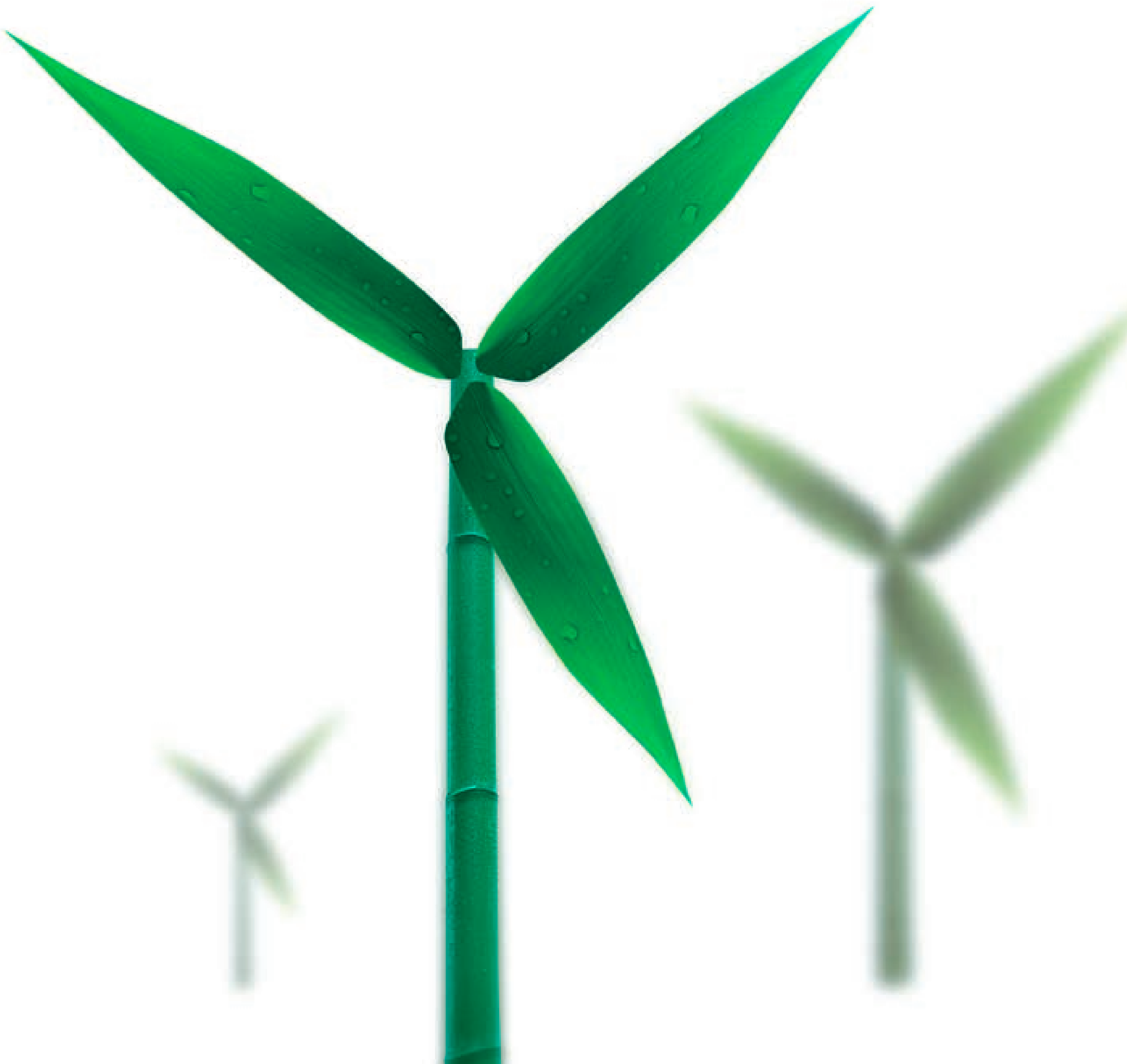
兴业银行股份有限公司
INDUSTRIAL BANK CO.,LTD.

ANNUAL REPORT 2009

STOCK CODE：601166



- Industrial Bank, the first Equator Bank in China.

- Winner of the"Sustainable Emerging Markets Bank of the Year 2009, Asia Regional Prize" launched by the *Financial Times* (UK) and the International Finance Corporation (IFC).

- Ranked 117th by tier one capital and 108th by total assets among the Top 1000 World Banks 2009 by *The Banker* magazine(UK), up 30 and 16 places respectively from last year.

- Ranked 292nd among the FT Global 500 Companies by the *Financial Times* (UK).

- Ranked 389th among the Global 2000 Public Companies by the *Forbes* (USA), and ranked 62nd among the 307 banks in the ranking.

兴业银行

INDUSTRIAL BANK CO.,LTD.

CONTENTS

Chairman:
Gao Jianping

Chairman's Statement

2009 was the toughest year for China's economic development since the beginning of the new century. Braving the storm of the global financial crisis and a complicated and harsh external environment, the Company successfully realized a sustainable, rapid, balanced and healthy development of all its businesses. In keeping with the scientific outlook of development, and adhering to the rules governing commercial bank activities, the Company assisted in advancing the macroeconomic policy adopted by the nation and met the requirements imposed by financial regulatory authorities, ultimately delivering excellent results on the 60th anniversary of the founding of the People's Republic of China.

The past year saw the Company continue to improve its corporate governance, deepen its commitment to sustainable development with emphasis on the formulation and implementation of strategic plans, introduce a series of medium- and long-term development plans, including those for risk management, capital management and *Basel II* implementation. During the year, the Company increased its efforts to supplement its capital base and initiated the construction of an internal control and assessment system to ensure the attainment of its strategic goals. Meanwhile, the Company conscientiously fulfilled its social responsibility and utilized financial leverage to promote the sustainable development of the environment, economy and society. The Sustainable Finance Centre was established to explore low-carbon related business opportunities, and the loans granted to support energy conservation and emission reduction projects in 2009 reached RMB13.279 billion. The Company made great efforts to implement the requirements of Equator Principle, successfully completed the first project finance adopting the Equator Principle in China and became the first financial institution in China to be the winner of "Sustainable Emerging Markets Bank of the Year 2009, Asia Regional Prize" launched by renowned international agencies.

Guided by scientific operation concepts and development strategy, and keeping abreast with the changing macroeconomic situation, the Company swiftly adjusted its operational management strategies, aggressively developing high-quality credit assets and core liabilities, and optimized its business and revenue structure, thereby laying a solid foundation for its business development. As of the end of 2009, the total assets of the Company stood at RMB 1,332.162 billion, up 30.49% over the beginning of the year; net profits at RMB 13.282 billion, up 16.66% over the previous year. Both the balance and the ratio of non-performing loans(NPLs) declined for the fourth consecutive year, meeting high international standards. The Company's provision coverage ratio exceeded 250%, well ahead its domestic peers. At the same time, a transformation in the operation model began to gradually produce effects, making corporate banking, retail banking and financial markets businesses as the three main units of a new comprehensive banking structure. Moreover, the Company has begun to establish a brand name in such niche markets as bank-to-bank cooperation, energy conservation and emission reduction, sustainable finance and physical bullion agency services. The Company's organizational structure improved with the establishment of a comprehensive risk management system compliant to *Basel II*, an operational support and assurance system characterized by centralized and professional management and a performance- and contribution-based assessment and incentive system, making the management and corporate culture increasingly mature.

2010 marks the "wrap-up year" of the Company's 2006-2010 Development Plan. It is a year in which the international and domestic macroeconomic situation may get even more complicated, and difficulties will remain ahead for the banking industry as it seeks to develop. The Company will carefully analyze the new situation and new problems arising in the aftermath of the international financial tsunami with a sense of urgency and responsibility. The Company will unswervingly promote the transformation of its business development and profit-making models in a rational and proactive manner, so as to accomplish all the written objectives and tasks for the current five-year plan, and lay a solid foundation for the implementation of the next five-year plan, which will reward the investors and the community for their long-term support and confidence with continued good results.

Chairman:

President's Report

In 2009, despite facing a tough macro-economic situation and a complicated market environment, the Company proactively capitalized on opportunities arising in the course of economic adjustment and policy change and aggressively penetrated into major markets while diligently managing its primary businesses. As such, all the businesses continued to grow steadily and rapidly with all operating goals set by the Board of Directors fully accomplished.

As at the end of the reporting period, total assets of the Company stood at RMB 1,332.162 billion, an increase of 30.49% from the beginning of the year. The balance of deposits totalled RMB 900.884 billion and the balance of loans stood at RMB 701.597 billion, representing respective growth of 42.45% and 40.49% compared with the beginning of the year. The balance of NPLs was RMB 3.779 billion with an NPL ratio of 0.54%, and the Company continued to achieve a reduction in both the amount and the ratio of its NPLs as compared with the previous year. The provision coverage ratio reached 254.93%. The Company's after-tax profit reached RMB13.282 billion for 2009, up 16.66% from last year.

The transformation of operation was continuously pushed ahead which has gradually improved the business features. The scale of corporate finance business was expanded to a higher level, and the leading market position in the area of featured products such as those associated with energy conservation and emission reduction was further strengthened. The level of inter-bank cooperation continued to improve, while economies of scale in the featured businesses such as the Bank-to-Bank Platform have been achieved gradually. A breakthrough was made in the development of our retail assets, liabilities and intermediary businesses. The business scope was steadily expanded, the market position continued to improve and the credit card business achieved a turnaround for the first time. More efforts were made to innovate in asset management business and various emerging businesses. As a result, the business was further diversified, the Company's unique strength became more prominent, and its market influence as an agent for precious metal trading, wealth management and non-fund custodian business has been improving steadily, further establishing the brand.

The overall risk management capability corresponding to business development was further enhanced, and the Company proactively adapted to market changes and adjusted its policies regarding assets, liabilities and business management in a flexible manner. The Company continued to strengthen the construction of its risk management fundamental regulation system, steadily promoted the implementation of the New Capital Accord project and the operational risk system project, upgraded and modified its credit system and risk monitoring system, and enhanced risk management for its emerging businesses. The Company has successfully completed the construction of its comprehensive compliance management system project, which has enhanced its compliance risk management capability. The Company also initiated the establishment of an internal control assessment system; as a result, the effectiveness of its audit supervision and internal control has steadily improved.

The Company's fundamental management was strengthened, and the ability to provide supports and safeguards continued to improve. The divisional structural reform in the retail banking business proceeded steadily, the reengineering of transaction process achieved significant results of the current stage, and the reengineering of counter process was conducted on a pilot basis with remarkable success. The refined IT operation management was enhanced, resulting in further improvement in the IT applications support ability. The establishment of specialized teams has made significant progress which has steadily improved the ability to offer professional services. The Company's Shijiazhuang Branch and Hohhot Branch have been opened for business successfully, while Changchun Branch is currently in the planning stage. In addition, the electronic banking services such as on-line banking, telephone banking and mobile phone banking were vigorously developed and updated. As a result, the Company's nationwide service network was further enhanced.

In 2010, the Company will continue to adopt the scientific outlook of development, consistently implement the national macro-economic policies and financial regulatory requirements, and diligently execute the operational policies and plans set by the Board of Directors. The Company will also promote confidence in its sustainable development, hammer out new development thoughts and maintain sound development momentum. The Company will continue to promote the development of its various businesses in a stable, rapid, balanced and healthy manner, so as to create higher value and make more contributions to our shareholders, customers, employees and society.

President:

Director, President:
Li Renjie

Chairwoman of the Board of Supervisors: Bi Zhonghua

Director, Vice President: Kang Yukun

Director, Vice President: Chen Dekang

GREEN FINANCE

Industrial Bank, as the first Equator Bank in China, is a pioneer in promoting the green finance concept and the launching of loans for energy conservation and emission reduction projects.

/ Fulfilling social responsibilities while seeking economic benefits
/ Promoting environmental protection
/ Pushing forward a sustainable development

Important Notice

The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior management 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 2009 and Abstract were reviewed and approved at the 21st meeting of the sixth Board of Directors on March 2, 2009. 14 directors should attend the meeting, and 14 directors were in fact present. Li Xiaochun (director) appointed Gao Jianping (Chairman) as proxy and Deng Liping (independent director) appointed Wang Guogang (independent director) as proxy to vote on their behalf respectively. There were no directors, supervisors or senior management who could not warrant or disagreed with the truthfulness, accuracy and completeness of the contents of this annual report.

The Company's 2009 financial statements have been audited by Fujian Huaxing Certified Public Accountants Co., Ltd. and Ernst & Young in accordance with Chinese Auditing Standards ("CAS") and International Auditing Standards ("IAS") respectively, and both have issued standard and unqualified auditors' reports.

The Board of Directors of Industrial Bank Co., Ltd.

The Company's Chairman Gao Jianping, President Li Renjie and Financial Director Li Jian, hereby warrant that the financial statements in the Annual Report 2009 are true and complete.

Corporate Profile

I. Legal Chinese Name: 兴业银行股份有限公司 (Chinese Abbreviation: 兴业银行)
Legal English Name: INDUSTRIAL BANK CO.,LTD. (hereinafter referred to as "the Company")

II. Legal Representative: Gao Jianping

III. Secretary to 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

IV. Registered Address: 154 Hudong Road, Fuzhou, PRC
Office Address: 154 Hudong Road, Fuzhou, PRC
Postcode: 350003
Website: www.cib.com.cn

V. Designated Newspapers for Information Disclosure:
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website Designated by China Securities Regulatory Commission for Publishing Annual Reports: www.sse.com.cn
Place Where the Annual Reports Can Be Obtained: the Company's Office of the Board of Directors

VI. Place of Stock Listing: Shanghai Stock Exchange
Stock Abbreviation: Industrial Bank
Stock Code: 601166

VII. Other Related Information:
Date of First Registration: August 22, 1988
Place of First Registration: Fujian Provincial Administration Bureau of Industry and Commerce
Date of Registration Change: June 1, 2009
Place of Registration Change: Fujian Provincial Administration Bureau of Industry and Commerce
Business License No.: 350000100009440
Taxation Registration No.: State Tax Rongtai Zi 350100158142711
Local Tax Fujian Zi 350102158142711
Domestic Certified Public Accountants Engaged by the Company:
Fujian Huaxing Certified Public Accountants Co., Ltd.
Office Address: 7-9 Floor, B# Zhongshan Building, 152 Hudong Road, Fuzhou
International Certified Public Accountants Engaged by the Company: Ernst & Young
Office Address: 18 Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

VIII. The Annual Report is prepared in both Chinese and English. Should there be any discrepancy in interpretation, the Chinese version shall prevail.

Financial and Business Highlights

I. MAJOR FINANCIAL DATA AND INDICATORS

In RMB thousand

Item	CAS	IAS
Operating profit	17,216,778	17,185,619
Total profit	17,229,485	17,229,485
Net profit attributable to the listed company's shareholders	13,281,943	13,281,943
Net profit after non-recurring gains and losses attributable to the listed company's shareholders	12,596,132	13,281,943

Items and amount of the non-recurring gains and losses:

In RMB thousand

Item	Amount
Gains and losses on the disposal of non-current assets	774,505
Written back of impairment provisions for accounts receivable that have undergone impairment test separately	76,422
Recovery of assets written off in previous years	101,674
Net non-operating income & expense in addition to the above	(8,404)
Impact on income tax	(258,386)
Total	685,811

II. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE PREVIOUS THREE YEARS AS AT THE END OF THE REPORTING PERIOD

In RMB thousand

Key accounting data	2009	2008	Increase/decrease in 2009 compared with 2008 (%)	2007
Operating income	31,679,045	29,714,981	6.61	22,055,411
Total profit	17,229,485	14,037,288	22.74	10,910,171
Net profit attributable to the listed company's shareholders	13,281,943	11,385,027	16.66	8,585,767
Net profit after non-recurring gains and losses attributable to the listed company's shareholders	12,596,132	11,187,454	12.59	7,990,413
Basic earnings per share (RMB)	2.66	2.28	16.66	1.75
Diluted earnings per share (RMB)	2.66	2.28	16.66	1.75
Basic earnings per share after non-recurring gains and losses (RMB)	2.52	2.24	12.59	1.63
Return on total assets (%)	1.13	1.22	Down 0.09 percentage points	1.17
Weighted average return on equity (%)	24.54	26.06	Down 1.52 percentage points	25.34
Weighted average return on equity after non-recurring gains and losses (%)	23.27	25.61	Down 2.34 percentage points	23.58
Net cash flow arising from operating activities	71,848,156	3,328,533	2,058.55	25,261,548
Net cash flow per share arising from operating activities (RMB)	14.37	0.67	2,058.55	5.05

II. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE PREVIOUS THREE YEARS AS AT THE END OF THE REPORTING PERIOD *(continued)*

In RMB thousand

Key accounting data	2009-12-31	2008-12-31	Increase/decrease in 2009 compared with 2008 (%)	2007-12-31
Total assets	1,332,161,552	1,020,898,825	30.49	851,335,270
Shareholders' equity	59,597,462	49,022,046	21.57	38,897,077
Net assets per share attributable to the listed company's shareholders (RMB)	11.92	9.80	21.57	7.78

III. MAJOR FINANCIAL DATA AUDITED UNDER CAS AND IAS AND DIFFERENCES ARISING THEREFROM

In RMB thousand

	Net profit		Net assets	
	2009	2008	2009-12-31	2008-12-31
Stated according to PRC GAAP	13,281,943	11,385,027	59,597,462	49,022,046
Stated according to IFRS	13,281,943	11,385,027	59,597,462	49,022,046

IV. SUPPLEMENTARY FINANCIAL DATA OF THE PREVIOUS THREE YEARS AS AT THE END OF THE REPORTING PERIOD

In RMB thousand

Item	2009-12-31	2008-12-31	2007-12-31
Total liabilities	1,272,564,090	971,876,779	812,438,193
Placements from banks and other financial institutions	1,762,582	12,717,619	991,402
Total deposits	900,884,448	632,425,959	505,370,856
including:			
Demand deposits	455,931,290	279,520,611	266,749,549
Time deposits	373,398,345	278,258,163	180,693,133
Other deposits	71,554,813	74,647,185	57,928,174
Total loans	701,597,461	499,386,429	400,142,777
including:			
Corporate loans	505,882,093	312,919,967	260,500,263
Retail loans	169,013,816	128,936,855	132,395,244
Discount	26,701,552	57,529,607	7,247,270
Loan loss provision	9,634,926	9,400,655	7,114,000

V. APPENDIX TO INCOME STATEMENT FOR THE REPORTING PERIOD

i. Audited under CAS

In RMB thousand

Item	2009	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to the listed company's shareholders	13,281,943	24.54	2.66	2.66
Net profit after non-recurring gains and losses attributable to the listed company's shareholders	12,596,132	23.27	2.52	2.52

Note: Relevant data were calculated in accordance with the 2010 Revised Rules for Report Preparation in Information Disclosure for Public Companies No. 9: Calculation and Disclosure of Return on Net Assets and Earnings per Share.

ii. Audited under IAS

In RMB thousand

Item	2009	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to the listed company's shareholders	13,281,943	24.54	2.66	2.66
Net profit after non-recurring gains and losses attributable to the listed company's shareholders	13,281,943	24.54	2.66	2.66

VI. SUPPLEMENTARY FINANCIAL INDICATORS OF PREVIOUS THREE YEARS AS AT THE END OF THE REPORTING PERIOD

In%

Key indicator		Standard value	2009-12-31	2008-12-31	2007-12-31
Capital adequacy ratio		≥ 8	10.75	11.24	11.73
NPL ratio		≤5	0.54	0.83	1.15
Loan-to-deposit ratio	RMB	≤75	71.90	70.82	68.73
Liquidity ratio	RMB	≥25	32.07	41.04	39.22
Inter-bank placement ratio	Inter-bank borrowing in RMB	≤4	-	1.72	0.13
	Inter-bank lending in RMB	≤8	1.48	1.34	0.66
Proportion of loans to the largest single borrower		≤10	6.53	2.82	4.18
Proportion of loans to the largest ten borrowers		≤50	38.71	19.77	20.94
Cost-to-income ratio		-	36.69	34.90	36.53
Provision coverage ratio		-	254.93	226.58	155.21
Migration ratio of pass loans		-	1.21	1.90	5.53
Migration ratio of special-mentioned loans		-	8.84	13.04	26.29
Migration ratio of substandard loans		-	62.07	46.26	39.97
Migration ratio of doubtful loans		-	9.49	6.06	18.66

Notes:

1. Capital adequacy ratio, loan-to-deposit ratio, liquidity ratio, proportion of loans to the largest single borrower and proportion of loans to the largest ten borrowers were calculated based on data reported to regulatory authorities, while the other data were calculated based on relevant data contained in this annual report.
2. Pursuant to Document YJF [2008] No. 187, Document YJF [2006] No. 345 and Document YJF [2005] No. 253 issued by China Banking Regulatory Commission (CBRC), loans originated from funds raised from the Company's financial bonds issuance were not included in loan-to-deposit ratio calculation.
3. Pursuant to Document YJF [2007] No. 84, starting from 2008, when calculating the "loan-to-deposit ratio", there was no need to deduct "discount" from "loans" in the numerator.
4. NPL ratio was calculated on five-category classification basis.
   NPL ratio = (substandard loans + doubtful loans + loss loans) / total loans×100%.
5. Cost-to-income ratio = (operating and administrative expense + other operating cost) / operating income×100%.
6. Provision coverage ratio = loan loss provision / non-performing loans×100%.
7. Inter-bank placement ratio (inter-bank borrowing in RMB) = inter-bank borrowing in RMB / RMB deposits×100%.
8. Inter-bank placement ratio (inter-bank lending in RMB) = inter-bank lending in RMB / RMB deposits×100%.

VII. CHANGES IN SHAREHOLDERS' EQUITY DURING THE REPORTING PERIOD

i. Audited under CAS

In RMB thousand

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share capital	5,000,000	-	-	5,000,000
Capital reserve	17,695,967	-	456,528	17,239,439
General reserve	6,380,278	1,720,351	-	8,100,629
Surplus reserve	3,403,214	-	-	3,403,214
Retained earnings	16,542,587	13,281,943	3,970,351	25,854,179
Total	49,022,046	15,002,294	4,426,879	59,597,462

ii. Audited under IAS

In RMB thousand

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share capital	5,000,000	-	-	5,000,000
Capital reserve	17,560,173	-	-	17,560,173
Surplus reserve	3,403,214	-	-	3,403,214
General reserve	6,380,278	1,720,351	-	8,100,629
Retained earnings	16,542,587	13,281,943	3,970,351	25,854,179
Unrealized gains and losses on investments, after tax	135,794	-	456,528	(320,733)
Total	49,022,046	15,002,294	4,426,879	59,597,462

VIII. CAPITAL COMPOSITION AND CHANGES

In RMB million

Item	2009-12-31	2008-12-31	2007-12-31
Net capital	77,013	57,717	47,859
including:			
Core capital	57,089	46,315	36,255
Supplementary capital	20,802	12,237	12,094
Deductions	879	835	490
Risk weighted assets	713,057	509,570	406,225
Capital at market risk	247	318	129
Capital adequacy ratio (%)	10.75	11.24	11.73
Core capital adequacy ratio (%)	7.91	8.94	8.83

Note: The data set out in the table were those reported to the regulatory authorities.

IX. ITEMS MEASURED AT FAIR VALUE

In RMB thousand

Item	2008-12-31	Gains and losses from changes in fair value of the period	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	2009-12-31
Financial Assets:					
(1)Trading financial assets	6,691,211	(30,844)	-	-	3,363,484
(2)Precious metal	-	(560)	-	-	126,384
(3)Derivative financial assets	3,764,640	(2,365,605)	-	-	1,399,035
(4)Available-for-sale financial assets	77,167,987	-	(421,618)	-	111,148,150
Total	87,623,838	(2,397,009)	(421,618)	-	116,037,053
Financial Liabilities:					
(1)Trading financial liabilities	644,230	44,283	-	-	-
(2)Derivative financial liabilities	3,941,283	2,339,469	-	-	1,601,814
Total	4,585,513	2,383,752	-	-	1,601,814

The Company's financial instruments measured at fair value include trading financial assets, available-for-sale financial assets, derivative financial assets, derivative financial liabilities, trading financial liabilities and precious metal. (1) Trading financial assets: the scale of trading financial assets in the Company was small in proportion to the total assets, and the change of their fair value had little effect on the profit of the Company. (2) Available-for-sale financial assets: the change of fair value of the available-for-sale financial assets entered into the owner's equity and had no effect on the profit of the reporting period. (3) Derivative financial assets and derivative financial liabilities: with the rapid development of the RMB derivatives market, the Company's products have become more sophisticated. As one of the important market makers in the RMB derivatives market, the Company proactively participated in various RMB derivatives transactions and dominated a leading market share. By the implementation of strict pricing, re-evaluation and risk control procedures, the Company carried out effective management on the risks of the derivatives market, and the impact of the change of derivative financial assets and liabilities on the profit of the Company was not notable. (4) Trading financial liabilities: according to the changing financial products market conditions, the Company developed its trading financial liabilities business as part of its trading strategy. As part of the total gains and losses of related transactions, the changes of fair value gains and losses of trading financial liabilities had little effect on the Company's profit. (5) Precious metal: the Company vigorously took part in trading of various products in the precious metal market with a rapid growth in trading volume. Gains and losses from changes in fair value of precious metal, as part of the total gains and losses of related transactions, had little impact on the Company's profit.

