Authority granted a banking license to the Bank on 10 January 2014 (license number: B317) with immediate effect. The Bank will strictly comply with relevant laws and regulatory requirements in Hong Kong to conduct banking business.

XV. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 28 March 2014.

END OF FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

YEAR 2013

1. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of "Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1-Non-recurring Profit or Loss (2008)" (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

UNIT: RMB Million

	The Group	
	2013	2012
Gains and losses on the disposal of non-current assets	**(28)**	(2)
Government grants recognised in profit or loss	**162**	119
Recovery of assets written-off in previous years	**113**	54
Net non-operating income and expense in addition to the above	**49**	8
Subtotal	**296**	**179**
Impact on income tax expenses	**(83)**	(46)
Net earnings attributable to the parent company shareholders	**213**	133
Net earnings attributable to the parent company shareholders, after deduction of non-recurring gains and losses	**40,998**	**34,585**

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the company's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") does not include "investment income from financial assets designated as at fair value through profit or loss, financial liabilities designated as at fair value through profit or loss and available-for-sale financial assets" in non-recurring profit or loss.

2. Return on net assets and earnings per share

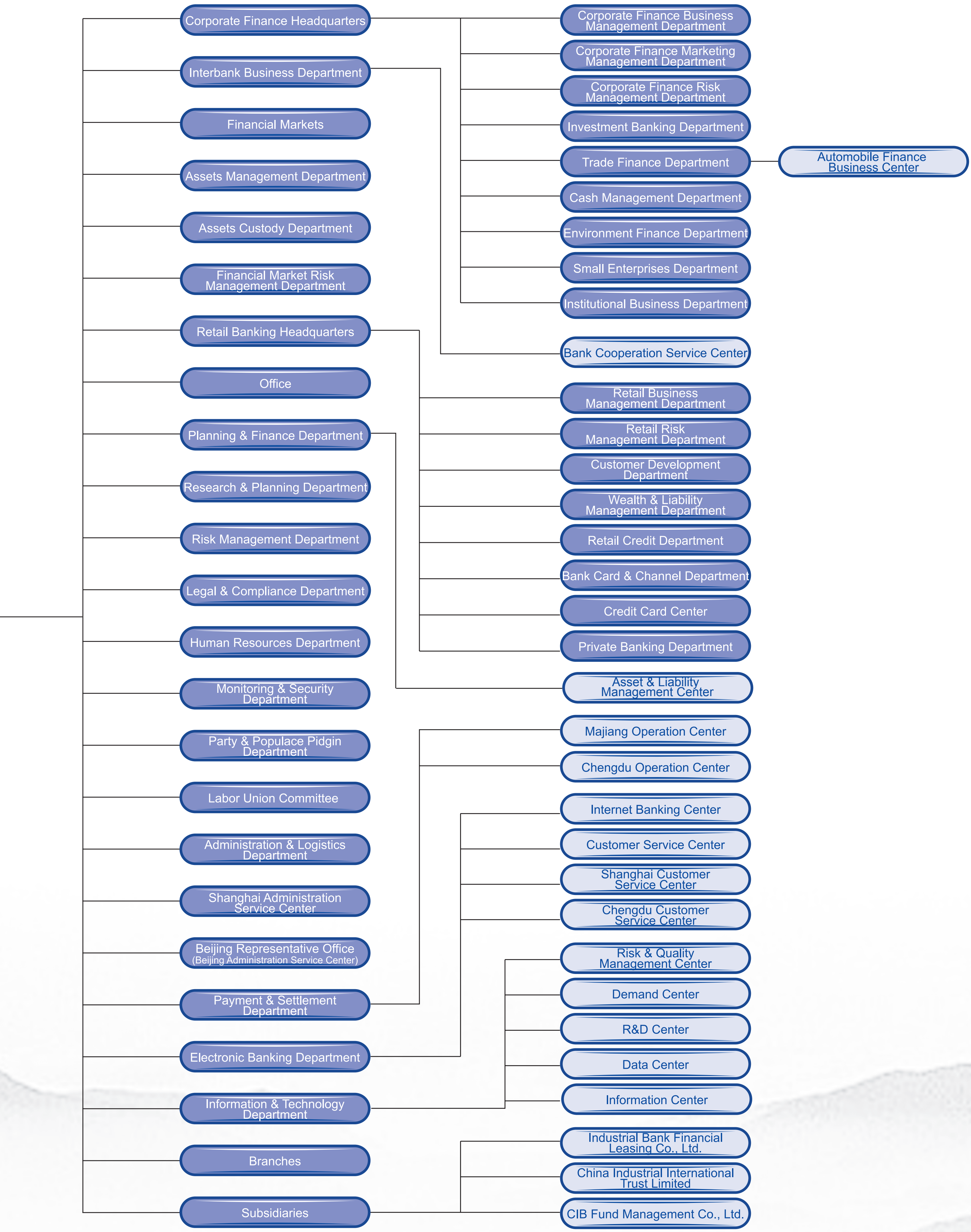
The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

2013	The Group	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	22.39	2.16
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	22.27	2.15

2012	The Group	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	26.65	2.15
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	26.54	2.14

The Group has no diluted potential ordinary share.

THE COMPANY'S ORGANIZATIONAL STRUCTURE


Corporate Finance Headquarters
Interbank Business Department
Financial Markets
Assets Management Department
Assets Custody Department
Financial Market Risk Management Department
Retail Banking Headquarters
Office
Planning & Finance Department
Research & Planning Department
Risk Management Department
Legal & Compliance Department
Human Resources Department
Monitoring & Security Department
Party & Populace Pidgin Department
Labor Union Committee
Administration & Logistics Department
Shanghai Administration Service Center
Beijing Representative Office
(Beijing Administration Service Center)
Payment & Settlement Department
Electronic Banking Department
Information & Technology Department
Branches
Subsidiaries
Corporate Finance Business Management Department
Corporate Finance Marketing Management Department
Corporate Finance Risk Management Department
Investment Banking Department
Trade Finance Department
Automobile Finance Business Center
Cash Management Department
Environment Finance Department
Small Enterprises Department
Institutional Business Department
Bank Cooperation Service Center
Retail Business Management Department
Retail Risk Management Department
Customer Development Department
Wealth & Liability Management Department
Retail Credit Department
Bank Card & Channel Department
Credit Card Center
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Chengdu Operation Center
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