Changes in Share Capital and Shareholders

I. CHANGES IN SHARES DURING THE REPORTING PERIOD

i. Changes in shares

Unit: share

	2008-12-31		Changes during the reporting period	2009-12-31	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to sale restriction					
i. State-owned shares	1,020,000,000	20.40	-	1,020,000,000	20.40
ii. Shares held by state-owned legal persons	-	-	-	-	-
iii. Shares held by other domestic investors	-	-	-	-	-
including:					
Shares held by domestic non-state-owned legal persons	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-
iv. Shares held by foreign investors	-	-	-	-	-
including:					
Shares held by foreign legal persons	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-
Total	1,020,000,000	20.40	-	1,020,000,000	20.40
II. Shares not subject to sale restriction					
i. RMB ordinary shares	3,980,000,000	79.60	-	3,980,000,000	79.60
ii. Domestically listed shares held by foreign investors	-	-	-	-	-
iii. Overseas listed shares held by foreign investors	-	-	-	-	-
iv. Others	-	-	-	-	-
Total	3,980,000,000	79.60	-	3,980,000,000	79.60
III. Total shares	5,000,000,000	100	-	5,000,000,000	100

Note: The Finance Bureau of Fujian Province, the largest shareholder of the Company, holds 1,020 million pre-IPO shares and commits that the lock-up period of such shares will be three years from the date of listing. The lock-up period has expired on February 4, 2010, and these shares have become tradable since February 5, 2010. For further details, please refer to the announcement of the Company dated January 29, 2010.

ii. Selling of the shares released from sale restriction

As at the end of the reporting period, approximately 1,239 million shares had been sold by the Company's original shareholders subject to trading moratorium, accounting for 37.78% of the total 3,279 million shares released from trading moratorium. Pre-IPO shareholders held 2,979 million shares which were subject to sale restriction, and sold approximately 1,006 million shares in total, while strategic placement shareholders held 300 million shares which were subject to sale restriction, and sold approximately 233 million shares in total.

iii. Share issuance and listing

1. Share issuance by the Company in the past three years

Unit: in shares

Share type	Issuing date	Price (RMB)	Number	Listing date	Number of tradable shares	Date of maturity
RMB denominated ordinary shares	January 29, 2007	15.98	1,001,000,000	February 5, 2007	1,001,000,000	-

2. There was no change in the total number of outstanding shares during the reporting period.

3. No shares were held by employees of the Company during the reporting period.

II. SHAREHOLDERS

i. Total number of shareholders

As at the end of the reporting period, the Company had a total of 92,662 shareholders.

ii. As at the end of the reporting period, shares held by the top ten shareholders were set out as follows:

Unit: share

Name of shareholder	Type of shareholder	Changes during the reporting period	Number of shares held as at December 31, 2009	Percentage in total share capital (%)	Number of shares subject to sale restriction held during the reporting period	Pledged or frozen shares
The Finance Bureau of Fujian Province	State organ	-	1,040,053,632	20.80	1,020,000,000	44,224,323 (frozen)
Hang Seng Bank Limited	Overseas legal person	-	639,090,000	12.78	-	None
Tetrad Ventures Pte Ltd.	Overseas legal person	-8,550,000	191,400,000	3.83	-	None
COFCO Limited	State-owned legal person	4,680,974	148,070,721	2.96	-	7,370,721 (frozen)
Fujian Tobacco Haisheng Investment Management Co., Ltd.	State-owned legal person	-	133,333,333	2.67	-	None
Longyan Municipal Bureau of Finance, Fujian Province	State organ	-	70,000,000	1.40	-	38,035,003 (frozen)
China Tobacco Hunan Industrial Co., Ltd	State-owned legal person	-	70,000,000	1.40	-	None
Inner Mongolia Xishui Venture Co., Ltd.	Domestic non-state-owned legal person	-8,874,153	67,232,550	1.34	-	37,000,000 (pledge)
Guangfa Jufeng Stock Fund	Fund	21,572,310	65,000,000	1.30	-	None
China Electronic Information Industry Group Corporation	State-owned legal person	-39,099,047	58,787,770	1.18	-	6,503,577 (frozen)

Note: Longyan Municipal Bureau of Finance, Fujian Province is an administrative organ under the Finance Bureau of Fujian Province. There was no relationship among other shareholders, and they were not parties acting in concert.

II. SHAREHOLDERS *continued*

iii. As at the end of the reporting period, shares not subject to sale restriction held by the top ten shareholders were as follows:

Unit: share

Name of shareholder	Number of shares held not subject to sale restriction	Percentage in total share capital (%)	Share type
Hang Seng Bank Limited	639,090,000	12.78	RMB Denominated Ordinary Share
Tetrad Ventures Pte Ltd.	191,400,000	3.83	RMB Denominated Ordinary Share
COFCO Limited	148,070,721	2.96	RMB Denominated Ordinary Share
Fujian Tobacco Haisheng Investment Management Co., Ltd.	133,333,333	2.67	RMB Denominated Ordinary Share
Longyan Municipal Bureau of Finance, Fujian Province	70,000,000	1.40	RMB Denominated Ordinary Share
China Tobacco Hunan Industrial Co., Ltd.	70,000,000	1.40	RMB Denominated Ordinary Share
Inner Mongolia Xishui Venture Co., Ltd.	67,232,550	1.34	RMB Denominated Ordinary Share
Guangfa Jufeng Stock Fund	65,000,000	1.30	RMB Denominated Ordinary Share
China Electronic Information Industry Group Corporation	58,787,770	1.18	RMB Denominated Ordinary Share
Yi Fang Da 50 Index Securities Investment Fund	48,026,056	0.96	RMB Denominated Ordinary Share

Note: There was no relationship among the above top ten shareholders holding shares not subject to sale restriction, and they were not parties acting in concert.

iv. Shareholders holding over 5% of the Company's shares

1. The Finance Bureau of Fujian Province is a government institution legal person.
   Legal Representative: Mr. Chen Xiaoping
   Legal Address: 5 Zhongshan Road, Fuzhou, PRC
   The Finance Bureau of Fujian Province is the largest shareholder of the Company.

2. Hang Seng Bank Limited is one of the largest Hong Kong-incorporated listed banks by market capitalization.
   Legal Representative: Ms Margaret Leung
   Registered Capital: HKD 11 billion
   Legal Address: 83 Des Voeux Road Central, Hong Kong
   Hang Seng Bank is a principal member of the HSBC Group. HSBC Holdings indirectly holds a 62.14% stake in Hang Seng Bank through its intermediate holding company.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Basic information

Name	Title	Gender	Date of birth	Office term	Total pre-tax remuneration from the Company during the reporting period (RMB '0000)	Whether remuneration is received from shareholder companies or other related parties
Gao Jianping	Chairman	Male	1959.07	2007.10.19-2010.10.18	278.50	No
Liao Shizhong	Director	Male	1962.10	2007.10.19-2010.10.18	-	Yes
Patrick K W Chan	Director	Male	1956.05	2007.10.19-2009.11.20	-	Yes
Andrew H C Fung	Director	Male	1957.07	2010.01.13-2010.10.18	-	Yes
Chua Phuay Hee	Director	Male	1953.09	2007.10.19-2010.10.18	-	No
John Law	Director	Male	1950.09	2007.10.19-2010.10.18	-	Yes
Li Xiaochun	Director	Male	1964.09	2007.10.19-2010.10.18	-	Yes
Li Renjie	Director, President	Male	1955.03	2007.10.19-2010.10.18	270.60	No
Kang Yukun	Director, Vice President	Male	1954.05	2007.10.19-2010.10.18	253.30	No
Chen Dekang	Director, Vice President	Male	1954.09	2007.10.19-2010.10.18	236.10	No
Wang Guogang	Independent Director	Male	1955.11	2007.10.19-2010.10.18	25.50	No
Ba Shusong	Independent Director	Male	1969.08	2007.10.19-2010.10.18	25.50	No
Deng Liping	Independent Director	Male	1954.11	2007.10.19-2010.10.18	27.00	No
Xu Bin	Independent Director	Male	1944.09	2007.10.19-2010.10.18	27.00	No
Lim Peng Khoon	Independent Director	Male	1949.08	2007.10.19-2010.10.18	25.00	No
Bi Zhonghua	Chairwoman of the Board of Supervisors	Female	1952.07	2007.10.19-2010.10.18	257.10	No
Wu Xiaohui	Supervisor	Female	1961.01	2007.10.19-2010.10.18	-	Yes
Chen Xiaohong	Supervisor	Female	1965.11	2007.10.19-2010.10.18	-	Yes
Deng Weili	Supervisor	Male	1964.09	2007.10.19-2010.10.18	-	Yes
Zhou Yuhan	Supervisor	Female	1968.10	2008.04.28-2010.10.18	-	Yes
Lai Furong	Supervisor	Male	1968.10	2007.10.19-2010.10.18	161.10	No
Hua Bing	Supervisor	Male	1966.11	2007.10.19-2010.10.18	135.20	No
Li Shuang	External Supervisor	Male	1944.08	2007.10.19-2010.10.18	24.50	No
Wu Shinong	External Supervisor	Male	1956.12	2007.10.19-2010.10.18	23.00	No
Tang Bin	Secretary to the Board of Directors	Male	1957.02	2007.10.19-2010.10.18	203.20	No

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *continued*

i. Basic information *continued*

Notes:

1. The remuneration for directors, supervisors and senior management who held full-time positions in the Company during the reporting period has included annual risk fund, of which, Gao Jianping(Chairman) is RMB0.58 million, Li Renjie(Director, President) is RMB0.56 million, Bi Zhonghua(Chairwoman of the Board of Supervisors) is RMB0.54 million, Kang Yukun(Director, Vice President) is RMB0.53 million, Chen Dekang(Director, Vice President) is RMB0.51 million, Tang Bin(Secretary to the Board of Directors) is RMB0.45 million. In accordance with the Measures on Senior Management Risk Fund Evaluation and Disbursement, the risk fund should be disbursed in three years with evaluation.
2. As at the end of the reporting period, all directors, supervisors and senior management of the Company did not hold any shares of the Company.
3. The decision-making procedures, criteria for determination and actual payment of remuneration for directors, supervisors and senior management: remuneration for directors and supervisors was set and paid in accordance with Regulations on Directors' Remuneration of Industrial Bank, Remuneration Package for Supervisors of Industrial Bank, Regulations on Independent Directors' Allowance of Industrial Bank, and Regulations on External Supervisors' Allowance of Industrial Bank. The specific criteria were as follows: directors and supervisors holding full-time positions in the Company should receive remuneration according to their posts, and no cross or repeated offering of remuneration was allowed; shareholder-appointed directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies in which they held full-time positions. Allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and meeting subsidy.
4. Remuneration package for the Company's senior management was determined by the Remuneration and Evaluation Committee under the Board of Directors in accordance with the Regulations on Senior Management's Remuneration of Industrial Bank and the Rules of Performance Evaluation of Senior Management of Industrial Bank and then submitted to the Board of Directors for consideration and approval.

ii. Positions of directors and supervisors in shareholder companies

Name	Shareholder company	Title
Andrew H C Fung	Hang Seng Bank Limited	General Manager and Head of Treasury and Investment
John Law	International Finance Corporation	Principal Banking Specialist of Global Financial Markets
Li Xiaochun	China Electronic Information Industry Group Corporation	Chief Accountant
Wu Xiaohui	COFCO Limited	Chief Accountant
Chen Xiaohong	China National Tobacco Corporation Fujian Provincial Company	Director of Audit Department
Deng Weili	Shanghai Guoxin Investment & Development Co., Ltd.	CEO

As at the end of the reporting period, other directors and supervisors of the Company did not hold any position in existing shareholder companies.

iii. Major working experience of directors, supervisors and senior management, and their appointments or concurrent-appointments in entities other than the Company and shareholder companies

Name	Major working experience	Appointments or concurrent-appointments in entities other than the Company and shareholder companies
Gao Jianping	Bachelor degree, senior economist. He has served previously as Deputy General Manager of the Office of Industrial Bank, Director of the Industrial Bank's Office in Fuzhou Economic and Technological Development Zone, General Manager of the Office of Industrial Bank, Head of Industrial Bank's Shanghai Branch Preparatory Team, Vice President of Industrial Bank and President of Industrial Bank's Shanghai Branch, Vice President of Industrial Bank (in charge of overall management), Secretary of Communist Party Committee, Chairman and President of Industrial Bank, and currently as Secretary of Communist Party Committee and Chairman of Industrial Bank.	None
Liao Shizhong	Master degree, associate research fellow. He has 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, Deputy Secretary-general of Fujian Provincial Society of Finance, and currently as Vice President and Secretary-general of Fujian Provincial Society of Finance.	Vice President and Secretary-general of Fujian Provincial Society of Finance.
Patrick K W Chan	Master degree. He has served previously as Accounting Head of Ernst & Young (Hong Kong), Director of Accounting Department of Southeast Asia Properties & Finance Ltd., Head of Finance Management Department and Chief Audit Executive of Australia and New Zealand Banking (Hong Kong) Group, Head of Accounting Department of Chase Manhattan Bank (Hong Kong), Deputy General Manager and Group Chief Financial Officer and Corporate Secretary of Hong Kong Dah Sing Financial Holdings Ltd., Deputy General Manager and Chief Financial Officer of Hang Seng Bank, Executive Director and Chief Financial Officer of Hang Seng Bank, and currently as Executive Director and Chief Financial Officer of Sun Hung Kai Properties Limited.	Executive Director and Chief Financial Officer of Sun Hung Kai Properties Limited
Andrew H C Fung	University graduate. He has 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 and General Manager and Head of Investment and Insurance of Hang Seng Bank, and currently as General Manager and Head of Treasury and Investment of Hang Seng Bank.	None
Chua Phuay Hee	Master degree. He has 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 currently as Executive Director of Wilmar International Limited.	Executive Director of Wilmar International Limited
John Law	Master degree. He has served previously as Business Risk Reviewer for Asia Pacific Region and Business Manager for North China Region of Citibank, Training Head for Asia Pacific Region of J.P. Morgan & Co., Risk Manager for Greater China and Senior Credit Officer for Asia Pacific Region of Euroclear, Regional Credit Officer for Asia Pacific Financial Markets of Citibank, and currently as Principal Banking Specialist of Global Financial Markets of International Finance Corporation.	None
Li Xiaochun	Master degree, research-fellow senior accountant. He has served previously as a technical in former Electronics Department 711 Factory, assistant staff, Vice Director, Director and Vice General Manager of Material Department of Aerospace Research Institute II, Director and Chairman of China Aerospace Science and Industry Financial Company Limited, and currently as Chief Accountant of China Electronic Information Industry Group Corporation.	None

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *continued*

iii. Major working experience of directors, supervisors and senior management, and their appointments or concurrent-appointments in entities other than the Company and shareholder companies *continued*

Name	Major working experience	Appointments or concurrent-appointments in entities other than the Company and shareholder companies
Li Renjie	Bachelor degree, senior economist. He has served previously as Director of Planning Division of Fujian Branch of the People's Bank of China (PBOC), Executive Director and Deputy General Manager of Hong Kong Jiang Nan Finance Ltd., Chairman of Great Wall Securities Co., Ltd., Head of Preparatory Team and 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
Kang Yukun	Bachelor degree, senior economist. He has served previously as Deputy General Manager of Industrial Bank's Credit Department, Vice President of Industrial Bank's Putian Branch, Vice President and President of Industrial Bank's Fuzhou Branch, and currently as Communist Party Committee Member and Vice President of Industrial Bank.	None
Chen Dekang	Bachelor degree, senior economist. He has served previously as Vice President of Industrial Bank's Ningde Branch, Deputy General Manager and General Manager of Industrial Bank's Business Operation Department, Vice President (in charge of overall management) and President of Industrial Bank's Xiamen Branch, and currently as Communist Party Committee Member and Vice President of Industrial Bank.	None
Wang Guogang	PhD degree, research fellow. He has 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 Vice Director of Financial Research Institute of Chinese Academy of Social Sciences.	Vice Director of Financial Research Institute of Chinese Academy of Social Sciences
Ba Shusong	PhD degree, research fellow. He has served previously as Deputy Division Director of Development and Planning Department of Bank of China Head Office, Vice President of Bank of China's Hangzhou Branch, Assistant General Manager of Bank of China (Hong Kong) Ltd., Director of Development and Strategy Committee of Securities Association of China, Vice Head of the Economic Affairs Department of the Liaison Office of the Central People's Government in HK S.A.R., and has been Vice Director, Research Fellow and PhD Tutor of Financial Research Institute of Development and Research Center of the State Council since 2003.	Vice Director of Financial Research Institute of Development and Research Center of the State Council and Independent Director of Guosen Securities Co., Ltd. and Guoyuan Securities Co., Ltd.
Deng Liping	PhD degree, PhD tutor. He has served previously as Professor of Economics Department of Canada Mount Allison University (tenured professor), Professor and PhD Tutor of Economics Department of Xiamen University, Director of International Trade Department of Xiamen University, Deputy Dean of Economics Department of Xiamen University, Dean of Online Education Department of Xiamen University, Chancellor Assistant and Vice Chancellor of Xiamen University, and currently as Dean of Xiamen National Accounting College, Professor of Xiamen University.	Dean of Xiamen National Accounting College and Professor of Xiamen University
Xu Bin	PhD degree, senior economist. He has 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 Co., Ltd.	Director of Sun-life Everbright Life Insurance Co., Ltd.

Name	Major working experience	Appointments or concurrent-appointments in entities other than the Company and shareholder companies
Lim Peng Khoon	Member of UK Chartered Institute of Bankers, senior member of Malaysia Institute of Bankers. He has served previously as Director of Foreign Exchange Reserve Administration Department of the Central Bank of Malaysia, Consultant of Market Supervision Department of Hong Kong Securities and Futures Commission, Consultant of Hong Kong/Malaysia HT Consulting Ltd., Consultant of Hong Kong Chinfosys Limited, Senior Consultant of Monetary Administration and Financial Infrastructure Department of Hong Kong Monetary Authority, and currently as Consultant of Business Restructuring of Malaysian Bison Group.	Advisor of Business Restructuring of Malaysian Bison Group, Director of Malaysia Electronic Clearing Corp. S/B, Malaysian North Star Solutions S/B
Bi Zhonghua	Bachelor degree, senior economist. She has served previously as Head of Cadre Section of Human Resources Department, Head of Statistics Division of General Planning Department, Vice Director of Deposits and Remittances Department of Bank of China's Fuzhou Branch, Vice General Manager and General Manager of International Banking Department, President Assistant of Industrial Bank and General Manager of International Banking Department, General Manager of Business Operation Department, Communist Party Committee Member, Director and Vice President of Industrial Bank, and currently as Communist Party Committee Member and Chairwoman of the Board of Supervisors of Industrial Bank.	Supervisor of China Union Pay Co., Ltd.
Wu Xiaohui	Master degree, senior accountant. She has served previously as Accountant and Vice General Manager of Planning & Finance Department of China Cereals, Oils and Foods Import and Export Company, General Manager of Planning & Finance Department and Financial Controller of China Cereals, Oils and Foods Import and Export (Group) Co., Ltd., and currently as Chief Accountant of COFCO Limited, Chairwoman of COFCO Trust Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., Aon-COFCO Insurance Brokerage Co., Ltd. and COFCO Finance Co., Ltd.	Chairwoman of COFCO Trust Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., Aon-COFCO Insurance Brokerage Co., Ltd. and COFCO Finance Co., Ltd., and Independent Director of Guoyang New Energy Co., Ltd.
Chen Xiaohong	Bachelor degree, senior accountant. She has served previously as Principal Staff of the Finance Bureau of Fujian Province, Principal Staff, Vice Director, Director of Fujian Tobacco Company, and currently as Director of Audit Department of China National Tobacco Corporation Fujian Provincial Company.	None
Deng Weili	PhD degree, associate professor. He has served previously as Lecturer and Vice General Secretary of Communist Party Committee of Management Science Department and Fiscal Department of Fudan University, Associate Professor of School of Management, Fudan University, Vice Director of Human Resources Department of Fudan University, Vice General Manager of Shanghai Tiancheng Growth Investment Co., Ltd., and currently as General Manager of Shanghai Guoxin Investment & Development Co., Ltd.	Independent Director of Shanghai Erfangji Co., Ltd. and Director of Shanghai Pudong Development Bank Co., Ltd.
Zhou Yuhan	Master degree. She has served as Deputy Director of ASI Project Development, Executive Director of Asia Pacific Region of iLink Global, Managing Director of China Merchants China Investment Management Limited, Project Host of CIMC Overseas Development, and currently as Managing Director of China Merchants China Investment Management Limited, Executive Director of China Merchants China Direct Investments Limited and Managing Director of China Merchants Industrial Development (Shenzhen) Limited.	Executive Director of China Merchants China Direct Investments Limited, Managing Director of China Merchants China Investment Management Limited and Managing Director of China Merchants Industrial Development (Shenzhen) Limited.
Lai Furong	Bachelor degree. He has served previously as Head of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, Vice 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
Hua Bing	Master degree. He has served previously as a teacher of Law Department of Anhui Finance and Trade College, Lawyer in Guangdong Lingnan Law Firm and Guangzhou Lide Law Firm, Assistant to General Manager and Deputy General Manager of the Secretariat of the Board of Directors of Industrial Bank, Director of Legal Affairs Centre, and Deputy General Manager of Risk Management Department and Deputy General Manager of the Secretariat of the Board of Directors of Industrial Bank, General Manager of Office of the Board of Supervisors and Deputy General Manager of Risk Management Department, Director of Law Affairs Center of Industrial Bank, and currently as General Manager of Legal and Compliance Department of Industrial Bank.	None
Li Shuang	Master degree, PhD tutor. He has served previously as Professor, Director and Academic Dean of Accounting Department of Central University of Finance and Economics, Vice President of Central University of Finance and Economics, Deputy Secretary-general and Consultant of Chinese Institute of Certified Public Accountants, and currently as Professor of Central University of Finance and Economics.	Professor of Central University of Finance and Economics, Independent Director of Chengde Xinxin Vanadium and Titanium Co., Ltd., Beijing Wangfujing Department Stores (Group) Co., Ltd. and Jiangsu Shuangdeng Group Co., Ltd.

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *continued*

iii. Major working experience of directors, supervisors and senior management, and their appointments or concurrent-appointments in entities other than the Company and shareholder companies *continued*

Name	Major working experience	Appointments or concurrent-appointments in entities other than the Company and shareholder companies
Wu Shinong	PhD degree, PhD tutor. He has served previously as Director of MBA Center, Dean of Industrial and Commercial Administration Department, Standing Deputy Dean and Dean of Management Department of Xiamen University, and currently as Vice Chancellor, Professor and PhD Tutor of Xiamen University.	Vice Chancellor, Professor of Xiamen University, Vice Director of National MBA Education Guidance Commission, Member of Discipline Judgement Group of Educational Degree Commission of the State Council, Independent Director of Xiamen C&D Co., Ltd., Xiamen Airport Group, Xiamen Bank, Dongeejiao Co., Ltd., and External Director of Fuyao Glass Industry Group Co., Ltd.
Tang Bin	Bachelor degree, MBA, senior economist. He has served previously as Vice Director of Trade Statistics Division and Foreign Economic Statistics Division of Fujian Provincial Statistics Bureau, Vice Director of Comprehensive Planning Division, Director of Assignment System Division of Fujian Provincial System Reform Committee, General Manager of the Office, Business Development Department and Corporate Finance Department of Industrial Bank, Head of Industrial Bank's Hangzhou Branch Preparatory Team, General Manager of Secretariat of the Board of Directors of Industrial Bank, Secretary to the Board of Directors and General Manager of the Office of Board of Directors of Industrial Bank ,and currently as Secretary to the Board of Directors of Industrial Bank.	None

iv. Changes of directors, supervisors and senior management during the reporting period

According to the written resignation letter submitted by Mr. Patrick K W Chan, Mr. Patrick K W Chan resigned as a director and a member of the Executive Committee and the Remuneration and Evaluation Committee of the sixth Board of Directors of the Company with effect from November 21, 2009 due to a new appointment. Please refer to the announcement of the Company dated November 23, 2009 for details.

On December 8, 2009, Mr. Andrew H C Fung was elected as a director of the sixth Board of Directors of the Company at the 2009 First Extraordinary General Meeting of the Company, please refer to the announcement of the Company dated December 9, 2009 for details. The qualification of Mr. Andrew H C Fung as a director was approved by the CBRC Fujian Bureau on January 13, 2010.

II. EMPLOYEES

As at the end of the reporting period, the Company had a total of 22,004 employees and 165 retirees. The particulars of the employees of the Company are set out as follows:

i. By educational degree

Educational degree	Number of employees	Percentage(%)
Master and above	1,627	7.39
Bachelor	14,347	65.20
College	4,715	21.43
Secondary college and below	1,315	5.98
Total	22,004	100

ii. By position

Position	Number of employees	Percentage(%)
Management	1,792	8.14
Business	17,561	79.81
Logistics	2,651	12.05
Total	22,004	100

Corporate Governance Structure

I. CORPORATE GOVERNANCE OVERVIEW

Since its public listing, the Company has made the successful listing as a new starting point and a new opportunity to enhance its corporate governance philosophy, introduce new governance mechanism and improve governance standard. The Company determines that its corporate governance philosophy shall be of a sustainable nature, focusing on protection of rights and interests of all shareholders and stakeholders and enabling the Company to achieve stable and sustainable development. Under the guidance of this philosophy, the Company earnestly promotes energy-saving and environmental protection projects and develops “Green Finance” products. Being the first bank in China to launch energy saving and emission reduction loans and adopt the “Equator Principle” , the Company has actively explored a business model through which social responsibility can be fulfilled by “making profit in righteous way” and a harmonious structure beneficial to all parties can be formed.

At the same time, the Company has continued to enhance its corporate governance system and mechanism, optimize the professional structure and geographical structure of members of the Board of Directors (the “Board”), and strengthen the overall planning of affairs handled by the Board, smoothen information transmission channels between the Board and the management, build and improve the feedback mechanism of the implementation of resolutions adopted by the Board. Besides, the Company has also organized directors and supervisors to carry out surveys and investigations on branches, so as to enhance their understanding to the banking business, to improve the scientific basis of the Board’s decision-making. To strengthen the supervision, inspection and guidance role played by the Board in the implementation of corporate strategies, the Company has organized directors and supervisors to conduct field evaluation and inspection to projects that key decision-making may be required from the Bank, and thereby improving the execution of corporate governance. In order to further improve the operating mechanism and the basic system of corporate governance, since 2007, the Company has thrice revised and improved the relevant terms and provisions of its Articles of Association, established and introduced more than 30 sets of basic regulations, including “Basic Financial Regulation”, “Compliance Management Regulation”, “Basic Standards for Internal Audit”, “Investor Relations Management Approaches”, “Information Disclosure Regulations”, “Environment and Social Risk Management Policies” etc, to ensure that the activities of corporate governance are carried out under laws and regulations.

i. Shareholders and the general shareholders’ meeting

During the reporting period, the Company continued to regulate the convening, holding, deliberation and voting procedures of the general shareholders’ meeting in accordance with relevant laws and rules, the Articles of Association of the Company and the rules of procedures of the general shareholders’ meeting, and the statutory rights of its shareholders had been fully protected. Moreover, the Company had taken steps to strengthen the ways that it communicated with its shareholders, to listen to its shareholders’ opinions and suggestion, and to ensure that the rights of shareholders were safeguarded, namely, the right to know about, be involved in and vote on the major issues of the Company by laws and regulations.

The Company’s largest shareholder is the Finance Bureau of Fujian Province, which holds a 20.80% stake in the Company. The Company is totally independent of its largest shareholder in all aspects, including assets, personnel, finance, institutions and business. The major decisions of the Company are made and implemented by the Company itself on a totally independent basis. None of the Company’s major shareholders has possessed the capital of the Company or has requested the Company to act as a guarantor for a third party in any way whatsoever.

I. CORPORATE GOVERNANCE OVERVIEW *continued*

ii. Directors and Board of Directors

The Board of Directors of the Company consists of 14 directors, among which, 6 were shareholding directors (including 3 foreign shareholding directors), 5 were independent directors and 3 were senior management directors. Geographically speaking, 10 were residents in China whereas the other 4 were from abroad. Five committees were established under the Board of Directors, namely the Executive 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 Executive Committee, the other four committees were all headed by independent directors. Fully exercising their professional strength, the committees reviewed and discussed a number of important issues, and submitted their opinions to the Board of Directors for consideration and approval. This practice effectively improved the level of corporate governance and operational efficiency in the Company. During the reporting period, 5 meetings of the Board of Directors were convened, and a total of 52 proposals were considered and approved, while 8 reports were heard at these meetings. The committees under the Board held 20 meetings in total, at which 84 proposals were considered and heard.

Note: Mr. Patrick Chan, a director of the Company, resigned for alternative appointment, effective on November 21, 2009. On December 8, 2009, a resolution on electing Mr. Andrew H C Fung as the director of the Company was passed at the 2009 First Extraordinary General Shareholders' Meeting of the Company, subject to verification and approval on his qualification by CBRC. On January 13, 2010, the qualification of Mr. Andrew H C Fung to be a director of the Company was approved by CBRC, and as at the date of the report, the Board consisted of 14 directors.

iii. Supervisors and Board of Supervisors

The Board of Supervisors consisted of 9 supervisors, including 4 shareholder representatives, 3 employee representatives and 2 external supervisors. Two specialized committees operated under the Board of Supervisors, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. Both of these committees were 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 the financial activities, compliance and internal control of the Company as well as appraising the due diligence of the Board of Directors and Senior Management. During the reporting period, a total of 7 meetings of the Board of Supervisors (including 3 by means of voting by correspondence) were convened. These meetings considered and approved 17 proposals and heard 12 reports. The committees under the Board of Supervisors convened 2 meetings in total at which they considered and approved 4 proposals.

iv. Senior management

As at the end of the reporting period, the Company had three senior management members, including a president and two vice-presidents. As authorized by the Board of Directors, the president takes full responsibility for running the bank, guiding daily operations, organizing the implementation of resolutions approved by the general shareholders' meeting and the Board of Directors and formulating annual business plans, investment plans, annual financial budgets and settlements, profit distribution plans and basic management rules and regulations in accordance with laws, regulations and the Articles of Association.

There are several committees operating under the senior management, namely the Franchise Management Committee, Asset and Liability Management Committee, Risk Management Committee, Credit Approval Committee, Internal Control Committee, Credit Accountability Committee and Major Purchases Committee.

v. Special activities of corporate governance

In order to further enhance corporate governance and consolidate the achievements made in the special corporate governance activities in 2007, the Company made constant efforts to strengthen its strategic planning management, improve internal control systems, standardize the management of related party transactions and information disclosure and implement its Report on Corporate Governance Rectification of the special campaign. As at the end of the reporting period, almost all of the problems discovered in the special campaign had been rectified with good results. The only exception was the option incentive mechanism, which had not been introduced and unable to achieve substantial progress due to unclear guidance in the relevant state policies.

According to the requirements stated in the “Circular on Conducting Verification on the Corporate Governance and Standardized Operation of the Listed Companies during the Continuous Supervising Period under Sponsors” (MZJGSZ [2009] No.26) issued by CSRC, Fujian Bureau, the sponsor of the Company, BOC International Securities Co., Ltd., has issued the “Verification Report on the Corporate Governance and Standardized Operation of the Industrial Bank Co., Ltd. during the Continuous Supervising Period” based on a careful verification of the Company’s corporate governance and standardized operation, and made an overall assessment as follows: “Through the continued supervision and comprehensive verification on Industrial Bank Co., Ltd. since its listing, the sponsor believes that the basic corporate governance system of Industrial Bank Co., Ltd. is in a comprehensive and systematic state, a comprehensive corporate governance structure has been established in which operations at all levels are standardized; the corporate governance activities of the Company are carried out in compliance with state laws and rules as well as the standards for corporate governance promulgated by CSRC, CBRC and Shanghai Stock Exchange”.

During the reporting period, the Board of Directors of the Company was granted such honors as the third winner of the “Top 100 Listed Companies of China on Corporate Governance Assessment 2009” by the Chinese Academy of Social Sciences and other agencies, and “2009 Outstanding Board Nomination Award” by the Shanghai Stock Exchange. At the Fifth Gold Round Table Award for Board of Directors of Listed Companies in China, Mr. Gao Jianping, Chairman of the Company, was named the “Most Socially Responsible Chairman”; Mr. Ba Shusong, an independent director of the Company, was named “the Most Influential Independent Director”; and Mr. Tang Bin, Secretary to the Board of Directors, was named “the Most Innovative Board Secretary”. The Company has also won the honors such as the “No. 1 Listed Company with the Most Continued Investment Value” in the 4th Chinese Securities Journal Cup, the “Best Wealth Creating IR Best Award in China’s Capital Market 2009”, the “Top 100 China’s Listed Companies on Market Value Management 2009”, the “Listed Banks with Most Investment Value-Gold Cicada Award 2009” etc, and received wide recognition from the market and investors.

II. DUTY FULFILLMENT OF INDEPENDENT DIRECTORS

The Board of Directors of the Company currently has 5 independent directors, exceeding one third of the total number of directors, and independent directors represent a majority in the Audit and Related Party Transaction Control Committee, the Nomination Committee and the Remuneration and Evaluation Committee under the Board of Directors. The Risk Management Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee and the Remuneration and Evaluation Committee are all headed by independent directors. During the reporting period, the independent directors gave full play to their specialties as they were actively involved in the meetings of the Board of Directors and the committees there under. In line with the principle of being objective, independent and prudent, and with an aim to safeguard the interests of investors and other stakeholders, they fulfilled their duties by offering independent opinions on profit distribution, performance based compensation allocation plans for senior management, nomination of directors, important related party transactions and disposal of the pre-allotment accumulated undistributed profits. In doing so, they played an important role in enhancing the level of rational decision making in the Board of Directors and promoting the sound development of the Company’s business.

II. DUTY FULFILLMENT OF INDEPENDENT DIRECTORS *continued*

i. Attendance of independent directors at meetings of the Board of Directors during the reporting period

In times

Name	Expected attendance	Attendance in-person	Attendance by a proxy	Absence	Reasons for absence and other remarks
Wang Guogang	5	4	1	-	At the 16th meeting of the 6th Board of Directors, indpendent director Mr. Wang Guogang authorized Mr. Deng Liping to exercise voting right on his behalf due to him being occupied with official business
Ba Shusong	5	4	1	-	At the 19th meeting of the 6th Board of Directors, independent director Mr. Ba Shusong authorized Mr. Wang Guogang to exercise voting right on his behalf due to him being occupied with official business
Deng Liping	5	5	-	-	
Xu Bin	5	5	-	-	
Lim Peng Khoon	5	5	-	-	

ii. During the reporting period, the independent directors were in unanimous agreement with all of the proposals of the Board and other non-board proposals.

III. CORPORATE DECISION MAKING SYSTEM

The general shareholders' meeting is the highest authority in the Company. The Board of Directors is the highest decision-making organ, and is in charge of making the key decisions of the Company and establishing annual operation goals. The Board of Supervisors is the supervisory organ in the Company. It is responsible for monitoring the activities of the Board of Directors and senior management. Senior management operates under the leadership of the Board of Directors and the supervision of the Board of Supervisors. It is responsible for organizing the running of the Company's businesses in accordance with the law. In the Company, the decision-making system is based on the Board of Directors, the executive system is based on senior management and the supervision system is based on the Board of Supervisors. This constitutes a system of checks and balances in which the responsibilities of each organ are clearly and rationally defined.

All internal decisions of the Company are independent of all shareholders, including the largest shareholder.

IV. PERFORMANCE APPRAISAL AND INCENTIVE & RESTRICTION MECHANISM FOR SENIOR MANAGEMENT MEMBERS

The senior management members of the Company are subject to appraisal and supervision by the Board of Directors. The Board of Directors has formulated the Method of Appraisal of the Operating Results of Senior Management Members and the Administrative Measures of the Remuneration of Senior Management Members. By adopting scientific and rational appraisal indicators and creating an appraisal mechanism that links the payment of senior management members with their duties, risks and operating results, the subjective initiative of senior management members is fully exerted. Furthermore, incentives and restrictions are linked together. The remuneration structure of senior management members has been optimized to motivate them to work hard in line with the Company's interests.

V. INVESTOR RELATIONS AND INFORMATION DISCLOSURE

The Company's Board of Directors and senior management attach great importance to investor relations and information disclosure to ensure the authenticity, accuracy and completeness of the information and to protect investors' rights to get equal access to the Company's statutory information disclosure.

i. Investor relations

Taking capital marketing as a means, the Company actively carried out its investor relations management to establishe a responsible, sustainable developing image in the capital market.

- Conducting multi-channel and multi-format investor relations events in response to market changes. During the reporting period, the Company's investor relations management team organized a variety of meetings (including results announcement meetings, securities analyst forums and special topic seminars), took initiative to visit important institutions and analysts, participated in capital market investment forums organized by domestic well-known brokerage firms and foreign investment banks, and enhanced investors' understanding and recognition to the value of the Company.

- Innovative communication means. During the reporting period, the Company tried actively to organize an on-line road show, and added remote telephone access and on-line file-sharing functions to site meetings, with a view to facilitate investor participation in discussion. Furthermore, the Company continuously improved its investor management platform, ensuring smooth and effective communications with investors through its investor relations web-page, investor hot-line and the mail box of secretary to the Board, etc.

- The Company closely followed its shareholding structure and share price movements, paid particular attention to the situation of the capital market, regulatory policies, industry trends and the evaluation of the Company in capital market, and gave feedback to the senior management in a timely manner.

ii. Information disclosure

In line with the philosophy of being responsible to the market and investors, the Company has continuously improved the quality of information disclosure and performed its information disclosure duty honorably.

- During the reporting period, the amendment to the "Administrative Measures for Information Disclosure" which was submitted by the Company and approved by the general shareholders' meeting in accordance with regulations specified by CSRC and the Shanghai Stock Exchange, together with the supporting systems (such as the "Administrative Measures for Information Disclosure Affairs" and the "Internal Reporting System for Information Disclosure") were formally published and simultaneously implemented, providing a constitutional guarantee for continuing performance of the Company's information disclosure obligations.

V. INVESTOR RELATIONS AND INFORMATION DISCLOSURE *continued*

ii. Information disclosure *continued*

- Improving quality of information disclosed in regular reports and taking initiative to enrich the contents. Periodic reports were given appropriate explanation on the hot issues of the market and the contents disclosed were further expanded to beyond the statutory format and content scope, thereby improving the quality of information disclosed in annual reports and providing investors with accurate and substantial information that was easy to read and understand.

- Disclosing provisional announcements in a legal and timely way. During the reporting period, the Company disclosed a total of 31 provisional announcements (including results announcements, resolutions of the Board of Directors, resolutions of the Board of Supervisors, announcements on opening of branches, dividends distribution and subordinated debt issuance), and released a number of corporate governance related documents (including the revised Articles of Association of the Company and procedures and practices for annual reports works).

VI. ESTABLISHMENT OF ACCOUNTABILITY SYSTEM FOR SIGNIFICANT MISTAKES IN ANNUAL REPORT INFORMATION DISCLOSURE

The Company continues to strengthen the management of information disclosure in periodic reports, to ensure authenticity, accuracy and completeness of information disclosure, and to continuously enrich the contents of periodic reports and effectively improve the quality of information disclosure. According to the requirements specified in the “Administrative Measures on Information Disclosure”,“ Administrative Measures on Information Disclosure Affairs” and the “Internal Reporting System for Information Disclosure” of the Company, once a significant information mistake occurs in information disclosure (including annual reports, interim reports, quarterly reports and other provisional announcements), the department and the person that has direct responsibility for such mistake shall be given a punishment of criticism, warning, demotion, until discharge of its/his duties, and may be subject to appropriate compensation or liable to legal responsibilities, if necessary.

The directors, supervisors and senior management of the Company are responsible for the authenticity, accuracy, completeness and timeliness of the Company’s information disclosure, except that there are sufficient evidences showing that they have fulfilled their obligations of diligence. The chairman, president and financial director shall bear the main responsibility for the authenticity, accuracy, completeness, timeliness of the Company’s financial reports. The Company shall record the fulfillment of information disclosure obligations by related parties and keep appropriate documents. The Company will also continue, based on the latest regulatory requirements and practical experiences, to further strengthen and implement the accountability system for significant mistakes in annual report information disclosure and to ensure the quality of information disclosed in annual reports.

During the reporting period, there were no significant mistakes in annual report information disclosure by the Company.

VII. LEGAL AND COMPLIANCE MANAGEMENT AND ENVIRONMENTAL AND SOCIAL RISK CONTROL SYSTEMS

The Company firmly established the concept of compliance operation, formulated a sound compliance management system and strengthened the compliance awareness within the staff. During the reporting period, the Company successfully completed the overall compliance management system project construction, which made a solid foundation for further improvement of internal control environment and healthy development of its business. The Company successfully launched the compliance management IT system platform, carried out compliance inspection pilot project and promoted effective implementation of overall compliance management system. Moreover, the Company continued to promote the streamlining of its system, conduct the system planning, standardize the process of system construction, amendment and repeal, strengthen the review for regulatory compliance of the system, start the post-evaluation mechanism to implementation effect of the system and improve the operability of the system. The Company further improved the organizational structure of anti-money laundering works and developed and effectively implemented comprehensive anti-money laundering and anti-terrorist financing management policies, and reported large-amount and suspicious transactions data to PBOC according to the relevant regulations.

The Company put its practice of social responsibility and its sustainable development in a close link, and actively built an environmental and social risk management system with its own characteristics. Based on the framework of Equator Principle, the Company improved an institutional system for project financing and took measures to ensure the effective implementation of the system. Taking into consideration of China's current stage of economic development, the future sustainable development needs and a series of green credit policy or guidelines introduced by the state, the Company further expanded the results of the Equator Principle through localization, integrated the aspects of environmental and social risk management into the "3 checks" process of credit granting, and gradually infiltrated the process to all aspects of business operation and promoted the business process reengineering and business model transformation.

VIII. ESTABLISHMENT AND IMPROVEMENT OF THE INTERNAL CONTROL SYSTEM

During the reporting period, adhering continually to the philosophy "Internal Control First for Business Development", the Company conducted system cleaning-up work and formulated or amended a series of normative documents such as basic regulations, administrative measures and operating procedures, covering the areas such as credit business, treasury business, deposits and counter business, intermediary business, finance business, accounting business and computer information system, so as to improve the coordination and systematization among the internal standards. Under the supervision and correction management system of "Unified Leadership, Vertical Management, Hierarchical Authority and Independent Responsibility", the Company established its multi-sided, multi-level, multi-dimensional sound monitoring and evaluation system and improved the means and measures of supervision, to constantly increase the efforts of supervision and inspection, accountability, and rectification and improvement. The Company also initiated and actively promoted the building of internal control evaluation system, and leveraged the comprehensive compliance management system results to record and evaluate the procedures, risk and control requirements, and rectify effectively the identified problems or defects in order to establish an economic, efficient and compliant mechanism for internal control implementation, supervision, evaluation and correction.

IX. PERFORMANCE PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE FINANCE

The Company earnestly implemented the scientific outlook of development, gained deeper understanding to the relationship between social responsibility of the Bank and its own sustainable development, actively explored different ways to fulfill social responsibility, and supported the sustainable development of economy, environment and community.

i. Making profit in righteous way, fulfilling social responsibility on product and service provision

During the reporting period, the Company continuously committed itself to integrate the concept of social responsibility into the specific aspects of enterprise operation and management, and strived to find business opportunities emerging from the fulfillment of its social responsibility, and explore the enterprise and society win-win business models and the practice models of corporate social responsibility, which is mainly reflected as follows:

1. Launching energy conservation and emission reduction loans

As early as in 2006, the Company pioneered in launching the energy conservation and emission reduction loans in domestic market. To ensure the smooth development of the energy conservation and emission reduction financing business, the Company promulgated a series of systems and regulations in succession, and held several rounds and times of professional trainings. In early 2009, the Company set up a specialized agency - the Sustainable Finance Center, which is responsible for the product development and marketing of energy efficiency finance, environmental finance and carbon finance, and providing professional technical support to customer's assessment on project risks. As at the end of the reporting period, the Company has granted 223 energy conservation and emission reduction loans, totaling RMB16.583 billion, achieving ahead of its schedule - its public commitment to the community: "granting credit of RMB10 billion in 3 years (2008-2010)". The above-mentioned credit assets are in good quality, and these loan projects are expected to achieve an annual savings of 10.3974 million tons of standard coal, an annual emissions reduction of carbon dioxide of 31.7804 million tons, an annual emission reduction of chemical oxygen demand (COD) of 439.1 thousand tons, and an annual comprehensive utilization of solid waste of 472.5 thousand tons in our country.

2. Adopting and implementing the Equator Principle

On October 31, 2008, the Company announced its adoption of the Equator Principle, and became the first "Equator Bank" in China. In order to facilitate the implementation of the localization of the Equator Principle and achieve its sustainable development strategy, the Company had developed a series of regulatory documents, and set up a special management unit - the Sustainable Finance Office. In the perspective of management and taking into account the Equator Principles and the domestic regulatory requirements, the Sustainable Finance Office is responsible for formulating Industrial Bank's policies for environmental and social risk management, updating risk prevention measures and developing internal management systems and operational processes in line with the requirements of the Equator Principle, and tracking domestic and foreign environmental policy trends and so on in the management perspective, On December 22, 2009, the Company officially granted the first loan to a project applicable the Equator Principle - the 2 × 300MW expansion project of Fujian Huadian Yong'an Power Plant.

3. Developing carbon finance business

The Company is committed to using a variety of financial instruments to support “Resource-Saving and Environment-Friendly” society construction, to promote recycling economy development, energy conservation and emission reduction, environmental protection and low-carbon economy development. In July 2009, the Company issued the first carbon delivery guarantee letter in China; in August, serving as an account trustee, the Company provided transaction clearance and fund trust services for the first voluntary emission reduction transaction in China.

4. Promoting the mutually-beneficial cooperation in financial industry

With long-time commitment to become a “professional provider of banking services for small and medium-sized financial institutions”, the Company has actively carried out co-operations with banks, securities companies, trust companies, insurance companies and finance companies, etc, and pioneered among its peers in launching the multi-win “Bank–to-Bank Platform” to facilitate the cooperations with the banks, trusts, funds, insurance and other financial institutions so as to cooperate and supplement each other, to implement the Blue Ocean Strategy by differentiation in operations, and to share the value chain interests of the financial services and achieve harmonic coexistence. As at the end of the reporting period, its “Bank-to-Bank Platform” had totally 211 contract customers, 151 on-line customers and more than 10,000 counter-pass network outlets, covering most of the second and third tier cities in the country.

5. Supporting the development of small enterprises

The Company responded positively to the national call to implement the “Six Mechanisms” requirements on the establishment of small enterprises financial services from the CBRC, paid more attention to institutional reform and mechanisms innovation, and made in-depth exploration in the mechanism and system building, credit process optimization, resource allocation and incentive policies, staff training and team building, etc. During the reporting period, the Company established the Small Enterprises Department, and has set up Small Enterprise Centers and the corresponding offices in 10 branches in Guangzhou, Hangzhou, Shenzhen, Nanjing, Fuzhou, Chengdu, Wuhan, Xiamen, Quanzhou and Ningbo. Based on the “Credit Factorization” processing mode, the Company designed a new, independent small enterprises credit business process and introduced the “Golden Sesame-SME Financial Services Program” to solve the funding problems encountered by small and medium enterprises in production, purchase and sales process in a one-stop convenient way.

6. Supporting the poor and disadvantaged groups through loan innovation

During the reporting period, the Company remained committed to livelihood financing, support to livelihood projects through product and loan innovation to build a harmonious society. For example, the Company’s Beijing Branch actively developed its lending business for individual venture operations and provided support services to micro-enterprises, small and medium enterprise groups. The Company’s Kunming Branch supported the relocation and improvement works of villages-in-city of Kunming and developed a detailed relocation service plan - “the Financial Services Program for House Building and Business Setting-up” and provided the demolition and relocation fund amounting to over RMB1.4 billion, receiving high praise from local government departments and the relevant residents. The Company’s Harbin Branch actively provided loans for the local shantytown reconstruction projects in Harbin and granted loans of RMB990 million to these projects, becoming the first cooperative bank of reconstruction bridge loans in shantytown reconstruction of Harbin.

IX. PERFORMANCE PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE FINANCE *continued*

ii. Devoted to public welfare undertakings to repay the community

The Company actively supports the charity activities and brings positive rewards to the community, and also provides intellectual, material and financial supports for health care, education, culture and other public services through establishment of charitable student funds, student loans, sponsorship activities to arts and forums. During the reporting period, the Company donated to the community with accumulated funds of more than RMB6 million, of which RMB2 million was donated to the areas hit by typhoon “Morak” in Taiwan via the Red Cross Society of Fujian Province.

The Company’s concept of sustainable development was fully recognized by the regulatory authorities and the community, and its brand image as a responsible public corporate has been continuously strengthened and enhanced. In 2009, the Company was awarded Winner of the Sustainable Emerging Markets Bank of the Year 2009, Asia Regional Prize launched by the *Financial Times* and the International Finance Corporation, becoming the only financial institution to be honored so far in China. The Company also received honors such as the “China Baosteel Environmental Excellence Award” - the highest award in environmental protection field of China, the “2009 Outstanding Natural Conservation Supporters Award” by the World Wildlife Fund (WWF) etc, and was awarded for three consecutive times the “Best Chinese Corporate Citizen Award” at the selection organized by the “21st Century Business Herald” and the “21st Century Business Review”. Mr. Gao Jianping, Chairman of the Company, was awarded the honorary title of the “Most Social Responsible Board Chairman” at the selection in the Fifth Gold Round Table Award for Board of Directors of Listed Companies in China.

General Shareholders' Meeting

The Company held two general shareholders' meetings in 2009, namely the 2008 annual general shareholders' meeting and the 2009 first extraordinary general shareholders' meeting. The specific details of the meetings are given below:

I. 2008 ANNUAL GENERAL SHAREHOLDERS' MEETING

On April 28, 2009, the Board of Directors of the Company issued the official notice convening the 16th meeting of the 6th Board of Directors and the 2008 annual general shareholders' meeting in the *China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily* and on the website of the Shanghai Stock Exchange (www.sse.com.cn).

The 2008 annual general shareholders' meeting was held on May 18, 2009 in Fuzhou. A total of 121 shareholders were present at the meeting. The shareholders present represented a total of 3,000,509,923 voting shares, which accounted for 60.0101% of the Company's total number of shares.

The meeting reviewed and approved 14 proposals by means of voting by open ballot. The motions adopted included the 2008 Annual Work Report of the Board of Directors, 2008 Annual Work Report of the Board of Supervisors, 2008 Annual Evaluation Report on Duty Performance of Directors, 2008 Annual Evaluation Report on Duty Performance of Supervisors, 2008 Annual Evaluation Report on the Due Diligence Work Assessment of Directors and Senior Management by the Board of Supervisors, 2008 Annual Report and Abstract, 2008 Report on Final Financial Accounts & 2009 Financial Budget Scheme, 2008 Annual Profit Distribution Scheme, Proposal on Appointment of Public Accounting Firms for 2009, Proposal on Issuing Subordinated Debts, Proposal on Issuing Financial Bonds, Proposal on Formulating Administrative Measures for External Equity Investment, Proposal on Revising Administrative Measures for Information Disclosure, and Proposal on Amending the Company's Articles of Association.

The Grandall Legal Group (Shanghai) witnessed the meeting and issued Legal Opinions, in which it attested to the legality and validity of such matters as the convention and meeting procedures, credentials of shareholders attending the meeting, proposals and voting procedures.

II. 2009 FIRST EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

On November 23, 2009, the Board of Directors of the Company issued the official notice convening the 19th Meeting of the 6th Board of Directors and the 2009 first extraordinary general shareholders' meeting in the *China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily* and on the website of the Shanghai Stock Exchange (www.sse.com.cn).

The 2009 first extraordinary general shareholders' meeting was held on December 8, 2009 by way of a combination of field meeting and on-line voting. A total of 323 shareholders and proxies voted at the meeting, which represented a total of 3,432,943,861 voting shares, and accounted for 68.66% of the Company's total number of shares. Among these shares, a total of 59 shareholders and proxies were present at the field meeting, the shareholders present represented a total of 2,448,554,292 voting shares, which accounted for 48.97% of the Company's total number of shares; a total of 264 shareholders voted on-line, which represented a total of 984,389,569 voting shares, and accounted for 19.69% of the Company's total number of shares.

The meeting reviewed and approved 9 proposals by means of voting by open ballot or voting on-line. The motions adopted included Proposal on the Changes of Directors, Proposal on Amending Administrative Measures on the Related Party Transactions, Proposal on Conditions for the Rights Issue, Proposal on the Rights Issue, Proposal on Distribution of Undistributed Profits Retained Prior to the Rights Issue, Proposal on the Report of the Use of Proceeds from the Previous Fund Raising, Proposal on the Feasibility Report of the Use of Proceeds Raised from the Rights Issue, Proposal on Authorization to the Board Regarding Matters Related to the Rights Issue to be Approved at the General Shareholders' Meeting, and 2009-2012 Capital Management Plan.

The Grandall Legal Group (Shanghai) witnessed the meeting and issued Legal Opinions, in which it attested to the legality and validity of such matters as the convention and meeting procedures, credentials of shareholders attending the meeting, proposals and voting procedures.

Report of The Board of Directors

I. MANAGEMENT ANALYSIS AND DISCUSSION

i. Review of operations during the reporting period

1. Overall operation of the Company

During the reporting period, confronted with challenging macroeconomic situation and complicated market environment, the Company earnestly carried out the national macroeconomic policy and met the requirements imposed by financial regulatory authorities. By capitalising on new business opportunities emerged from the market, the Company forged ahead in a pioneering spirit and worked hard. In such way, the Company's businesses achieved sustainable, rapid and healthy development, and all the targets set by the Board of Directors were perfectly fulfilled.

(1)Proactive response to challenges, capitalising on arising opportunities, key performance indicators at best level in history. As at the end of the reporting period, the total assets of the Company stood at RMB1,332.162 billion, representing an increase of RMB311.263 billion or 30.49% over the beginning of the period. The balance of deposits was RMB900.884 billion, representing an increase of RMB268.458 billion or 42.45% over the beginning of the period. The balance of loans was RMB701.597 billion, representing an increase of RMB202.211 billion or 40.49% over the beginning of the period. The net capital was RMB77.013 billion, representing an increase of RMB19.296 billion or 33.43% over the beginning of the year. The capital adequacy ratio reached 10.75%. The net profit in the reporting period reached RMB13.282 billion, representing a year-on-year growth of 16.66%. The income from intermediary business amounted to RMB3.809 billion, representing a year-on-year growth of 10.40% and accounting for 12.02% of the total revenue, a year-on-year growth of 0.41%. The balance and ratio of NPLs both continued to decline. The balance of NPLs was RMB3.779 billion, decreased by RMB369 million as compared with the beginning of the period, and the NPL ratio decreased by 0.29 percentage point to 0.54%. The loan provision coverage ratio reached 254.93%, with 28.35 percentage points higher than that of the beginning of the period.

(2)Continued transformation, better structure and stronger operating characteristics. The institutional business continued to focus on cultivating core customers and made breakthrough by marketing special products to speed up the pace of development, thereby the professional service capability improved steadily. The size of corporate finance business was expanded to a new level, the market leading position of special products, such as energy conservation and emission reduction products, was strengthened, while key businesses, such as cash management and small enterprises business, developed steadily. Focusing on such key areas as cooperation with other financial institutions, securities companies, trust companies and finance companies, the institutional banking business managed to meet customers' demand, diversify products and services, and promote cooperation within the industry, thus the economies of scale and operating efficiency of special businesses, including the Bank-to-Bank Platform, were achieved. The investment banking business speeded up its pace of development and strengthened its leading position in the industry. The development of retail banking business was driven by system reform and by marketing and diversification of key products. With new breakthroughs achieved in the development of assets, liabilities and the intermediary business, the market position of retail banking business was further enhanced. The profitability of credit card business significantly improved, turning losses into gains for the first time since inception of credit cards. The asset management business and various newly emerging businesses continued to speed up the pace of innovation while keeping abreast with market development trends, leading to more diversified lines of businesses and more prominent business characteristics. In addition, the market influence of precious metal trading agency business, wealth management business and non-fund custody business steadily improved, and business brand was gradually established.

(3)Improved organizational structure, tougher implementation efforts and more mature internal control. The Company proactively responded to changing market conditions, flexibly adjusted our policies relating to assets, liabilities and operation management, and promoted a steady and balanced development of businesses pursuant to intended objectives and at intended paces. The Company continued to enhance the organizational structure of risk management, and steadily promoted the upgrading and restructuring of *Basel II* projects, operational risk system projects, the credit system and the risk monitoring system, thereby improved risk management mechanism. In addition, the Company successfully completed the establishment of our comprehensive compliance management system, leading to the continuous improvement in compliance risk management standard. Furthermore, with the inauguration of internal control evaluation system, the efficiency of audit supervision and internal control has steadily improved.

(4)Strengthening fundamental management and enhancing back-office supports. As the division structure reform on retail banking business went deeper, the reengineering of its transaction procedures made progress for the current stage, and pilot tests of reengineering counter work procedures also yielded impressive results. The Company strengthened fine management of its IT operation, thereby the application and support of information technology were further enhanced. The Company set up various specialized teams, which steadily enhanced professional service capabilities. The Company opened Shijiazhuang Branch and Hohhot Branch, officially launched the preparation work for establishing Changchun Branch, and applied to establish a representative office in Taipei. At the end of the reporting period, the Company has 44 branches (including 2nd class branches) and 503 sub-branches. The e-banking (including internet banking, telephone banking and mobile banking) services kept expanding rapidly, which further improved services (offered by virtual and physical network) to cover the whole country.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB31.679 billion, and operating profit was RMB17.217 billion.

(1)The Company divided its business regions into eight segments according to the principle of importance and comparability, namely, Head Office (including the headquarters and its affiliated operating entities), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu and others. Operating income and operating profit of various regions were as follows:

In RMB thousand

Region	Operating income	Operating profit
Head Office	2,593,700	(5,912)
Fujian	5,721,534	3,867,432
Beijing	2,859,707	1,882,654
Shanghai	3,292,317	2,219,648
Guangdong	3,115,276	1,778,352
Zhejiang	2,527,826	1,391,737
Jiangsu	1,501,381	701,909
Others	10,067,304	5,380,958
Total	31,679,045	17,216,778

(2) Among the business income, the amount, proportion and year-on-year change of items such as loan income, inter-bank placements income, due from Central Bank, due from banks and other financial institutions income, reverse repurchase agreements income, bond investments income, and fee & commission income:

In RMB thousand

Item	Amount	Percentage in total business income (%)	Year-on-year change (%)
Loan income	37,087,462	67.58	1.55
Inter-bank placements income	321,480	0.59	(56.84)
Due from Central Bank income	1,652,449	3.01	(1.50)
Due from banks and other financial institutions income	1,957,832	3.57	34.66
Reverse repurchase agreements income	2,992,174	5.45	(57.05)
Investment income	6,218,051	11.33	16.45
Fee and commission income	3,482,170	6.34	19.07
Other income	1,170,670	2.13	62.51
Total	54,882,288	100	(2.60)

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

i. Review of operations during the reporting period *continued*

3. Financial performance and operating results

(1) Changes in major financial indicators and reasons thereof

In RMB thousand

Item	2009-12-31	Change over 2008 year-end (%)	Brief reasons
Total assets	1,332,161,552	30.49	Steady and rapid growth of various asset business
Total liabilities	1,272,564,090	30.94	Steady and rapid growth of various liability business
Shareholders' equity	59,597,462	21.57	Transfer of profit for the year
Item	**2009**	**Change over 2008 year-end(%)**	**Brief reasons**
Net profit	13,281,943	16.66	The deposit and loan interest rates were reduced this year, resulting in narrowing of interest margin, decline in return on assets, and narrowing of the net interest margin of assets and liabilities. The total assets of the Company has increased by 30.49% as compared to the beginning of the period through expansion of the scale of asset business, increased business volume has compensated the decline in price. Net interest margin rebounded in June 2009, which drove net interest income up by 3.85% as compared to last year; meanwhile the Company tightened control of various costs and expenses, i.e. certain expenses were maintained while others were cut down, resulting in a reduction of operating cost by 8.15% as compared to last year.
Weighted average ROE (%)	24.54	Down 1.52%	Weighted average net asset was up 23.87% year on year, higher than the net profit growth rate

(2) Major accounting items with changes over 30%

In RMB thousand

Items	2009-12-31	Change over 2008 year-end (%)	Brief reasons
Cash and due from Central Bank	171,904,287	34.49	In line with growth of deposits, the amounts of the statutory deposit reserve increased accordingly
Due from banks and other financial institutions	42,364,549	(56.20)	Reduction of amounts from banks and other financial institutions
Trading financial assets	3,363,484	(49.73)	Reduced holding of Central Bank notes and financial bonds issued by policy banks
Derivative financial assets	1,399,035	(62.84)	Reduction of financial assets classified as interest rate derivatives
Reverse repurchase financial assets	195,884,147	67.03	Increase of puttable notes and credit assets under resale agreement
Loans and advances	691,962,535	41.22	Expanding scale of loan
Available-for-sale financial assets	111,148,150	44.03	Increased holding of treasury bonds and high credit rating bonds
Investment in accounts receivables	40,786,092	119.02	Increased holding of wealth management products and investment in beneficial right of trust

Items	2009-12-31	Change over 2008 year-end (%)	Brief reasons
Other assets	4,667,484	111.03	Increase of receivables, items in the process of settlement and continuous involved assets
Placements from banks	1,762,582	(86.14)	Abundant sources of funding
Trading financial liabilities	-	(100.00)	Settlement of short selling of gold held at the beginning of the period
Derivative financial liabilities	1,601,814	(59.36)	Reduction of financial liabilities classified as interest rate derivatives
Customer deposits	900,884,448	42.45	Good results from expansion of deposit business
Other liabilities	4,250,452	41.31	Increase of items in the process of clearance and settlement and continuous involved liabilities
Items	**2009**	**Change over 2008 year-end (%)**	**Brief reasons**
Investment income	1,007,512	123.49	Sale of equity interest in Industrial Securities
Exchange gains	326,921	(37.80)	Reduction of income from foreign exchange derivatives over previous year
Asset impairment losses	518,460	(84.82)	Maintenance of good quality of assets
Other operating costs	149,108	539.58	The operating costs of mortgage wealth management accounts
Income tax expense	3,947,542	48.84	Profit growth and higher effective tax rate
Net cash flow from operating activities	71,848,156	2,058.55	Significant increase of the balance of customer deposit and placements from banks and other financial institutions over the beginning of the period due to stronger deposit absorption ability

ii. Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Company were RMB1,332.162 billion, representing an increase of RMB311.263 billion or 30.49% from the beginning of the period. During the period, loan increased obviously, resulting in its loan balance at the end of the period amounting to RMB701.597 billion, increasing by RMB 202.211 billion or 40.49% from the beginning of the period.

The details of loans are as follows:

(1) Classification of loans:

In RMB thousand

Type	2009-12-31	2008-12-31
Corporate loans	505,882,093	312,919,967
Personal loans	169,013,816	128,936,855
Note discount	26,701,552	57,529,607
Total	701,597,461	499,386,429

As at the end of the reporting period, the balance of the loans of the Company increased by 9.44% from the beginning of the period, the personal loans decreased by 1.73% from the beginning of the period, note discount dropped by 7.71% from the beginning of the period. In 2009, as the Company proactively implemented the national policies of securing growth, boosting domestic demand, adjusting of structure and preventing risks and granted new loans mainly to major projects supported by the government, qualified infrastructure projects and other specific projects and technology upgrading projects that met requirements of the national industrial policies, its corporate loans increased significantly.

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

ii. Analysis of balance sheet *continued*

1. Assets *continued*

(2) Loan distribution by industries

As at the end of the reporting period, the top five industries of loan distribution are: personal loans; manufacturing; hydro-engineering, environmental and public facilities administration; real estate; and lease and commercial service. The industry-specific distribution is as follows:

In RMB thousand

Industry	2009-12-31			2008-12-31		
	Loan balance	%	NPL (%)	Loan balance	%	NPL (%)
Agriculture, forestry, animal husbandry, fishery	1,163,372	0.17	1.51	993,245	0.20	8.14
Mining	15,577,375	2.22	0.25	8,022,880	1.61	-
Manufacturing	107,480,852	15.32	1.49	82,760,707	16.57	1.51
Electricity, gas and water production and supply	26,603,785	3.79	0.08	23,712,678	4.75	0.09
Construction	21,985,448	3.13	0.35	15,533,131	3.11	0.39
Transportation, storage and postal industry	48,949,687	6.98	0.14	32,857,894	6.58	2.34
Telecommunications, computer and software services	2,754,597	0.39	1.62	2,739,928	0.55	2.21
Wholesale and retails	42,306,235	6.03	2.43	29,118,406	5.83	3.30
Hotels and catering	1,575,723	0.22	0.60	1,261,824	0.25	2.33
Finance	3,326,994	0.48	0.15	777,557	0.16	2.57
Real estate	65,867,051	9.39	0.42	58,969,718	11.81	0.43
Lease and commercial service	57,263,989	8.16	0.34	20,390,376	4.08	1.09
Scientific research, technical service & geological prospecting	684,398	0.10	0.04	499,229	0.10	0.10
Hydo-engineering, environmental and public facilities administration	84,052,940	11.98	0.00	24,591,698	4.92	0.00
Residential services and other related services	1,841,804	0.26	0.28	1,103,509	0.22	4.90
Education	1,496,228	0.21	0.00	1,690,132	0.34	0.45
Sanitation, social security and other community services	3,194,068	0.46	0.00	1,296,435	0.26	0.00
Culture, sporting and entertainment	2,692,887	0.38	0.00	1,954,600	0.39	1.50
Public administration and social organizations	17,064,660	2.43	0.00	4,646,020	0.93	0.00
Personal loans	169,013,816	24.09	0.23	128,936,855	25.82	0.26
Note discount	26,701,552	3.81	0.00	57,529,607	11.52	0.00
Total	701,597,461	100	0.54	499,386,429	100	0.83

During the reporting period, the Company strengthened the control of credit granted to various industries, formulated polices governing industry credit limits, thereby preventing concentration risk within a particular industry and securing a better balanced loan distribution across the industries. Meanwhile, the Company strengthened the monitoring on its asset quality, and therefore, the NPL ratio for loans extended to industries taking larger distribution (e.g. manufacturing, hydro-engineering, environmental and public facilities, real estate, lease and commercial service) fell from the beginning of the period, reflecting continuous improvement of asset quality.

(3) Loan distribution by geographical regions

In RMB thousand

Region	2009-12-31		2008-12-31	
	Loan balance	%	Loan balance	%
Fujian	106,332,727	15.16	81,497,832	16.32
Guangdong	77,321,158	11.02	60,902,650	12.20
Zhejiang	69,252,854	9.87	54,882,867	10.99
Shanghai	54,977,267	7.84	44,269,463	8.86
Beijing	49,203,482	7.01	32,340,770	6.48
Jiangsu	39,110,801	5.57	26,993,880	5.41
Head Office	15,271,900	2.18	24,492,579	4.90
Others	290,127,272	41.35	174,006,388	34.84
Total	701,597,461	100	499,386,429	100

Corporate loans were mainly extended to such developed regions as Fujian, Guangdong, Zhejiang, Shanghai, Beijing and Jiangsu, which accounted for 56.47% of the total amount of loans at the end of the reporting period. According to the number of operating outlets and the economic development conditions of the region, the Company formulated a reasonable credit policy for that region. Based on the economic and industrial conditions of the regional market, the branches of the Company formulated the detailed access rules of credit business suitable for different regions under the guidance of the credit policy of Head Office. Under these rules, the credit resources were provided to qualified customers who met requirements of the industrial policy of the nation and served as driving force to the region and contributed to local economic growth.

(4) Forms of loan guarantee

In RMB thousand

Forms of guarantee	2009-12-31		2008-12-31	
	Loan balance	%	Loan balance	%
Unsecured	167,227,824	23.84	82,964,024	16.61
Guaranteed	164,828,196	23.49	106,418,517	21.31
Mortgage	307,047,407	43.76	213,936,312	42.84
Pledge	35,792,482	5.10	38,537,969	7.72
Discount	26,701,552	3.81	57,529,607	11.52
Total	701,597,461	100	499,386,429	100

During the reporting period, the proportion of unsecured loans of the Company increased by greater percentage. As discount yield decreased, the Company gradually instructed the operating units to reduce the holding of notes, resulting in a smaller percentage of discount.

(5) Loans to top ten borrowers

As at the end of the reporting period, the top ten borrowers of the Company were Chongqing Yufu Assets Operation and Management Limited Co., Ltd., Henan Coal and Chemical Industry Group Co., Ltd., Beijing Land Arrangement and Storage Centre (Chaoyang Branch Centre) , Chongqing Land Properties Group, Kunming Land Development Investment Management Co., Ltd., the Authority of Extra-budgetary Funds of Zhengzhou, Jinan Urban Redevelopment Investment and Operation Co., Ltd., Jinan West District Construction Investment Co., Ltd., Shanxi Provincial Highway Administration and Yunnan Metropolitan Real Estate Development Co., Ltd. The outstanding loans to the above borrowers amounted to RMB29.811 billion, accounting for 4.25% of the total ending balance of loans of the Company. Among which, the largest single borrower of the Company was Chongqing Yufu Assets Operation and Management Co., Ltd., whose ending balance of loans was RMB5.031 billion, accounting for 6.53% of the net capital of the Company. This complied

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

ii. Analysis of balance sheet *continued*

1. Assets *continued*

(5) Loans to top ten borrowers *continued*

with the requirement of the regulatory authority that the loan balance for a single borrower shall not exceed 10% of the net capital of a bank.

The Company paid much attention to the control of loan concentration, so as to ensure that the credit orientation can be in line with national policy, and at the same time, market demand, project benefit and risk control were taken into consideration, while more supports were given to projects related to people's livelihood such as urban redevelopment, housing project for low-income families. It is expected that loans of these types will be still the focus of the credit portfolio.

(6) Structure of personal loans

In RMB thousand

Item	2009-12-31			2008-12-31		
	Loan balance	%	NPL (%)	Loan balance	%	NPL (%)
Loans for residential housing & commercial housing	149,091,068	88.21	0.14	112,158,439	86.99	0.15
Credit cards	6,395,918	3.79	2.14	4,908,711	3.81	1.63
Others	13,526,830	8.00	0.34	11,869,705	9.20	0.70
Total	169,013,816	100	0.23	128,936,855	100	0.26

During the reporting period, encouraged by the relevant state policies, the real estate market recovered, the personal loans (mainly residential housing loans and commercial housing loans) increased accordingly. With particular emphasis on serving demand for loans from the first owner-occupied house purchasers at reasonable price, making strict examination before granting loans, strengthening the management after granting loans, the Company kept asset quality under good control, and both the NPL ratios of residential housing loans and commercial housing loans and the overall NPL ratio of personal loans decreased as compared to the beginning of this reporting period. The Company continued the efforts to prevent credit risk and fraud risk associated with its credit card business. With the development of credit card business and the impact of external economic environment, the NPL ratio of credit card increased from the beginning of reporting period, but still at a controllable level, and the asset quality ranked at a leading position among the banking industry.

(7) Structure of real estate loans

In RMB thousand

Item	2009-12-31		2008-12-31	
	Loan balance	%	Loan balance	%
Real estate development loans	30,716,608	46.63	42,542,042	72.14
Land reserve loans	22,247,900	33.78	7,790,700	13.21
Commercial property loans	12,902,543	19.59	8,636,976	14.65
Total	65,867,051	100	58,969,718	100

① The percentage of real estate development loans declined sharply. As at the end of the reporting period, the percentage of loans for real estate development to total loans was 4.38%, representing a decrease of 4.14 percentages as compared to that at the end of 2008. These loans were mainly granted to regions including Shanghai, Beijing and other first-tier cities, as well as the second-tier cities with a stable real estate market and under rapid urbanization, and the majority of these loans were granted to ordinary commercial housing development projects. The Company insisted that all real estate development loans application must be submitted to the head office for review and approval, and selected customers and projects in a strict manner. All real estate development loans must be extended and repaid in designated accounts and the flowing of loan funds were under strict monitoring.

② The percentage of land reserve loans increased rapidly, and these loans were mainly granted to regions with strong financial strength, well organized and active land market, and reliable repaying ability, such as Shanghai, Tianjin, Nanjing, Hangzhou, Chengdu and Quanzhou, etc.

③ Commercial property loans were mainly granted to the central cities with a high property occupancy rate and adequate repayment source, such as Beijing, Shanghai, Shenzhen, Guangzhou, Chongqing, Tianjin and Nanjing, etc.

④ Loans for urban redevelopment and low-income housing projects represented 14.3% of the loans for real estate companies and these loans were given effective policy support, at low risk and yielding excellent comprehensive income.

The details of investment are as follows:

As at the end of the reporting period, the net investment of the Company was RMB198.068 billion, up RMB39.659 billion from the beginning of the period, at a growth rate of 25.04%. The specific composition of investment is as follows:

(1) Classification based on accounting item

In RMB thousand

Item	2009-12-31		2008-12-31	
	Balance	%	Balance	%
Trading investments	3,363,484	1.70	6,691,211	4.22
Available-for-sale investment	111,148,150	56.12	77,167,987	48.71
Receivables	40,786,092	20.59	18,622,269	11.76
Held-to-maturity investment	42,354,237	21.38	55,539,887	35.06
Long-term equity investment	416,205	0.21	387,697	0.24
Total	198,068,168	100	158,409,051	100

According to the strategic requirement of asset-liability management and the judgment of the trend in financial market, the Company modestly increased floating rate bonds and short and medium-term fixed rate bonds in its asset allocation in 2009, so as to maintain its bond asset portfolio in a short duration and a low market risk.

(2) Classification based on issuers

In RMB thousand

Item	2009-12-31		2008-12-31	
	Balance	%	Balance	%
Treasury bonds	71,880,545	36.29	72,333,330	45.66
Central Bank notes & financial bonds	74,943,303	37.84	71,763,031	45.30
Other bonds	28,792,208	14.54	11,997,642	7.58
Other investment	22,035,907	11.12	1,927,351	1.22
Long-term equity investment	416,205	0.21	387,697	0.24
Total	198,068,168	100	158,409,051	100

The Company focused on treasury bonds, Central Bank notes and financial bonds with stable market yield and at relatively low risk.

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

ii. Analysis of balance sheet *continued*

1. Assets *continued*

(3) Long-term equity investment and major investment of non-raised funds

As at the end of the reporting period, the long-term equity investment of the Company was RMB 416 million, with details as follows:

According to the approval of CBRC (YJF[2008] No. 449), the Company purchased 102.20 million shares of Jiujiang City Commercial Bank Co., Ltd. ("Jiujiang Bank") at the price of RMB2.90 per share, which accounted for 20% of its total share capital after its capital increase and share expansion. During the reporting period, Jiujiang Bank recommended a bonus share issue by conversion of its capital reserve on the basis of 4 new shares for every 10 existing shares held by shareholders registered in August 2009. After the bonus issue, the Company's interest in Jiujiang Bank was 143.08 million shares.

The Company increased its stake in China Union Pay Co., Ltd. by 12.5 million shares at the price of RMB2.5 per share according to the approval of CBRC (YJF[2008] No. 202). Subsequently, the Company held 62.5 million shares in China Union Pay Co., Ltd.

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company were RMB1,272.564 billion, up RMB300.687 billion or 30.94% from the beginning of the period, which was mainly attributable to customer deposits. Customer deposits reached RMB 900.884 billion, up RMB268.458 billion or 42.45% from the beginning of the period.

The composition of major liabilities is as follows:

In RMB thousand

Item	2009-12-31		2008-12-31	
	Amount	%	Amount	%
Customer deposits	900,884,448	70.79	632,425,959	65.07
Due to banks and other financial institutions	237,013,065	18.62	182,914,282	18.82
Reverse repurchase agreements financial assets	45,910,485	3.61	58,296,297	6.00
Bonds issued	68,927,864	5.42	64,941,389	6.68
Other liabilities	19,828,228	1.56	33,298,852	3.43
Total	1,272,564,090	100	971,876,779	100

The specific composition of customer deposits is as follows:

In RMB thousand

Item	2009-12-31		2008-12-31	
	Amount	%	Amount	%
Demand deposits	455,931,290	50.61	279,520,611	44.20
including: Corporate	398,129,462	44.19	242,821,656	38.40
Personal	57,801,828	6.42	36,698,955	5.80
Time deposits	373,398,345	41.45	278,258,163	44.00
including: Corporate	284,292,665	31.56	226,063,446	35.75
Personal	89,105,680	9.89	52,194,717	8.25
Other deposits	71,554,813	7.94	74,647,185	11.80
Total	900,884,448	100	632,425,959	100

iii. Analysis of income statement

In the reporting period, the Company realized RMB13.282 billion net profit, up 16.66% year-on-year. The deposit and loan interest rates were reduced this year, resulting in narrowing of interest margin, decline in return on assets, and narrowing of the net interest margin of assets and liabilities. The total assets of the Company has increased by 30.49% as compared to the beginning of the period through expansion of the scale of asset business, increased business volume has compensated the decline in price. Net interest margin rebounded in June 2009, which drove net interest income up by 3.85% as compared to last year; meanwhile the Company tightened control of various costs and expenses, i.e. certain expenses were maintained while others were cut down, resulting in a reduction of operating cost by 8.15% as compared to last year.

In RMB thousand

Item	2009	2008
Operating income	31,679,045	29,714,981
Net interest income	27,201,737	26,192,455
Net non-interest income	4,477,308	3,522,526
Business tax & surcharges	(2,321,138)	(1,956,511)
Operating & administrative expense	(11,473,561)	(10,348,544)
Asset impairment losses	(518,460)	(3,416,422)
Other business cost	(149,108)	(23,313)
Net non-operating income and expense	12,707	67,099
Pre-tax profit	17,229,485	14,037,288
Income tax	(3,947,542)	(2,652,262)
Net profit	13,281,943	11,385,027

1. Interest income

In the reporting period, the Company realized RMB50.039 billion of interest income, decrease by RMB2.486 billion or 4.73% year-on-year. The specific composition of interest income is as follows:

In RMB thousand

Item	2009		2008	
	Amount	%	Amount	%
Interest income from corporate and personal loans	32,256,831	64.48	31,117,924	59.24
Interest income from discount	4,830,631	9.65	5,402,119	10.28
Interest income from investment	6,026,271	12.04	5,159,352	9.82
Interest income from amount due from the Central Bank	1,652,449	3.30	1,677,631	3.19
Interest income from placements with banks and other financial institutions	321,480	0.64	744,858	1.41
Interest income from reverse repurchase agreements	2,992,174	5.98	6,966,888	13.26
Interest income from amount due from banks and other financial institutions	1,957,832	3.91	1,453,953	2.77
Other interest income	1,136	0.002	2,138	0.01
Total	50,038,804	100	52,524,863	100

I.MANAGEMENT ANALYSIS AND DISCUSSION *continued*

iii. Analysis of income statement *continued*

2. Interest expense

In the reporting period, the Company's interest expense was RMB22.837 billion, decrease by RMB3.495 billion or 13.27% year-on-year. The specific composition of interest expense is as follows:

In RMB thousand

Item	2009		2008	
	Amount	%	Amount	%
Interest expense on deposits	12,420,480	54.39	12,389,492	47.05
Interest expense on bonds	2,665,229	11.67	2,525,629	9.59
Interest expense on rediscount	3,153,738	13.81	3,752,983	14.25
Interest expense on amount due from banks and other financial institutions	3,819,805	16.73	4,947,993	18.79
Interest expense on placements with banks and other financial institutions	158,903	0.69	303,991	1.15
Interest expense on repurchase agreements	606,584	2.66	2,404,423	9.13
Other interest expense	12,328	0.05	7,897	0.03
Total	22,837,067	100	26,332,408	100

3. Non-interest income

In the reporting period, the Company's non-interest income increased by RMB955 million or 27.11% year-on-year to reach RMB4.477 billion, accounting for 14.13% of operating income. The income from intermediary business (income from fee and commission and exchange gains and losses) was RMB3.809 billion, up 10.40% year-on-year. The main composition of non-interest income is as follows:

In RMB thousand

Item	2009	2008
Net fee & commission income	3,115,995	2,623,844
Investment income	1,007,512	450,818
Gains from changes in fair value	(13,257)	(124,373)
Exchange gains	326,921	525,622
Income from other business	40,138	46,614
Total	4,477,308	3,522,526

Net fee & commission income: In the reporting period, the Company realized RMB3.482 billion of fee and commission income, up by RMB558 million or 19.07% year-on-year. The items of higher percentage in the fee and commission income are: income from consulting service, fee income from bank cards, and fee income from agency service.

In RMB thousand

Item	2009		2008	
	Amount	%	Amount	%
Fee & commission income:				
Fee income from payment and settlement	85,285	2.45	102,536	3.51
Fee income from bank cards	533,782	15.33	363,772	12.44
Fee income from agency service	508,754	14.61	598,286	20.46
Fee income from guaranty commitment	261,859	7.52	199,904	6.84
Fee income from transaction business	68,548	1.97	55,305	1.89
Fee income from custody business	153,516	4.41	135,582	4.64
Fee income from consulting business	1,766,527	50.73	1,107,961	37.88
Other fee income	103,899	2.98	361,225	12.35
Subtotal	3,482,170	100	2,924,571	100
Fee and commission expense	366,175	-	300,727	-
Net fee and commission income	3,115,995	-	2,623,844	-

Investment income: In the reporting period, the Company realized RMB1.008 billion of investment income, a year-on-year increase of RMB557 million. The composition is as follows: income from available-for-sale equity investment increased by RMB596 million, spread income from bonds trading increased by RMB132 million, spread income from precious metal trading decreased by RMB115 million, gains and losses from derivatives decreased by RMB96 million. Income from available-for-sale equity investment was RMB765 million including RMB753 million of income from sale of the equity in Industrial Securities.

In RMB thousand

Item	2009	2008
Profit declared distributed by the investees (using the cost method of accounting)	2,125	1,000
Investment income recognized with equity method	43,866	5,192
Income from investment in available-for-sale equity ownership	765,471	169,670
Spread income from bonds trading	222,625	90,829
Spread income from precious metal trading	70,180	185,243
Gains and losses from derivatives	(96,770)	(1,116)
Total	1,007,512	450,818

Exchange gains and losses: In the reporting period, the Company realized RMB327 million of exchange gains, a year-on-year decrease of 199 million or 37.80%. The decrease was mainly attributable to less fluctuation in market exchange rate, resulting in fewer trading opportunities and thus a sharp decreased exchange gain of the Company.

4. Operating and administrative expense

In the reporting period, the Company's operating expense was RMB 11.474 billion, increasing by RMB1.125 billion or 10.87% year-on-year. The top three items are staff salary, office expense and other expense. The specific composition of operating expense is as follows:

In RMB thousand

Item	2009		2008	
	Amount	%	Amount	%
Staff salary	5,185,155	45.19	5,060,366	48.90
Depreciation & amortization	712,858	6.21	581,890	5.62
Office expense	2,066,032	18.01	1,775,359	17.16
Publicity expense	824,767	7.19	751,518	7.26
Lease expense	767,278	6.69	574,418	5.55
Professional service expense	299,878	2.61	223,963	2.16
Other expense	1,617,593	14.10	1,381,030	13.35
Total	11,473,561	100	10,348,544	100

The increase in general and administrative expense was mainly due to business development, setting up new outlets and hiring new employees.

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

iii. Analysis of income statement *continued*

5. Impairment losses on assets

In the reporting period, The Company's impairment losses on assets reached RMB518 million, a year-on-year decrease of RMB2.898 billion or 84.82%. The specific composition of impairment losses on assets is as follows:

In RMB thousand

Item	2009		2008	
	Amount	%	Amount	%
Impairment losses on loans	559,131	107.85	3,237,662	94.77
Impairment losses on receivables	6,487	1.25	-	-
Impairment losses on held-to-maturity investment	-	-	60,553	1.77
Impairment losses on placements with banks and other financial institutions	-	-	(3,000)	(0.09)
Impairment losses on other receivables	(49,077)	(9.47)	107,630	3.15
Impairment losses on repossessed assets	1,919	0.37	13,577	0.40
Total	518,460	100	3,416,422	100

The decrease in impairment losses was mainly attributable to : (1) asset quality of the Company stood the test of financial storm, at the end of the period, the balance of NPLs decreased as compared to the beginning of the period, with the NPL ratio dropping to 0.54%; (2) at the end of the period, provision coverage ratio reached 254.93%, at a relatively high level among other commercial banks and far exceeding the regulatory requirements, thus provision for impairment losses is less stressful; (3) based on prudence consideration, the Company made sufficient provision for impairment losses on bonds investment related to Lehman Brothers in 2008; currently part of the investment on bonds related to certain transactions with Lehman Brothers was recovered, which reversed certain provision on impairment losses made at the end of 2008 during the reporting period.

6. Income tax

In the reporting period, the Company's effective income tax rate increased by 4.02 percentage points year on year to reach 22.91%, which was 2.09 percentage points lower than the statutory tax rate. The difference between income tax expense and the amount calculated according to the 25% statutory tax rate is as follows:

In RMB thousand

Item	2009
Pre-tax profit	17,229,485
Statutory tax rate (%)	25
Income tax calculated at statutory tax rate	4,307,371
Effect on tax due to adjusting the following items:	
Tax-free income	(618,174)
Non-deductible items	121,806
Supplementary income tax	149,911
Effect of lower tax rates on some taxation jurisdictions	(13,372)
Effect of change in statutory tax rate	-
Income tax	3,947,542

The effective tax rate was higher as compared to last year mainly due to: (1) lower statutory tax rate reduced the tax exemption effect of treasury bonds, and the Company reduced the proportion of treasury bonds investment accordingly. During the reporting period, the percentage of interest income from treasury bonds to pre-tax profit declined, resulting in higher effective income tax rate; (2) in 2008, the tax payable included elimination of tax expenses incurred in previous years, thus the effective tax rate was lower.

iv. Use of proceeds raised by IPO and change in application

In 2007, the Company issued 1.001 billion RMB-denominated ordinary shares in IPO at the offering price of RMB15.98 per share, and raised a net amount of RMB15.722 billion which was paid up by January 29, 2007. So far, all the raised funds have been used to supplement the capital and raise the capital adequacy ratio. Shareholders' equity of the Company increased substantially, and its risk resistance capacity was remarkably enhanced, thus laying an excellent foundation for the sustainable and steady development of the Company.

During the reporting period, the Company made no change to the application of the raised funds.

v. Major changes in operating environment and macro policies, laws and regulations during the reporting period and the impact thereof

1. Impact of macroeconomic control

In 2009, affected by global financial crisis, the domestic economic development encountered serious difficulties. Facing the complicated and challenging economic situation, the Central Committee of the Party and the State Council closely monitored the situation, resolutely implemented proactive fiscal policy and moderately easy monetary policy, and introduced a series of policies to expand domestic demand and maintain a stable and rapid domestic economic growth, thereby effectively curbed the significant economic recession, resulting in gradual and steady economic recovery. The Company adapted to the changes in macro situation, earnestly implemented national economic policies and regulatory requirements imposed by financial authorities, followed the guideline of "Penetrating major markets, focusing on mainstream business and following the practices of commercial banks", increased loan disbursement, moderated the speed of loan disbursement, focused on quality, stability and security, and successfully fulfilled various targets set in annual operational plan.

2. Impact of interest rate adjustment

During the reporting period, though the Central Bank did not adjust the benchmark interest rates of deposit and loan, some fine-tunings of monetary policy were made in the year. Market interest rates rebounded since June 2009; in the last six months of the reporting period, Shibor rate went up by 30% from the beginning of June. The Company has focused on the utilization of inter-bank funds since the beginning of 2009, therefore the rebound of market interest rates has played a pivotal role in improving the net interest margin of the Company.

3. Impact of fluctuations in the capital market

During the reporting period, the capital market bottomed out and rebounded, and the Shenzhen GEM board was officially opened, which broadened fund raised amount and funding channels via security market, transformed saving deposits into security margin, and more time deposits were transformed into demand deposits. During the reporting period, the daily balance of new third party retail customer management account and the number of new third party depository retail customer both increased significantly.

4. Impact of exchange rate changes

As at the end of the reporting period, the RMB exchange rate parity against USD was 6.8282 (at the beginning of the period was 6.8346), meaning only minor fluctuation during the year. From the fourth quarter onward, strong expectation for RMB appreciation drove the demand for foreign exchange loans. At the end of the reporting period, the balance of foreign exchange loans was USD729 million, representing an increase of 137% as compared to the beginning of the reporting period. As the Company implemented a policy of zero exposure to foreign exchange risk, the risk related to currency fluctuation was concentrated in the capital part, thus the risk was basically controllable.

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

vi. Problems existing in operations and countermeasures

In the reporting period, the major problems and difficulties existing in the operations of the Company were as follows:

1. *Risk assets grew rapidly, leading to bigger consumption of capital.* Adapting to the changes in macro condition, the Company increased its loan disbursement from the beginning of the reporting period, resulting in rapid asset growth and bigger capital consumption. Meanwhile, as CBRC further strengthened its requirements on capital adequacy ratio of commercial banks from the second half of 2009, the Company was required to further replenish its capital and improve its capital management.

2. *Narrowing interest margin.* As the Central Bank sharply lowered the benchmark interest rate in 2008, the net interest margin of the Company continuously narrowed from the fourth quarter in 2008 to the second quarter in 2009. The net interest margin of the Company only rebounded steadily until the third quarter when the loan portfolio of the Company was improved, interest rates in the money market and bond market increased, and re-pricing of deposit and loan was completed.

In response to the above problems and difficulties, the Company has taken the following countermeasures:

1. *Control scale of risk assets and improve efficiency of capital allocation.* The Company formulated strategic plan for risk asset management and issued the risk asset control plan for all business units to follow. These units were required to carry out their business within the prescribed limit of risk assets. The Company also introduced risk mitigation measures, optimized its resource allocation, and encouraged business units to develop business that required less capital or no capital.

2. *Preparation for capital replenishment.* While the Company fully utilized its existing capital and strived to accumulate its own profit, it also proactively sought other channels of capital replenishment and continuously improved its capital management plan. During the reporting period, the Company successfully issued RMB10 billion subordinated bonds, and resolutions regarding the Rights Issue to All Shareholders to Raise Core Capital Fund and the 2009-2012 Capital Management Plan were considered and approved at the general shareholders' meeting.

3. *Efficient utilization of funds and expanding core liabilities.* Under a low-interest-rate market environment, the Company proactively expanded the business of low-cost placements with banks and other financial institutions and time deposits through flexible adjustment of asset-liability and business management strategies. Meanwhile, the Company also enhanced the utilization of inter-bank funds and improved the yields from reverse repurchase agreement and investment. With the gradual recovery on net interest margin at the second half of 2009, the Company's strategies for efficient utilization of funds since the first half of the year had shown a positive outcome.

vii. Outlook for future development of the Company

1. Development trend of the industry and market competition facing the Company

In the next few years, with the implementation of the “Eleventh Five-Year Plan (2007-2012)” issued by the State, it is expected that domestic demand will continue to expand, the process of urbanization will be accelerated, and the Chinese economy will continue to maintain a stable and rapid growth. All these will bring opportunities for the future development of the banking industry. Meanwhile, as the negative impact of global financial crisis still persists, the processes of liberalization of interest rates and integrated operation will be tortuous. However, the liberalization of interest rates and business diversification will be an inevitable development trend for commercial banks, therefore the requirements for business transformation of commercial banks will become even higher and more urgent.

Aside from the goal of maintaining growth in 2009, for 2010, the Central Economic Work Conference advocated “strengthening adjustment on economic structure and emphasizing inflation expectancy control”. Under such circumstances, banks will face a tighter policy environment than that of 2009. Meanwhile, reverse cycle monitoring regulatory policy will continue to be implemented, and commercial banks are required to comply with prudent external regulatory guidelines and requirements, which will cause transition of loan disbursement from rapid growth in 2009 to steady growth in 2010. The “volume growth compensating price decline ” business environment enjoyed by commercial banks since 2009 is expected to change in 2010.

After a thorough analysis of both the domestic and international environment, the Company determines that it will keep holding of the scientific outlook of development, seize the favorable opportunity offered by relatively loose macro control policy, adhere to active and prudent development strategy, maintain pace of development with reasonable capital adequacy ratio, promote structural reform and optimization, comprehensively enhance management of various risks, boost expertise and quality of service, improve quality and effectiveness of its business development, strengthen and promote the market status and competitive edge of the Company.

2. Operating objectives for 2010

-- Total assets to reach RMB1,630 billion, up 22%;

-- Balance of general deposits in domestic and foreign currencies to reach RMB1,140.9 billion, up 27%;

-- Balance of loans in domestic and foreign currencies to reach RMB854.9 billion, up 22%;

-- Net profit to increase by 15.86% from 2009 level, or by 20% on a comparable basis;

--Year-end NPL ratio to be controlled below 0.58% (before write-off) according to the “five-category classification”.

I. MANAGEMENT ANALYSIS AND DISCUSSION *continued*

vii. Outlook for future development of the Company *continued*

3. Funds necessary to fulfill future development strategy, utilization plan and source of funds

The Company will adhere to the established business development strategy, strengthen the integrated management of assets and liabilities, and rationally arrange the sources and utilization of funds by taking into account factors such as category, term and price of assets and liabilities. It will also actively implement the macro control policy of the State, rationally control the pace of loan disbursement, continuously optimize asset structure, and seize the opportunity arising in the process of accelerated industrialization and urbanization in China. Furthermore, the Company will continue to increase the support for key construction projects of the State for stimulating domestic demand, emission reduction projects, the loans for small and medium-sized enterprises and retail loans, strengthen the utilization of inter-bank funds, actively develop new asset business categories and increase the return on assets; and it will also intensify the expansion of core liabilities, step up the resources allocation and performance examination of liability business expansion, focus on increasing savings deposits, corporate deposits and end-user management of third-party depository accounts so as to expand the sources of the core liabilities. Moreover, it will continue to actively expand inter-bank funds, including the settlement funds of securities trading, give comprehensive considerations to the level of market interest rate, the need of matching assets and liabilities, choose opportunities to absorb large agreement deposits and issue financial bonds, develop new liability tools, broaden the sources of liabilities. Finally, the Company will promote refinancing through rights issue to raise its capital adequacy ratio and ensure the sustainable growth of the Company.

viii. Reasons and impact of changes in accounting policies and accounting estimates and correction of significant accounting errors

During the reporting period, the Company made no changes in its accounting policies, accounting estimates or correction of significant accounting errors.

II. INFORMATION OF BANKING BUSINESS

i. Network information

Name	Address	No. of outlets	No. of employees	Scale of assets(in RMB thousand)
Head Office	154 Hudong Road, Fuzhou	-	1,922	165,170,327
Financial Markets	168 Jiangning Road, Shanghai	-	129	293,332,241
Credit Card Center	Dongchen Building, 60 Mudan Road, Pudong New District, Shanghai	-	893	6,258,628
Assets Custody Department	168 Jiangning Road, Shanghai	-	41	5,900,013
Investment Banking Department	9 Chegongzhuang Street, Xicheng District, Beijing	-	30	38,150
Beijing Branch	11 3rd Block, Anzhen Xili, Chaoyang District, Beijing	30	1,192	130,557,175
Tianjin Branch	Senmiao Commerce Plaza, Wujiayao Avenue, Hexi District, Tianjin	14	522	29,281,080
Taiyuan Branch	209 Fudong Street, Taiyuan	6	418	25,557,701
Shenyang Branch	36 Shiyiwei Road, Heping District, Shenyang	9	423	45,687,913
Dalian Branch	136 Zhongshan Road, Zhongshan Districe, Dalian	5	187	19,335,663
Harbin Branch	88 Huanghe Road, Nangang District, Harbin	4	154	15,200,179
Shanghai Branch	168 Jiangning Road, Shanghai	32	1,297	148,677,069
Nanjing Branch	63 Zhujiang Road, Nanjing	23	921	66,643,803
Hangzhou Branch	40 Qingchun Road, Hangzhou	39	1,476	59,919,012
Ningbo Branch	99 Baizhang East Road, Ningbo	10	457	21,653,625
Hefei Branch	99 Fuyang Road, Hefei	6	205	13,706,741
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	32	876	61,454,279
Xiamen Branch	78 Hubin North Road Xiamen	24	685	27,688,992
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	6	171	6,048,202
Sanming Branch	1 Liedong Street, Meilie District, Sanming	7	218	4,392,052

II. INFORMATION OF BANKING BUSINESS *continued*

i. Network information *continued*

Name	Address	No. of outlets	No. of employees	Scale of assets(in RMB thousand)
Quanzhou Branch	Xinye Building, Fengze Street, Quanzhou	25	910	31,349,766
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	11	349	10,742,951
Nanping Branch	399 Bingjiang Middle Road, Nanping	8	248	4,733,685
Longyan Branch	46 Jiuyi South Road, Longyan	6	207	6,887,477
Ningde Branch	11 Jiaocheng South Road, Ningde	6	222	5,124,372
Nanchang Branch	119 Dieshan Road, Nanchang	4	184	10,015,384
Ji'nan Branch	71 Jingshi Road, Ji'nan	11	604	39,380,585
Qingdao Branch	7A Shangdong Road, Shinan District, Qingdao	4	276	11,103,462
Zhengzhou Branch	22 Nongye Road, Zhengzhou	12	545	24,544,031
Wuhan Branch	156 Zhongbei Road, Wuchang District, Wuhan	15	532	29,219,840
Changsha Branch	192 Shaoshan North Road, Changsha	19	518	31,052,099
Guangzhou Branch	15 Tianhe Road, Guangzhou	51	1,736	94,091,343
Shenzhen Branch	4013 Shenzhen Road, Futian District, Shenzhen	22	871	63,475,408
Nanning Branch	115 Minzu Road, Nanning	7	274	11,732,519
Chongqing Branch	1 Honghuang Road, Hongqihegou, Jiangbei District Chongqing	16	540	39,610,058
Chengdu Branch	206 Shuncheng Street, Qingyang District, Chengdu	15	532	43,726,505
Kunming Branch	138 Tuodong Road, Kunming	6	200	18,146,085
Xi'an Branch	258 Dongxin Road, Xincheng District, Xi'an	11	701	28,424,591
Urumqi Branch	37 Renmin Road, Urumqi	6	191	10,787,143
Shijiazhuang Branch	37 Ziqiang Road, Qiaoxi District, Shijiazhuang	1	147	12,099,887
	Netting and summation adjustment within the system			340,588,482
	Total	503	22,004	1,332,161,552

Note: Only first-class branches are listed on the above table, while the second-class branches and other sub-branches are included in the data of the first-class branches in accordance with management structure.

ii. Analysis of business segments

1. Institutional business

(1)Corporate banking business

Focusing on the core liabilities and core customers, our corporate banking business continued to enhance the capabilities of professional and comprehensive services, so as to maintain growth, prevent risks and promote sustainable development. As at the end of the reporting period, the balance of corporate deposits in RMB and foreign currencies amounted to RMB682.422 billion, representing a growth of 45.54% over the beginning of the period. Outstanding loans in RMB and foreign currencies amounted to RMB532.584 billion, representing a growth of 43.77% over the beginning of the period. The account number of corporate customers reached 169,100 (including 27,700 core customers), representing an increase of 21,300 customers over the beginning of the period.

With the establishment of the Sustainable Finance Centre, the Company strengthened the innovation of business mode and professional management, continuously expanded its business scope, and turned the first-mover advantage into a sustainable competitive edge. During the reporting period, the Company granted 137 energy conservation and emission reduction loans in aggregate amount of RMB13.279 billion, and helped its clients with 4 carbon transactions by providing professional financing services. Since 2007, the Company has granted 223 energy conservation and emission reduction loans with an aggregate amount of RMB16.583 billion, the projects supported by which were expected to save standard coal equivalent of 10,397,400 tonnes, reduce CO2 emission of 31,780,400 tonnes and COD of 439,100 tonnes, and recycle solid waste of 472,500 tonnes in China each year.

Targeting at large and medium-sized customers, the Company aggressively expanded the cash management business by promoting the “Gold Cube” brand. To this end, the Company introduced solutions for four categories of integrated services and solutions for six industries. During the reporting period, the Company had 125 new cash management customers with new daily cash management deposits of RMB4.725 billion.

The Company established management and operation bodies for small sized enterprise business in both head office and branch level, and innovatively formulated credit granting and approval procedures for small sized enterprises in accordance with “credit factory-oriented” processing mode. During the reporting period, outstanding loans granted to national standard small sized enterprises amounted to RMB274.6 billion, representing 52% of the Company’s outstanding corporate loans; new loans granted to small sized enterprises amounted to RMB117.2 billion, representing 72% of the Company’s new corporate loans. The Company was honoured as “Top Ten National Commercial Banks Supporting SMEs for the Year 2009”, and its “Gold Sesame SME Finance Solution” was awarded as the “Best SME Finance Solution”.

In addition, the Company improved supporting platforms including the international factoring business and focused on the promotion of key products, thereby its foreign exchange business maintained a relatively stable growth. During the reporting period, the aggregated amounts handled by its international settlement business and its settlement and sale of foreign exchange business reached USD24.390 billion and USD17.342 billion, respectively.

(2)Institutional banking business

The Company continued to increase marketing efforts and furthered cooperation with other financial institutions. During the reporting period, the Company developed 182 financial institutions as core clients. The number of products which joined the Bank-to-Bank Platform network increased by 50 to 236. The number of participating partners reached 151, and that of its contracted clients products amounted to 211. A total of 2,616,500 transactions (in value of RMB71.031 billion) were handled through its Bank-to-Bank Platform network, representing a year-on-year increase of 356.63%. In addition, the Company sold wealth management products of RMB51.47 billion to its cooperative financial institutions, representing a year-on-year increase of 231.47%, making its income from sales of wealth management products totalling RMB101 million.

II. INFORMATION OF BANKING BUSINESS *continued*

ii. Analysis of business segments *continued*

1. Institutional business *continued*

(2)Institutional banking business *continued*

The Company's technology management output service is gradually maturing. During the reporting period, six of its cooperative commercial banks commenced operation of their information systems. Consequently, the Company provided relevant system operation and maintenance services for nine cooperative commercial banks, thereby the Company reaped a construction income and an operating income from technology export service of RMB17.32million and RMB15.25million respectively, representing a growth of 250.22% in the income from technology output service. In addition, 88 securities companies participated in the Company's third party depository network, through which, the trust wealth management business realised a transaction value of RMB129.209 billion, representing an increase of 104.7%.

During the reporting period, with the remarkable performance of its institutional banking business, the Company was the winner of the "Top Ten Financial Products of Financial Marketing Award 2008" elected by *The Banker,* the "The Asian Banker Leadership Achievement Award 2009 – Banking and Corporate Payment Services Achievement Award (China Region)" elected by *The Asian Banker,* and the "Best Banking Cooperation Award" elected at the 4th Session of the 21st Century Annual Finance Summit of Asia.

(3)Investment banking business

By capitalising on the favourable opportunity of accelerated development of domestic direct financing market, the Company aggressively developed the underwriting business of debt financing instruments issued by non-financial enterprises, such as short-term financing bonds and mid-term bills. During the reporting period, the Company completed the registration of debt financing instruments of RMB25.58 billion for 17 customers, and issued 34 debt financing instruments for 23 enterprises, with a total amount of RMB29.605 billion.

The Company focused on the innovation of its products and services, continuously enhanced its professional service capabilities, proactively developed the underwriting business for bonds including financial bonds, subordinated bonds and hybrid capital bonds, and jointly underwrote and issued China Power Finance Corporation's financial bonds of RMB3.0 billion as the lead underwriter in 2009.

Furthermore, the Company has obtained the qualifications to offer financing for merger and acquisition deals. Thereby, the Company achieved steady progress in the financing and consultancy business for merger and acquisition deals, proactively conducted research on and explored strategic investment banking businesses such as IPO financial consultancy, private equity financing, corporate asset securitisation and collective bonds, with a view to continuously diversify lines of investment banking products.

2. Retail banking business

With increased efforts on business innovation, the Company's business scale continued to expand. As at the end of the reporting period, the balance of savings deposits increased to RMB146.908 billion by RMB58.014 billion from the beginning of the period, representing a growth rate of 65.26%; outstanding retail loans increased to RMB169.014 billion by RMB40.077 billion from the beginning of the period, representing a growth rate of 31.08%; and NPL ratio of retail loans (excluding credit cards) was 0.15%, demonstrating that the loan quality maintained at an excellent level.

During the reporting period, the Company had 417,300 retail credit customers, 1,556,200 third-party depository individual cardholders (representing an increase of 209,300), with the number of cardholders with outstanding loans ranking No. 2 among the nine joint-stock banks of the same nature. The Company's interest income from retail credit amounted to RMB6.972 billion, accounting for 18.80% of its total interest income from loans. The income from intermediary business in the retail business line amounted to RMB1.011 billion, accounting for 26.54% of the Company's total income from intermediary business. In this regard, the retail business has become an important source of the Company's stable and sustainable income. As wealth management functions for personal investment constantly improved, a total of RMB169.94 billion worth of comprehensive wealth management products were sold for the year.

"Natural Life", a wealth management brand launched by the Company, won both the exclusive "Wealth Management Brand for the Year" award in the 2009 China Business News Financial Brand Ranking and the "Banking Wealth Management Brand for the Year" award. In the "2nd Session Election of Most Respected Bankers for 2009 and 3rd Session Election of China's Best Bank Wealth Management Products for 2009", the wealth management product of "Daily WLB (Wanlibao)" was the winner of the "Best Bank Wealth Management Product for 2009 (Cash Management Group)" award, and the Wealth Management Division of the Retail Banking Headquarters of the Company won the "Best Investment and Management Team for 2009" award.

To withstand the test imposed by the transformation of the domestic credit card business, the Company took the initiative to adjust its business mode, and made a profit for the first time in the credit card business since it issued the credit cards. As at the end of the reporting period, the Company's total number of credit cards in issue increased by 813,800 to 5,719,800. During the reporting period, the trading volume of the credit card business amounted to RMB45.964 billion, representing a year-on-year increase of 28%. During the year, the total income amounted to RMB839 million, representing a year-on-year increase of 37.34%, achieving a gain in book value of RMB144 million for the first time since the inauguration of credit card business. The non-performing ratio of credit card was 2.14%, ranking among the top in the industry in terms of the quality of credit card assets.

3. Asset management business

(1)Treasury operation business

Responding to the changes in domestic and foreign environment, in respect of its proprietary investment, the Company focused on optimizing and adjusting the investment portfolio denominated in RMB to enhance its liquidity, yield rate and risk resistance capability. In terms of investments denominated in foreign currencies, the Company focused on reducing risks, as reflected in decreasing structural products and derivative products to avoid credit risks. The market making business achieved steady growth. During the year, domestic gold proprietary trading amounted to RMB51.162 billion, representing a year-on-year increase of 57.88%. As one of the four commercial banks first licensed to conduct gold future business, the Company proactively participated in gold future trading and ranked among the top in the market. As for brokerage business, the Company took the lead to introduce the gold T + D agency business and silver contango dealings to the market. The agency trading of precious metal totalled RMB92.1 billion, a year-on-year increase of 521%, and the trading volume continued to rank No. 1 in the market. As at the end of the reporting period, the number of contracted customers for precious metal agency trading exceeded 210,000. The total trading volume of individual foreign exchange trading business recorded a year-on-year increase of 33.36% to reach USD6.753 billion.

(2)Asset custody business

In view of the higher-than-expected upward fluctuation in the capital market, the Company put more efforts in the issue and custody services for securities products including funds and joint wealth management plans, and aggressively expanded the non-fund product custody business by capitalising on the state's implementation of economic recovery policies including "sustaining growth policy". During the reporting period, assets under custody amounted to RMB137.772 billion, representing an increase of 106% over the beginning of the period, and fee income from the custody business reached RMB146 million, representing a year-on-year increase of 10.61%. The Company had 11 securities investment funds under the custody in value of RMB45.824 billion, representing an increase of 24% over the beginning of the period and ranking No. 3 among the 12 small and medium custody banks. The Company also had a total of 410 custody products with a custody asset size of RMB77.029 billion, representing an increase of 195% over the beginning of the period. The Company has obtained qualifications approved by the China Insurance Regulatory Commission to carry out the insurance fund custody business, and a comprehensive asset custody service system covering various fields is taking shape.

II. INFORMATION OF BANKING BUSINESS *continued*

ii. Analysis of business segments *continued*

4. E-banking and information technology

The Company made efforts in independent innovation of e-banking and external resource allocation. Through strategic cooperation with domestic internet leading players, industry leading players and mobile phone operators, the Company promoted the integration of e-banking operations and established various e-banking service brands including “Online CIB”, “Wireless CIB”, “Hotline CIB” and “Five-star Navigation”. As at the end of the reporting period, the Company had 48,300 corporate online banking customers, up 34.94% from the beginning of the period; 3,136,900 personal online banking customers, up 94.26% from the beginning of the period; 4,665,000 telephone banking customers, up 70.47% from the beginning of the period; 1,842,800 mobile phone banking customers, up 242.54% from the beginning of the period. During the year, the e-banking trading volume approximated to the total trading volume from outlets. The substitution rate of counter trading volume by e-banking trading volume reached 48.49%, representing a year-on-year growth of 38.07%. During the year, the income from intermediary business through e-banking amounted to RMB159 million, representing a year-on-year increase of 57.43%. The e-banking business of the Company has won many honours and awards granted by the media and prestigious institutions, including the “Best Online Banking Award”, the “Best Business Innovation Award”, the “Best Call Center in China” award and the “Mobile Phone Banking Brand with Most Development Potential”.

In respect of IT building, the Company continued to implement the strategy of “revitalization through science and technology” and constantly improved its IT supporting system, with a view to provide strong technical support and guarantee to the rapid growth of the Company’s businesses. During the reporting period, the information system of the Company continued to run smoothly and efficiently, with the availability of important information system reaching 99.985%.

iii. Analysis of loan quality

1. Five-category classification of loans

In RMB thousand

Item	2009-12-31		2008-12-31	
	Balance	Percentage (%)	Balance	Percentage (%)
Pass	690,338,891	98.39	484,183,887	96.96
Special mentioned	7,479,111	1.07	11,053,596	2.21
Substandard	1,383,151	0.20	2,000,637	0.40
Doubtful	1,953,875	0.28	1,818,171	0.36
Loss	442,433	0.06	330,138	0.07
Total	701,597,461	100	499,386,429	100

As at the end of the reporting period, the balance of NPLs of the Company amounted to RMB3,779 million, decreasing by RMB369 million from the beginning of the period; the ratio of NPLs was 0.54%, down by 0.29 percentage points from the beginning of the period. Special mentioned loans amounted to RMB7,479 million, down by RMB3,574 million from the beginning of the period, and at its lowest historical level. The Company adopted comprehensive methods (including cash collection, doubtful-debt write-offs, interest exemption for loan repayment, collateral repossession and debt restructuring and transformation) to enhance the disposal of NPLs and the supervision, management and withdrawal of loans with potential risk, for which the Company achieved good results.

2. Withdrawal of loan impairment provision and write-offs

In RMB thousand

Item	CAS	IAS
Opening balance	9,400,655	9,400,655
Withdrawal for the reporting period (+)	559,131	559,131
Transfer-out of interest on impaired loans(-)	133,857	133,857
Recovery of write-offs from previous years in the reporting period (+)	101,674	101,674
Reversals due to other reasons in the reporting period (+)	5,183	5,183
Write-offs in the reporting period (-)	297,860	297,860
Closing balance	9,634,926	9,634,926

As at the end of the reporting period, the balance of the loan loss provision of the Company was RMB9.635 billion and the provision coverage ratio reached 254.93%. The withdrawal of the loan loss provision of the Company was in compliance with regulatory requirements.

3. Classification of loan impairment provision

In RMB thousand

Loan impairment provision	2009-12-31	2008-12-31
Individual impairment provision	1,775,872	1,816,578
Collective impairment provision	7,859,054	7,584,077
Total	9,634,926	9,400,655

4. Changes in overdue loans

In RMB thousand

Item	2009-12-31		2008-12-31	
	Amount	Percentage(%)	Amount	Percentage (%)
1~90 days (inclusive) overdue	1,445,024	29.37	2,367,596	45.14
91~360 days (inclusive) overdue	1,340,201	27.24	872,746	16.64
361 days~3 years (inclusive) overdue	1,160,734	23.59	1,016,392	19.38
>3 years overdue	974,470	19.80	988,429	18.84
Total	4,920,430	100	5,245,163	100

As at the end of the reporting period, the balance of overdue loans of the Company was RMB4.920 billion, decreasing by RMB325 million from the beginning of the period, primarily due to decrease in overdue personal loans. The Company intensified collection efforts against overdue personal loans and adopted a collection method, thereby all personal loans overdue within 30 days were predominantly collected by the customer service centre. By doing so, remarkable results were achieved.

II. INFORMATION OF BANKING BUSINESS *continued*

iii. Analysis of loan quality *continued*

5. Balance of restructured loans and the overdue amount thereof

In RMB thousand

Item	2009-12-31	Percentage in total loans (%)	2008-12-31
Restructured loans	1,599,066	0.23	4,772,903
including: Loans overdue more than 90 days	432,728	0.06	612,774

As at the end of the reporting period, the balance of restructured loan of the Company was RMB1,599 million, decreasing by RMB3,174 million from the end of 2008, mainly due to better management of restructured loans, successfully capturing the favourable opportunities offered by macro-economic recovery and ample liquidity as well as stronger collection efforts by the Company, and excellent results were achieved.

6. As at the end of the reporting period, the Company had no soft loans that accounted for more than 20% (inclusive) of the total loans.

iv. Repossessed assets and impairment provision

In RMB thousand

Item	2009-12-31	2008-12-31
Repossessed assets	635,734	595,094
including: Buildings	577,195	522,455
Land use right	52,454	66,554
Others	6,085	6,085
Less: Impairment provision	(117,013)	(122,059)
Net value of repossessed assets	518,721	473,035

During the reporting period, the Company obtained repossessed assets with a total book value of RMB71.149 million (mainly land and real estate) and recovered RMB30.509 million from disposal of repossessed assets, thereby increasing the net book value of repossessed assets by RMB40.64 million. Newly withdrawn provision for impairment of repossessed assets was RMB1.919 million, and an amount of provision for impairment of repossessed assets totaling RMB6.965 million was transferred out due to disposal of repossessed assets, resulting in a decrease of the net balance of provision for impairment of repossessed assets by RMB5.046 million.

v. Major categories of deposits, average daily balance and average annual interest rate of deposits

In RMB thousand

Item	Average daily balance	Average annual interest rate (%)
Corporate demand deposits	300,270,502	0.62
Corporate time deposits	257,974,064	2.67
Savings demand deposits	40,271,123	0.37
Savings time deposits	76,024,128	2.18

vi. Major categories of loans, average daily balance and average annual interest rate of loans

In RMB thousand

Item	Average daily balance	Average annual interest rate (%)
Loans	630,033,525	5.39
including: Short-term loans	226,608,931	5.76
Medium and long-term loans	346,822,055	5.54
Discounts	56,602,539	2.96

vii. Category and par value of financial bonds held at the end of the reporting period

In RMB thousand

Item	Par value
Bonds of policy banks	45,014,700
Bank bonds	4,812,838
Bonds of non-bank financial institutions	5,161,809
Total	54,989,348

As at the end of the reporting period, the Company checked the financial bonds it held and found no impairment. Therefore, no bad debt provisions were made.

viii. Largest five government bonds (including the Central Bank notes) held at the end of the reporting period

In RMB thousand

Item	Par value	Maturity date	Interest rate (%)
07 Central Bank note 100	4,000,000	2010-09-07	3.71
07 Central Bank note 21	4,000,000	2010-03-09	3.07
07 Central Bank note 108	3,950,000	2010-10-12	3.95
07 Treasury bond 01	3,670,000	2014-02-06	2.93
03 Treasury bond 01	3,330,350	2010-02-19	2.66
Total	18,950,350	-	-

ix. Largest five financial bonds held at the end of the reporting period

In RMB thousand

Item	Par value	Maturity date	Interest rate (%)
07 CDB 08	5,470,000	2017-05-29	2.85
07 ADBC 06	3,220,000	2014-05-18	2.85
09 CDB 12	3,000,000	2019-09-23	2.95
09 CDB 23	2,800,000	2010-12-03	2.04
09 CDB 21	2,750,000	2016-11-18	2.82
Total	17,240,000	-	-

II. INFORMATION OF BANKING BUSINESS *continued*

x. Derivative financial instruments held at the end of the reporting period

In RMB thousand

Item	Nominal value	Fair value	
		Asset	Liability
Derivative financial instruments of exchange rate	115,029,074	232,732	473,659
Derivative financial instruments of interest rate	180,046,632	1,163,259	1,105,366
Derivative financial instruments of credit	751,102	3,044	1,533
Derivative financial instruments of precious metal	6,733,303	-	21,256
Total	302,560,111	1,399,035	1,601,814

xi. Financial instruments denominated in foreign currencies held by the Company

In RMB thousand

Item	Opening amount	Gains and losses from changes in fair value of the period	Accumulative changes in fair value included into equity	Impairment withdrawn in the period	Closing amount
Trading financial assets	42	-	-	-	41
Derivative financial assets	277,473	268,204	-	-	260,902
Derivative financial liabilities	788,902				504,127
Investment in accounts receivable	-	-	-	-	-
Available-for-sale financial assets	521,586	-	8,851	-	1,528,343
Held-to-maturity investments	1,642,784	-	-	-	1,438,698
Subtotal	3,230,787	268,204	8,851	-	3,732,112

xii. 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 is determined based on the active level of the products and the sophistication of internal procedure. For financial instruments that have active market quotation, the fair value may be measured on the basis of active market quotation. For financial instruments that have no active market quotation but have internal sophisticated pricing model, the fair value may be measured on the basis of internal model. For financial instruments that have neither active market quotation nor sophisticated internal pricing model, the fair value may be measured on the basis of prices quoted by a trading counterparty. The measurement of fair value of financial instruments traded by the Company is based on the active market quotation.

2. Items related to measurement of fair value:

In RMB thousand

Item	2008-12-31	Gains or losses from changes in fair value of the period	Accumulative changes in fair value included into equity	Provision for impairment withdrawn in the period	2009-12-31
Financial assets：					
(1) Trading financial assets	6,691,211	(30,844)	-	-	3,363,484
(2) Precious metal	-	(560)	-	-	126,384
(3) Derivative financial assets	3,764,640	(2,365,605)	-	-	1,399,035
(4) Available-for-sale financial assets	77,167,987	-	(421,618)	-	111,148,150
Total	87,623,838	(2,397,009)	(421,618)	-	116,037,053
Financial liabilities ：					
(1) Trading financial liabilities	644,230	44,283	-	-	-
(2) Derivative financial liabilities	3,941,283	2,339,469	-	-	1,601,814
Total	4,585,513	2,383,752	-	-	1,601,814

xiii. Changes in on/off-balance-sheet interest receivable

In RMB thousand

Item	2009-12-31	2008-12-31
On-balance-sheet interest receivable	4,354,330	4,202,706
Off-balance-sheet interest receivable	1,280,622	1,109,063

xiv. Withdrawal of bad debt provision for other accounts receivable

In RMB thousand

Item	2009-12-31	2008-12-31	Loss provision	Withdrawal method
Other accounts receivable	1,364,711	626,004	123,042	At the end of the accounting period, individual and collective tests were done to other accounts receivable to make provision for impairment in combination with age analysis.

xv. Overdue outstanding liabilities

The Company had no overdue outstanding liabilities.

II. INFORMATION OF BANKING BUSINESS *continued*

xvi. Off-balance-sheet items that may cause major impact on financial position and operating results

In RMB thousand

Item	2009-12-31	2008-12-31
Issued letters of credit	5,905,879	5,528,190
Issued bank guarantees	7,733,390	5,839,981
Bills of acceptance	131,401,091	123,840,890
Unused credit card commitments	19,521,802	31,797,873

xvii. Analysis of risks the Company faces and countermeasures

Given the complicated market environment during the reporting period, the Company took various effective measures in line with its own business characteristics, after careful consideration of the domestic and foreign financial situation and the macro control policies of China, to perfect its risk management system and mechanism, improve its risk management tools, and enhance the effectiveness of its risk management .Thus, all kinds of risks were put under control, ensuring the sound and rapid development of all businesses.

1. Construction of risk management system

During the reporting period, the Company proactively improved its risk management system and speeded up enhancement of overall risk management. Firstly, the “Risk Management Strategy of Industrial Bank” was introduced, which clarified the vision, preferences, phase goals and implementation approaches of risk management. Meanwhile, the “Work Plan for Risk Strategy Implementation 2009 “was laid down, which detailed specific tasks for effecting risk management strategies. Secondly, the Company introduced the “Credit Risk Management Policy”, “Market Risk Management Policy” and “Operational Risk Management Policy,” which proposed system requirements for major risk management, and developed or revised a series of administrative regulations, measures and rules for credit risk, market risk, operational risk and other risks, specifying the management measures and programs for each type of risk in response to changes in conditions and policies. Thirdly, the Company further improved the risk management reporting system to increase the contents of risk reporting and standardize the risk reporting process. Fourthly, the Company further defined the organizational structure, responsibilities and duties and the staffing for risk management at branches and sub-branches so as to standardize the risk management of outlets and strengthen the risk management of fundemental institutions. Fifthly, the Company continued to implement *Basel II*. The “Basel II Implementation Schedule of Industrial Bank” was worked out to provide the priority order and timing arrangement for implementing provisions of *Basel II* in the next five years. The internal rating system (primary law) was launched officially.

2. Management of credit risks

During the reporting period, encouraging results were achieved in conducting credit risk management throughout the Company. As at the end of the reporting period, the balance of the Company’s NPLs was RMB3.779 billion, representing a decrease of RMB370 million over the opening balance; the NPL ratio was 0.54%, down 0.29 percentage points from that of the beginning, reflecting the best asset quality in the Company’s history.

(1) Corporate business. The Company tightened lending control and increased loans to projects involving people's livelihood, key construction projects of local governments, the state's priority projects and infrastructure construction; strengthened control over minimum requirements for customers and projects; demanded stringent review of credit receivers through prudent assessment of credit risks associated; tightened risk control on lending process, requiring professional due diligence prior to lending in compliance with the credit review and approval mechanism, and enhanced post-lending dual-line risk investigation; increased control over limits for particular sectors by setting up limits on lending to key and high-risk sectors; conducted monthly monitoring of indicators for a given sector, thereby reducing credit concentration risks; proactively improved management of loan portfolio by using pressure test tools; continued to reform credit review and approval system by engaging credit approval officers at the head office to establish a specialized team of credit approval officers and improve the competence in this regard.

(2) Retail business. The Company kept a close eye on the risks associated with personal mortgage loans brought about by the macro-economy, developments of property market, changes in citizens' expected income, the availability of customers' fund chain, strengthened dynamic monitoring of personal loan risks and conducted regular revaluation of collaterals; implemented strict qualification review prior to lending and provided exacting conditions for mortgage loans, practiced careful review of borrower' qualifications and the truthfulness of transactions, preferring needs of borrowers to finance their first house for own use at affordable prices; enhanced post-lending risk management by attaching importance to the early recovery of overdue loans, broadening approaches for collection and disposal of NPLs and overdue loans and putting more efforts in recovering and resolving non-performing loans.

3. Management of liquidity risk

During the reporting period, the Company made flexible adjustments to its asset-liability management policy based on changes in external financial and economic situation and internal business development, improved its liquidity management techniques and methods, formulated complete mechanism for reaction to market risk emergency, thereby effectively preventing liquidity risks. The Company aggressively developed core liabilities, took a variety of measures to guide and support operating units in strongly expanding general deposits and deposits from financial institutions; adjusted the comprehensive evaluation and resource allocation policy, took effective control on utilization of long and medium term capital, encouraged working capital loans to improve the maturity matching of assets and liabilities; perfected balance sheet system and improved liquidity indicators management, dynamically monitored and control liquidity risks, and conducted pressure tests on a regular basis, and developed liquidity emergency response program and specific implementation plans.

Unit: %

Indicator	Threshold Values	Tolerance Values	Regulatory Values	2009-12-31	2008-12-31
RMB excess reserves ratio	≥2	≥1	—	7.06	8.93
Liquidity ratio	≥30	≥25	≥25	32.07	41.04
Loan-to-deposit ratio	≤75	—	≤75	71.90	70.82

During the reporting period, the Company increased loan-based supports to economic development in line with market changes, with long and medium- term needs were preferred moderately in allocating loan resources, thus effectively curbing the impact of narrowed interest spread on the Company's operating results and resulting in decrease in some liquidity indicators as compared with that of the beginning of the period, while meeting regulatory requirements and the threshold and tolerance values set by the Company. Therefore the general risks were controllable.

II. INFORMATION OF BANKING BUSINESS *continued*

xvii. Analysis of risks the Company faces and countermeasures *continued*

4. Management of market risk

During the reporting period, the Company went on to increase market risk management by: improving the methods for identification, measurement, monitoring and control of market risks, completing the market risk tolerance indicator system, strengthening the monitoring of market risk tolerance while shifting from monitoring indicators solely to analyzing and judging changes in trends (and of balances in particular); increasing application of market risk analysis results, completing the policies and regulatory requirements for pricing and valuation management, strengthening control over decision-making for investment for trading purpose and relevant indicators; improving the ability to make dynamic analysis of investment products, enhancing the approval mechanism for emerging business and new products, steadily promoting whole-process risk management of treasury operation business, perfecting the system for analyzing and reporting market risks and the mechanism for reaction to market risk emergency; improving management of measurement model at operating units.

(1) Interest rate risk

During the reporting period, the Company made flexible adjustments to the interest rate risk management measures according to market changes to make sure that interest rate risks were always kept tolerable. During the first half of 2009, in view of a more relaxed monetary policy and the narrowing deposit and loan interest spreads and significant decrease in net interest margin on assets and liabilities, the Company adjusted policies on allocation of assets and liabilities in a timely manner, expanded the maturity mismatch of assets and liabilities moderately, and encouraged exploring low-cost core liabilities and premium credit assets by adjusting the inter-system fund transfer prices. In the second half of the year, due to fast-growing long and medium-term loans, increasing demand deposits as a percentage of customer deposits as well as the higher interest rate risks, the Company managed to control the maturity mismatch and keep interest rate risks generally acceptable through proportion checks, approval of long and medium term fixed-rate loans and adjustment of fund transfer prices.

(2) Exchange rate risk

During the reporting period, the Company paid close attention to exchange rate changes, increased research on and analysis of moving trends of the exchange rates of major currencies, took various combination measures to optimize the structure of total foreign currency assets and liabilities and improve the utilization of foreign currency funds. The Company monitored the intra-day and closing foreign exchange risk exposures every day to make sure the position of settlement and sales of foreign currencies throughout the year were in compliance with regulatory requirements and the comprehensive positions of a market maker during the year did not exceed the annual caps permitted by the Company, thus effectively preventing the exchange rate risk.

5. Management of operational risk

During the reporting period, the Company did not experience any major operational risk accidents. In management of operational risks, the Company took the following major initiatives: formulating operational risk management policies to specify the objectives of operational risk management and improvement measures; defining the operational risk management functions of the Board of Directors, senior management and various functional departments as well as the construction mechanism of the three-tier defence mechanism relating to operational risk management; established an operational risk management mode suitable to the nature of operational risk and featuring combination of concentration and decentralization to further intensify the establishment of functional and organizational structure for operational risk; actively explored practical applications for the operational risk methodologies and tools, organized statistical analysis of major accident and loss data in relation to operational risks and built libraries containing operational risk events to promote the streamlining of business lines and timely optimize risk control measures; increasing accountability and performance evaluation related to operational risk, strengthening subsequent supervision and punishment leveraging on internal audit and accountability to prevent the potential operational risks with each business line; attaching much importance to identification, evaluation, monitoring and control of potential risks associated with such key areas and parts of business as accounting and settlement, note transactions, e-banking and credit cards; continuing to increase concentrated management of operational risks, promote professional and concentrated operations and establish specialized centres including lending centre and payment and settlement centres; cultivating the staff about management of operational risks and improving the staff's awareness and techniques in this regard.

6. Management of compliance risk

During the reporting period, the Company carried out training programmes to promote compliance culture, and actively constructed the framework of compliance management and clarified the rules for setting up compliance organizations at branches and the relevant responsibilities; developed and improved the related compliance management systems to build a fundamental information platform for compliance management and successfully completed the construction of a comprehensive compliance management system; carefully identified and evaluated the compliance risks associated with new products and new business, steadily implemented pilot compliance monitoring to promote the completion of a comprehensive compliance management system; paid much attention to system management, standardized the "repeal, amendment and enactment" of regulations, carried out planning and subsequent evaluation of regulations, thereby ensuring that the internal systems were compliant with and consistent, systematic and coordinated to external laws, rules and principles; strengthened management of legal affairs, properly understood the legal standards about compliant operations, gradually established an electronic platform for model contract management, increased litigation management, and effectively safeguarded the rights and interests of the Company.

7. Management of IT risk

Guided by the "Guidelines on IT Risk Management of Commercial Banks" promulgated by CBRC, the Company established its IT risk management strategy and plan under the overall risk management strategy, improved IT risk management strategies, systems and operational procedures, thereby ensuring that the Company's crucial IT risks were effectively identified and measured; actively built an all-round and proactive IT security surveillance system to prevent the risks in connection with such important areas as the business need, project R&D, system commissioning, maintenance of operation, information safety management with a view to improving the security system for management of IT risks, implementing the mechanism for evaluating and warning IT risks, consolidating the emergency response mechanism for IT risk and adhering to on-going summarizing useful information from IT security surveillance practice and improving the existing mechanism, built a monitoring and warning platform, intensified the emergency response mechanism, strengthened the construction of disaster backup, thereby ensuring that the Company's IT system was running on a safe, stable and reliable basis continuously.

II. INFORMATION OF BANKING BUSINESS *continued*

xvii. Analysis of risks the Company faces and countermeasures *continued*

8. Management of environmental and social risk

The Company has integrated the social responsibilities undertaken by banks with its sustainable development to gradually build an environmental and social risk management system with its own characteristics. The Company has vowed to adopt the Equator Principle, and is endeavored to promote the environmental and social risk management system and tools, push on the building of expert review mechanism, incorporate the environmental and social risk management into credit review process, and improve the capability for standardized management.

III. ROUTINE WORK OF THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD

i. Meetings of the Board of Directors

The Board of Directors of the Company convened a total of 5 meetings during the reporting period. The specific details are given below:

The 15th meeting of the 6th Board of Directors was convened on March 14, 2009 in Fuzhou. The meeting considered and approved proposals including: 2008 Annual Evaluation Report on Duty Performance of Directors, 2008 Work Report of the Executive Committee under the Board of Directors, 2008 Work Report of the Risk Management Committee under the Board of Directors, 2008 Work Report of the Audit and Related Party Transactions Control Committee under the Board of Directors, 2008 Work Report of the Remuneration and Evaluation Committee under the Board of Directors, Proposal on Appointment of Public Accounting Firms for 2009, Proposal on Issuing Financial Bonds, Proposal on Revising Administrative Measures for Information Disclosure, Proposal on Formulating the Administrative Measures on Information Disclosure Affairs, Proposal on Formulating Procedures for Annual Work Report of the Audit and Related Party Transactions Control Committee under the Board of Directors, Proposal Regarding the Granting of an Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited), Proposal Regarding the Granting of a Basic Credit Line to COFCO Limited and COFCO Finance Corporation Limited, Proposal on Distribution of 2005 Annual Risk Fund to the Senior Management, and 2009 Work Plan of the Board of Directors. Corresponding meeting resolutions were formed accordingly. The meeting also listened to the Work Report of the Board of Supervisors.

The 16th meeting of the 6th Board of Directors was convened on April 25, 2009 in Fuzhou. The meeting considered and approved proposals including: 2008 Work Report of the Board of Directors, 2008 Work Report of the President, 2008 Report on Final Financial Accounts & 2009 Financial Budget Scheme, 2008 Annual Profit Distribution Scheme, 2008 Annual Report and Abstract, 2008 Self-evaluation Report of Internal Control, 2008 Annual Social Responsibility Report, 2008 Performance-related Remuneration Plan for Senior Management, 2009 Budget Plan for Bad Debt Write-off, First Quarter Report 2009, Risk Management Strategies for Industrial Bank, Report on Establishment of Internal Control and Assessment System, Proposal on Amending Administrative Measures of the Board of Directors' Fee, and Proposal on Convening the 2008 Annual General Shareholders' Meeting. Corresponding meeting resolutions were formed accordingly. The meeting also listened to the Report on the 2009 First Quarter Operating Conditions and Risk Report for the First Quarter of 2009.

The 17th meeting of the 6th Board of Directors was convened on August 21, 2009 in Kunming. The meeting considered and approved proposals including: Report on Operating Conditions in First Half of 2009 and Proposed Operational Arrangement in Second Half of 2009, Outline of Capital Management Plan for 2009-2013, New Capital Agreement Implementation Plan, Interim Report 2009, Proposal on Establishing Information Reporting System between the Board of Directors and its Committees and Senior Management, Proposal on Amending Administrative Measures on the Related Party Transactions, and Proposal on Amending Detailed Rules for Implementation of Administrative Measures on the Related Party Transactions. Corresponding meeting resolutions were formed accordingly. The meeting also listened to the Report on Operating Conditions in First Half of 2009 and Rectification Report on the Regulatory Notification issued by the China Banking Regulatory Commission in 2008.

The 18th meeting of the 6th Board of Directors was convened by means of voting by correspondence during October 28-30, 2009. The meeting considered and approved two proposals, including the Third Quarter Report 2009 and Proposal on Disposal of Repossessed Equity Ownership of Industrial Securities.

The 19th meeting of the 6th Board of Directors was convened on November 21, 2009 in Fuzhou. The meeting considered and approved proposals including: Proposal on the Changes of Directors, Proposal on Conditions for the Rights Issue, Proposal on the Rights Issue, Proposal on Distribution of Undistributed Profits Retained Prior to the Rights Issue, Proposal on the Report of the Use of Proceeds from the Previous Fund Raising, Proposal on the Feasibility Report of the Use of Proceeds Raised from the Rights Issue, Proposal on Administrative Measures on the Use of Proceeds from Fund Raising, Proposal on Authorization to the Board Regarding Matters Related to the Rights Issue to be Approved at the General Shareholders' Meeting, Proposal on the Report of Internal Control & Self-assessment, the 2009-2012 Capital Management Plan, Proposal on Writing-off Large Amount Doubtful Debt, and Proposal on Convening the 2009 First Extraordinary General Shareholders' Meeting. Corresponding meeting resolutions were formed accordingly. The meeting also listened to the Report on 2009 January-September Operating Conditions and Proposed Operational Arrangement in Next Stage.

ii. Implementation of general shareholders' meeting resolutions by the Board of Directors

1. Implementation of profit distribution of 2008

The 2008 annual profit distribution plan was as follows: withdrawing RMB1,138,502,662.24 (10% of the net profit for the year) as statutory surplus reserve; withdrawing RMB1,606,410,879.44 as general reserve; distributing cash dividends at RMB4.50 per 10 shares (including tax); the retained earnings of RMB2,250,000,000 was carried forward to the next year. The profit distribution plan was completed on June 17, 2009.

III. ROUTINE WORK OF THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD *continued*

ii. Implementation of general shareholders' meeting resolutions by the Board of Directors *continued*

2. Implementation of resolutions of the general shareholders' meeting and authorized matters by the Board of Directors

The 2008 Annual General Shareholders' Meeting deliberated on and approved the Proposal on Appointment of Public Accounting Firms for 2009. According to the resolution, the Board of Directors continued to engage Fujian Huaxing Certified Public Accountants Co., Ltd. and Ernst & Young to take charge of the audit work for 2009.

The Company's 2008 Annual General Shareholders' Meeting deliberated on and approved the Proposal on Issuing Subordinated Debts. According to the resolution, the Board of Directors issued RMB10 billion financial bonds in the inter-bank bond market by means of book-keeping during September 9-11, 2009, including 10-year fixed rate bonds of RMB2.005 billion and 15-year fixed rate bonds of RMB7.995 billion.

The Company's 2008 Annual General Shareholders' Meeting deliberated on and approved the Proposal on Amending the Company's Articles of Association. According to the resolution, the Board of Directors amended the Company's Articles of Association and submitted to CBRC for approval. On July 3, 2009, the Articles of Association of Industrial Bank Co., Ltd. (revised on July 2009) was approved by CBRC (YJF [2009] No.216) and thereby became effective.

iii. Annual report working regulation for independent directors and its implementation

On March 2, 2009, the five independent directors held a meeting with the CPAs responsible for the annual audit in Beijing. During the meeting, the independent directors deliberated on and listened to the Report on Annual Financial Statements 2008, Report on Business Management 2008, and the Implementation of General Shareholders' Meeting Resolutions by the Board of Directors. The independent directors verified the operation qualification and independency of Ernst & Young and the Fujian Huaxing Certified Public Accountants Co., Ltd. The independent directors discussed problems found in the course of the audit with the CPAs and also brought forward their opinions and suggestions, which were critical in enhancing the quality of annual report and information disclosure.

iv. Summary report on the duty performance of the Audit and Related Party Transaction Control Committee

The Audit and Related Party Transaction Control Committee under the Board of Directors convened 4 field meetings and 1 meeting by means of voting by correspondence during the reporting period. It deliberated on and listened to 28 proposals or reports, including work reports of the Committee, financial reports, reports on final financial accounts and financial budget schemes, CPA annual audit summary reports, internal audit reports, self-evaluation reports on internal control, interim report, rectification reports on the regulatory notification, related party transactions, amending administrative measures and detailed rules on the related party transactions, procedures for preparation of annual reports, appointment of public accounting firms for 2009, and audit scope and audit plan for financial reports. It safeguarded the independence and effectiveness of audit and related party transaction control. In November 2009, the Audit and Related Party Transaction Control Committee held a special meeting with the related departments of the Company and CPAs responsible for the annual audit (Special Investigation). During the meeting, the Audit and Related Party Transaction

Control Committee deliberated on and listened to the report on progress of establishment of internal control evaluation system for the Company given by the Internal Control Evaluation System Project Committee, and Ernst & Young (China) Corporate Advisory Company was invited to give a speech elaborating on the Basic Standard for Enterprise Internal Control and new requirement for the Audit and Related Party Transaction Control Committee under this basic standard, and discussed the measures to further enhance the functions of the Audit and Related Party Transaction Control Committee.

v. Summary report on the duty performance of the Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee under the Board of Directors convened 2 meetings in 2009. It deliberated on and listened to proposals and reports, including the 2008 Work Report of the Remuneration and Evaluation Committee under the Board of Directors, 2008 Evaluation Report on the Duty Performance of Directors, 2008 Performance-related Remuneration Plan for Senior Management, and Proposal on Distribution of 2005 Annual Risk Fund to the Senior Management. In February 2009, the Committee conducted a survey in Head Office, held interviews with senior management, certain department heads of Head Office and presidents of branches, listened to all the opinions and then accordingly formulated the 2008 Performance related Remuneration Plan for Senior Management after reviewing their work reports.

vi. Establishing and improving administrative measures on external information users

The Company continued to strengthen the reporting, use and distribution of information during the preparation, review and disclosure of regular reports and significant events, in order to prevent leakage of information and ensure information disclosed in a fair and unbiased manner. These measures (including the Administrative Measures for Information Disclosure, Administrative Measures for Information Disclosure Affairs and Internal Reporting System of Information Disclosure) clearly defined the procedures for external reporting and external usage of material information.

The Company and related information disclosure obligors shall publicly disclose material information to all investors at the same time to ensure that all investors get equal access to the same piece of information, and shall not reveal or leak the information to a single investor or certain investors. When the Company reports undisclosed material information to its shareholders or external users, standard reporting procedures and disclosure procedures shall be carried out and any relevant laws or regulations shall not be violated. Prior to a piece of statutory disclosable information is disclosed, no department or individual shall leak the information to any party by any means. Prior to a piece of material information is disclosed, the directors, supervisors and senior management and other personnel shall ensure the information only known to a minimum number of persons, no leakage of any insider information of the Company, no inside transaction, no manipulation with others to the prices of securities or their derivatives.

In preparation of its regular reports, the Company established a registration and filing system for insiders and external information users, which treated all parties involved in preparing and knowing the annual financial data as well as the staff of CPAs as insiders and put them into a management list, to ensure confidentiality of relevant information before the publishing of regular reports, announcements or results announcements. In addition, the Company registered and filed the information of insiders with the securities regulatory authorities, to ensure that the insiders would strictly comply with confidentiality regulations. In compliance with the regulatory requirements and based on practical experiences, the Company will continue to standardize and enhance the management of insiders and external reporting of information, thereby further improve the relevant administrative measures.

IV. PROFIT DISTRIBUTION PLAN

i. 2008 Profit distribution plan

The Company recorded a net profit of RMB13,281,942,672.62 in 2009, plus the retained earnings at the end of 2008 of RMB16,542,587,242.19 and deducting the cash dividend paid in 2008 of RMB2,250,000,016.19, the profit available for distribution for the year is RMB27,574,529,898.62. The profit distribution plan for 2009 is as follows: according to the Company Law and the Company's Articles of Association, no profit will be appropriated to statutory reserve surplus this year for the balance of statutory reserve of the Company has exceeded 50% of the registered capital of the Company; RMB1,720,350,765.66 will be appropriated to general reserve; a cash dividend of RMB5.0 (tax included) will be paid for every 10 shares, which brings the total cash dividends to RMB2.5 billion, and the retained earnings will be carried forward to the next year. The above profit distribution plan is to be implemented within two months after it is reviewed and approved by the Company's 2009 Annual General Shareholders' Meeting.

ii. Dividends payout in the previous three years

In RMB thousand

Year	Amount of cash dividends (tax included)	Net profit of the year	Percentage(%)
2008	2,250,000	11,385,027	19.76
2007	1,600,000	8,585,767	18.64
2006	1,300,000	3,798,256	34.23

Report of The Board of Supervisors

I. MEETINGS OF THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

During the reporting period, the Board of Supervisors of the Company convened a total of 7 meetings. The specific details are given below:

On January 9, 2009, the 10th meeting of the 4th Board of Supervisors was convened in Hangzhou. The Audit Investigation Report on Capital Adequacy Ratio was considered and approved at the meeting.

On March 14, 2009, the 11th meeting of the 4th Board of Supervisors was convened in Fuzhou. At the meeting, the following proposals were considered and approved, including: the Assessment Report of the Board of Supervisors on the Performance of Directors and Senior Management in 2008, the 2008 Annual Working Report of the Supervision Committee under the Board of Supervisors, 2008 Evaluation Report on the Performance of Supervisors, 2008 Annual Work Report of the Nomination, Remuneration and Evaluation Committee under the Board of Supervisors and the 2009 Annual Work Plan of the Board of Supervisors. The 2008 Annual Report on Internal Audit was also listened at the meeting.

On April 20, 2009, the 12th meeting of the 4th Board of Supervisors was convened by means of correspondence. At the meeting, the following proposals were considered and approved, including: 2008 Annual Work Report of the Board of Supervisors, 2008 Annual Operation Results and Final Financial Report, 2008 Annual Report and Summary and the First Quarter Report 2009.

On June 18, 2009, the 13th meeting of the 4th Board of Supervisors was convened in Nanchang. At the meeting, the following proposals were considered and approved, including: the Audit Investigation Report on Asset-liability Structure Management, the Questionnaire Report on the Performance of Directors and Senior Management and the Proposal on the Establishment of "Expenses Management Measures of the Board of Supervisors". The Work Report on Compliance Management was also listened at the meeting.

On August 17, 2009 and October 26, 2009, the 14th and 15th meetings of the 4th Board of Supervisors were convened by means of correspondence respectively. At the meetings, the Interim Report 2009 of Industrial Bank Co., Ltd. and the Third Quarter Report 2009 of Industrial Bank Co., Ltd. were considered and approved respectively.

On November 21, 2009, the 16th meeting of the 4th Board of Supervisors was convened in Fuzhou. At the meeting, the proposals, including the Opinions regarding Strengthening the Construction and Supervising Function the Board of Supervisors and the Audit Investigation Report on Inter-bank Customer Management, were considered and approved.

II. SPECIAL INSPECTIONS MADE BY THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors carried out a total of 4 special inspections or surveys to promote the legal operation of the Company and strengthen internal control. The specific details are given below:

In February 2009, the Board of Supervisors organized and conducted an audit investigation into asset-liability structure management, which focused on the scientific nature and rationality of the Company's asset-liability structure management as well as the effectiveness of implementation and transmission of the relevant management policies. Following the investigation, the Board of Supervisors drew the attention of the Board of Directors and management to the risk arising from asset-liability structure, to further clarify the objectives and strategic planning of asset-liability structure management and establishing long-term stable and prudent liquidity risk preferences; to review and revise the operating rules of the current asset-liability policies at all aspects and to enhance the scientific, forward-looking and effectiveness of the asset-liability policies.

In May 2009, the Board of Supervisors organized and conducted an audit investigation into inter-bank customer management, which focused on the management of inter-bank customer marketing and the relevant risk control. Following the investigation, the Board of Supervisors drew the attention of the management to promote the "customer-oriented" business management model and enhance the inter-bank customer co-ordination and management and integrated marketing services; to strengthen the management of inter-bank customer relationship, to conduct customer segmentation and classification management scientifically and rationally and to build differentiated marketing service system; to enhance the comprehensive service capabilities at the inter-bank customer level.

II. SPECIAL INSPECTIONS MADE BY THE BOARD OF SUPERVISORS *continued*

In August 2009, the Board of Supervisors organized and conducted a follow-up audit investigation into wealth management services with combination of the audit investigation to wealth management business carried out in the financial year of 2007. Following the investigation, the Board of Supervisors drew the attention of the management to strengthen the strategic planning of wealth management business development, to enhance the centralized management on wealth management business and improve the management efficiency, and to strengthen the risk control of wealth management business at all aspects.

In October 2009, the Board of Supervisors organized and conducted a follow-up audit investigation into double-line cost management, focusing on the actual operation investigation of "double-line operation and double-line assessment" mechanism, to evaluate the applicability and effectiveness of the existing double-line cost and resource allocation policy. Following the investigation, the Board of Supervisors drew the attention of the management to clarify the positioning of double-line cost, to adjust the allocation directions methods of double-line cost, to establish an effective evaluation system of resource allocation efficiency and thus to serve more effectively the goals of the strategic transformation.

III. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT ISSUES

The Company's supervisors legally monitored the performance of directors and senior management by attending general shareholders' meetings and attending meetings of the Board of Directors and senior management as non-voting delegates and by conducting independent special inspections, etc.

i. Legal operation

During the reporting period, the Company demonstrated stable operation and standardized management. The Company's operational results were both objective and authentic, its decision making procedures were legitimate. The Board of Directors and senior management conducted conscientious and diligent work. There was no any violation of laws, regulations, Articles of Association or damage to the interests of shareholders and the Company.

ii. Inspection on financial reports

During the reporting period, the Company's annual financial reports truly, fairly and completely reflected the Company's financial conditions and operational results. The annual financial reports have been audited by Fujian Huaxing Certified Public Accountants Co., Ltd. and Ernst & Young in accordance with domestic and international audit standards respectively, and both organizations have issued standard and unqualified auditors' reports.

iii. The Company's acquisition and disposal of assets

During the reporting period, no inside transactions or transactions damaging to the interests of shareholders and the loss of assets of the Company were found in the acquisition and disposal of assets.

iv. Use of raised proceeds

During the reporting period, the use of raised proceeds was in conformity with the commitment made in the A-Share Initial Public Offering Prospectus.

v. Related party transactions

During the reporting period, the management of related party transactions strictly complied with applicable regulations and rules. Both the process of the transactions and their outcome were fair and justified. No inside transactions or transactions damaging to the interests of shareholders and the Company were found.

vi. Internal control system

During the reporting period, no significant shortcomings have been found in terms of completeness or rationality of internal control mechanisms and internal control system of the Company.

vii. Implementation of resolutions made by the general shareholders' meeting

During the reporting period, the members of the Board of Supervisors legally attended the general shareholders' meetings. The Board of Supervisors had no objections to any of the proposals submitted to the general shareholders' meeting for review. The Board of Supervisors monitored and inspected the implementation of the relevant resolutions made by the 2008 Annual General Shareholders' Meeting and the First Extraordinary General Meeting in 2009 and was in the belief that the Board of Directors had implemented the resolutions made by the general shareholders' meeting seriously.

Significant Events

I. MATERIAL LAWSUITS AND ARBITRATION

As at the end of the reporting period, there was no any material lawsuit or arbitration case against the Company and its branches involving single claim amounting to over 1% of last year's audited net asset value.

II. MATERIAL ASSET TRANSACTIONS

With the approval from the CBRC and the PBOC, the Company successfully issued its subordinated bonds with a principal amount of RMB10 billion in the domestic inter-bank bond market on September 9 to 11, 2009. The proceeds raised from this issuance will, subject to applicable laws and approval by the regulatory authority, be utilized to enhance the Company's capital base, replenish its supplementary capital and improve its capital adequacy ratio, so as to strengthen its operation strength, improve its risk resistance ability and facilitate its business development in a sustainable and stable manner. For details please refer to the announcement dated September 15, 2009.

During the reporting period, the Company had no material acquisition, disposal of assets, takeover or merger.

III. MATERIAL RELATED PARTY TRANSACTIONS

The related parties of the Company mainly include: shareholders holding over 5% (inclusive) of the Company's shares and their controlling shareholders; directors, supervisors, senior management and their close relatives; legal persons or other organizations that are directly, indirectly or jointly controlled or may be greatly influenced by the directors, supervisors, senior management and their close relatives.

During the reporting period, related party transactions involving transaction amounts over RMB300,000 or transaction amounts over RMB3 million and accounted for more than 0.5% of the latest audited net asset value of the commercial bank were as follows:

i. On March 14, 2009, the 15th meeting of the Sixth Board of Directors considered and approved the "Resolution on Granting of RMB4 Billion Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited)" and approved to grant the RMB4 billion internal basic credit line to Hang Seng Bank (including Hang Seng Bank (China) Limited) for an effective term of one year. The meeting also considered and approved the "Resolution on Granting a Basic Credit Line to COFCO Limited and COFCO Finance Corporation Limited" and approved to grant an aggregate of RMB1.8 billion basic credit line to COFCO Limited and COFCO Finance Corporation Limited for an effective term of one year. The above related party transactions were conducted in the ordinary course of business of the Company with the terms and interest rates determined according to the general requirements of the Company's business management. For details please refer to the announcement dated March 17, 2009.

ii. On October 30, 2009, the 18th meeting of the Sixth Board of Directors considered and approved the "Resolution on Disposal of the Shares in Industrial Securities" and agreed that the 120,640,000 shares in Industrial Securities Co., Ltd. held by the Company would be transferred to the Finance Bureau of Fujian Province at a price of RMB6.67 per share. For details please refer to the announcement dated October 31, 2009.

IV. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

i. Material custody, lease or contracting

The Company had no significant events concerning custody, lease or contracting during the reporting period.

ii. Significant guarantee

During the reporting period, except the normal financial guarantee business as approved in the scope of business, the Company had no other significant guarantee that needed to be disclosed.

iii. Events of entrusting others with cash asset management

During the reporting period, the Company didn't entrust its cash assets to others for management.

IV. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF *continued*

iv. Other material contracts

During the reporting period, all contracts of the Company had been normally performed, and no significant contract dispute occurred.

V. SPECIAL STATEMENT AND INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS ON THE GUARANTEE BUSINESS OF THE COMPANY

In accordance with the related regulations of CSRC, the independent directors of the Company carefully examined the Company's guarantee business in 2009 under the Principle of openness, fairness and objectivity, and believe that the Company carries out the guarantee business as one of the regular businesses of the Company with the approval of PBOC and CBRC. As at the end of the reporting period, the balance of the guarantee business of the Company was RMB7,733.39 million, up from the beginning of the year by RMB1,893.409 million at a growth rate of 32.42%. No single guarantee business with amount over 5% of last year's audited net assets or over RMB2 billion happened. No advance occurred under the guarantee business of the Company, and no non-compliant guarantee besides the normal guarantee business was discovered.

The Company always followed the principle of prudence when providing guarantee for external entities, and intensified the risk monitoring and management of off-balance-sheet business. The Company resorted to on-site and off-site inspections to discover hidden risks as early as possible, warned in time against risks and took precautions accordingly. During the year, with the effective supervision and management by the Board of Directors, the Company's guarantee business ran normally, and its overall risks were controllable.

VI. SIGNIFICANT COMMITMENT AND FULFILLMENT OF THE COMPANY OR ITS SHAREHOLDERS HOLING MORE THAN 5% OF THE COMPANY'S SHARES

The Finance Bureau of Fujian Province, the Company's largest shareholder, gave undertakings that it would not transfer the 1,020,000,000 shares of the Company held by itself before A-share listing, or entrust others to manage the shares, or allow the Company to repurchase these shares for a period of 36 months from the date of the listing of the Company's A-shares on Shanghai Stock Exchange (lock-up period). During the lock-up period, the Finance Bureau of Fujian Province has been strictly fulfilling the commitment.

The above-mentioned three-year lock-up period expired on February 4, 2010, and the 1,020,000,000 shares held by the Finance Bureau of Fujian Province before A-share listing became tradable with effect from February 5, 2010.

VII. ENGAGEMENT OR DISENGAGEMENT OF CERTIFIED PUBLIC ACCOUNTANTS FIRMS

During the reporting period, in accordance with the resolution of Annual General Shareholders' Meeting 2008, the Company re-appointed Fujian Huaxing Certified Public Accountants Co., Ltd. and Ernst & Young as auditors for the Company's 2009 financial statements prepared under PRC GAAP and IFRS respectively. The auditors' fees were RMB2.5 million and RMB3.3 million respectively.

As at the end of the reporting period, Fujian Huaxing Certified Public Accountants Co., Ltd. had provided audit services to the Company for nine consecutive years, while Ernst & Young for ten consecutive years.

VIII. PENALTY IMPOSED ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the reporting period, none of the directors, supervisors or senior management personnel of the Company was subject to any punishment from the State regulatory authorities.

IX. OTHER SIGNIFICANT EVENTS

i. The Company held securities issued by other listed companies or securities investment.

In RMB thousand

Company name	Initial investment cost	Number of shares held (share)	Proportion in the total shares (%)	Book value at period end
VISA INC	-	10,866	-	6,540
Shanghai Worldbest Co., Ltd.	17,417	3,744,630	0.79	17,417
Zhangjiajie Tourism Development Company Limited	3,410	2,940,000	1.34	20,610
Shandong Jiufa Edible Fungus Co., Ltd.	6,377	939,176	0.37	6,377
Total	27,204	-	-	50,944

ii. Shares of unlisted financial enterprises and to-be-listed companies held by the Company

In RMB thousand

Company name	Initial investment cost	Number of shares held (share)	Proportion in the total shares (%)	Book value at period end
Jiujiang City Commercial Bank Co., Ltd.	296,380	143,080,000	20	334,955
Total	296,380	-	-	334,955

iii. Capital increase and share expansion

Pursuant to the resolution on rights issue approved at the 2009 First Extraordinary General Meeting held on December 8, 2009, the Company proposed to issue shares through rights issue to all shareholders on the basis of not exceeding 2.5 shares for every 10 shares. The issue price will be determined by using the market price discount method, provided that such price will not be lower than the net asset value per share as stated in the latest audited financial statements of the Company. The proposed rights issue is pending for approval from relevant regulatory authorities such as the CSRC, and will be conducted in a manner as approved by the aforesaid regulatory authorities. The resolution will be effective for 18 months from the date it is approved at the general shareholders' meeting of the Company. Net proceeds raised from the rights issue after deducting relevant issuance costs will be fully utilized to replenish the Company's capital, improve its capital adequacy ratio and facilitate its business development in a sustainable, rapid and healthy manner.

X. INFORMATION DISCLOSURE REFERENCE DURING THE REPORTING PERIOD

Item	Disclosure date
Announcement on change in name of an accountant firm conducting annual audit for the Company	2009-01-09
Announcement on resolutions adopted at the tenth meeting of the fourth Board of Supervisors	2009-01-13
Brief announcement on 2008 annual results of the Company	2009-01-19
Information disclosure management system of the Company	2009-03-17
Announcement on resolutions adopted at the eleventh meeting of the fourth Board of Supervisors	2009-03-17
Indicative announcement on changing disclosure timetable of the 2008 annual report of the Company	2009-03-17
Announcement on related party transactions of the Company	2009-03-17
Announcement on resolutions adopted at the fifteenth meeting of the sixth Board of Directors	2009-03-17
Working rules on review of annual reports of the Audit and Related Party Transaction Control Committee of the Board of Directors	2009-03-17
Announcement on resolutions adopted at the sixteenth meeting of the sixth Board of Directors and the convening notice for the 2008 annual general shareholders' meeting	2009-04-28
Annual report and summary for financial year 2008 of the Company	2009-04-28
First quarterly report for financial year 2009 of the Company	2009-04-28
Notification on capital occupation by controlling shareholders and other related parties of the Company	2009-04-28
Announcement on resolutions adopted at the twelfth meeting of the fourth Board of Supervisors	2009-04-28
Announcement on additional resolutions proposed for consideration and changing venue for the 2008 annual general shareholders' meeting	2009-05-06
Documents for the 2008 annual general shareholders' meeting	2009-05-06
Announcement on replacement of securities representative	2009-05-19
Announcement on resolutions approved at the 2008 annual general shareholders' meeting	2009-05-19
Information disclosure management measures adopted by the Company (2009 amendment)	2009-05-19
Legal opinions on the 2008 annual general shareholders' meeting	2009-05-19
Announcement on approval obtained by the Company for the opening of its Shijiazhuang Branch	2009-05-26
Announcement on the implementation of 2008 profit distribution plan	2009-06-05
Announcement on resolutions adopted at the thirteenth meeting of the fourth Board of Supervisors	2009-06-19
Articles of Association of the Company (2009 amendment)	2009-07-17

Item	Disclosure date
Announcement on holding the investor online reception day	2009-08-06
Announcement on approval obtained by the Company from China Banking Regulatory Commission for issuance of subordinated bonds	2009-08-08
Announcement on holding an online investor seminar on the interim results of the Company	2009-08-13
Interim report and summary for financial year 2009 of the Company	2009-08-25
Announcement on resolutions adopted at the seventeenth meeting of the sixth Board of Directors	2009-08-25
Announcement on approval obtained by the Company from the People's Bank of China for issuance of subordinated bonds	2009-09-03
Announcement on completion of subordinated bonds issuance	2009-09-15
Announcement on approval obtained by the Company for the establishment of its Hohhot Branch	2009-09-30
Third quarterly report of financial year 2009 of the Company	2009-10-31
Announcement on resolutions adopted at the eighteenth meeting of the sixth Board of Directors	2009-10-31
Announcement on disposal of repossessed equity and the related party transactions of the Company	2009-10-31
Announcement on resolutions adopted at the nineteenth meeting of the sixth Board of Directors and the convening notice for the 2009 first extraordinary shareholders' meeting	2009-11-23
Announcement on director resignation	2009-11-23
Management measures on the utilization of fund raised	2009-11-23
Announcement on resolutions adopted at the sixteenth meeting of the fourth Board of Supervisors	2009-11-23
Announcement on correction to the resolutions adopted at the nineteenth meeting of the sixth Board of Directors and the convening notice for the 2009 first extraordinary shareholders' meeting	2009-11-24
Documents for the 2009 first extraordinary shareholders' meeting	2009-12-01
Announcement on the commitment of the Finance Bureau of Fujian Province to subscribe Rights Issue shares	2009-12-03
Announcement on resolutions adopted at the 2009 first extraordinary shareholders' meeting	2009-12-09
Legal opinions on the 2009 first extraordinary shareholders' meeting	2009-12-09
Announcement on approval obtained by the Company for establishment of its Changchun Branch	2009-12-16

The above announcements, reports and relevant materials were disclosed in newspapers selected by the Company for information disclosure (*China Securities Journal, Shanghai Securities News, Securities Times, and Securities Daily*), Shanghai Stock Exchange website (www.sse.com.cn) and the Company's website (www.cib.com.cn).

FINANCIAL STATEMENTS

The Company's financial statements for 2009 have been audited by Fujian Huaxing Certified Public Accountants Co., Ltd. and signed off by Mr. Tong Yigong and Ms. Zhang Xiangyu, two certified public accountants from the above accounting firm, who have issued a standard and unqualified auditors' report with "FJHXCPA (2010)S No.G-003". Ernst & Young has audited the Company's financial statements for 2009 in accordance with International Financial Reporting Standards and has issued a standard and unqualified auditors' report. For full text of the financial statements, please refer to the appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

I. Financial statements bearing the signatures of the Company's Legal Representative, President and Financial Director.

II. Original auditors' reports bearing the seal of the accounting firms and personally signed and sealed by the certified public accountants.

III. Original annual report bearing the signature of the Company's Chairman.

IV. Original documents and announcements publicly disclosed by the Company during the reporting period.

V. Articles of Association of Industrial Bank Co., Ltd.

APPENDIX

I. Domestic Auditors' Report

II. International Auditors' Report

III. The Board of Directors' Self Evaluation Report on Internal Control for 2009

Chairman: Gao Jianping

The Board of Directors of Industrial Bank Co.,Ltd.

March 2, 2010

Written Affirmative Opinion of Directors and Senior Management of Industrial Bank Co., Ltd. on Annual Report 2009

In accordance with related provisions and requirements of Securities Law of the People's Republic of China and Guideline No. 2 Concerning the Content and Format of the Information Disclosure by Public Companies - Content and Format of Annual Report (as amended in 2007), after a full understanding and review of the Company's Annual Report 2009 and its abstract, we, as directors and senior management of the Company, hereby consider that:

I.The Company has operated in strict compliance with the Enterprise Accounting Standards, the Accounting Regulations for Business Enterprises and the Accounting Regulations for Financial Enterprises. Annual Report 2009 gives a fair view of the financial position and operating results of the Company during the reporting period.

II.The financial statements 2009 of the Company have been audited by Fujian Huaxing Certified Public Accountants Co., Ltd. and Ernst & Young respectively in accordance with domestic and international auditing standards, and both have issued standard and unqualified auditors' reports.

We hereby guarantee that the information disclosed in the Company's Annual Report 2009 and its abstract is true, accurate, complete, and free of any false representation, misleading statement or major omission. We assume joint and several liabilities for the truthfulness, accuracy and completeness of the contents thereof.

Signatures of directors and senior management

Gao Jianping	Liao Shizhong	Andrew H C Fung
Chua Phuay Hee	John Law	Li Xiaochun
Li Renjie	Kang Yukun	Chen Dekang
Wang Guogang	Ba Shusong	Deng Liping
Xu Bin	Lim Peng Khoon	Tang Bin

March 2, 2010

GREEN HARMONY

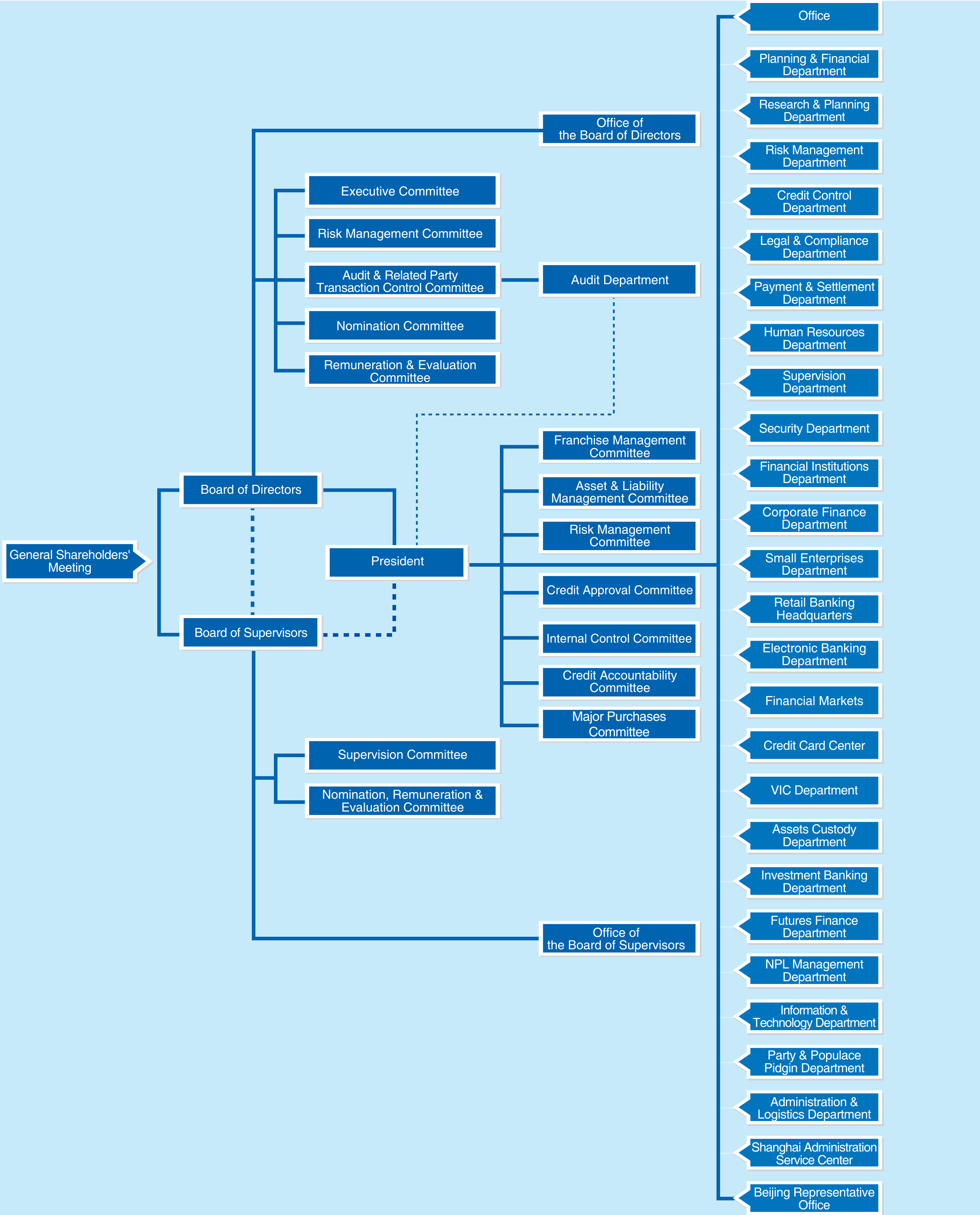
Adopting the green harmony concept, the Industrial Bank is committed to fostering harmonious coexistence among man, nature, environment and society.

/ Harmonious coexistence between man and nature

/ Harmonious interaction between environment and society

/ Harmonious balance between economic efficiency and social responsibility

Organizational Structure



CONTENTS

福建华兴会计师事务所有限公司
Fujian Huaxing Certified Public Accountants Co., Ltd.

地址：福建省福州市湖东路152号中山大厦B座七一九楼　电话(Tel): 0591-87852574　传真(Fax): 0591-87840354
Add:7－9/F Block B,152 Hudong Road,Fuzhou,Fujian,China　Http://www.fjhxcpa.com　邮政编码(Postcode):350003

INDEPENDENT AUDITORS' REPORT

FJHXCPA (2010) S NO. G-003

To the shareholders of Industrial Bank Co., Ltd.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Company"), which comprise the balance sheet as at December 31, 2009, and the income statement, the statements of changes in equity, cash flow statement for the year then ended, and notes to these financial statements.

I. Management's Responsibility for the Financial Statements

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

II. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards of China. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

III. Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial Bank Co., Ltd. as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

Fujian Huaxing Certified Public Accountants Co., Ltd.

FUJIAN HUAXING CERTIFIED PUBLIC ACCOUNTANTS CO., LTD
福建华兴会计师事务所有限公司

Certified Public Accountant: (Signature)

Certified Public Accountant: (Signature)

Fuzhou, People's Republic of China
March 2, 2010

BALANCE SHEET

Industrial Bank Co., Ltd. December 31, 2009 Unit: RMB Yuan

Item	Notes	2009-12-31	2008-12-31
Assets			
Cash and due from the Central Bank	VI. 1	171,904,287,270.24	127,823,850,064.02
Due from banks and other financial institutions	VI. 2	42,364,548,942.56	96,725,117,709.01
Precious metals	VI. 3	126,383,560.00	-
Placements with banks and other financial institutions	VI. 4	13,684,317,600.00	13,197,711,400.00
Financial assets at fair value through profit or loss	VI. 5	3,363,484,447.86	6,691,211,476.59
Derivative financial assets	VI. 6	1,399,034,892.74	3,764,640,194.00
Reverse repurchase agreements	VI. 7	195,884,147,048.86	117,275,478,043.58
Interest receivables	VI. 8	4,354,329,756.47	4,202,706,289.98
Loans and advances to customers	VI. 9	691,962,535,414.93	489,985,774,095.20
Available-for-sale financial assets	VI. 10	111,148,150,277.15	77,167,986,598.14
Receivables	VI. 11	40,786,092,397.64	18,622,268,946.18
Held-to-maturity investment	VI. 12	42,354,236,841.53	55,539,886,904.63
Long term equity investments	VI. 13	416,205,432.50	387,697,282.34
Investment property		-	-
Fixed assets	VI. 14	3,623,778,994.63	3,383,999,609.77
Construction in progress	VI. 15	1,924,748,081.21	1,533,946,281.26
Intangible assets	VI. 16	359,606,425.57	391,498,096.21
Deferred tax assets	VI. 17	1,838,180,395.08	1,993,316,310.99
Other assets	VI. 18	4,667,484,431.53	2,211,735,646.70
Total Assets		1,332,161,552,210.50	1,020,898,824,948.60
Liabilities			
Amounts due to the Central Bank		40,400,328.58	-
Due to banks and other financial institutions	VI. 19	237,013,064,828.40	182,914,282,351.13
Placements from banks and other financial institutions	VI. 20	1,762,581,600.00	12,717,618,560.00
Financial liabilities at fair value through profit or loss	VI. 21	-	644,229,700.07
Derivative financial liabilities	VI. 6	1,601,813,569.85	3,941,283,340.19
Repurchase agreements	VI. 22	45,910,484,914.31	58,296,296,506.08
Customer deposits	VI. 23	900,884,448,036.70	632,425,958,755.97
Salaries and staff welfare payables	VI. 24	4,176,753,241.54	3,472,114,776.23
Tax payable	VI. 25	2,263,908,901.91	3,162,220,582.74
Interest payable	VI. 26	5,732,319,818.39	6,303,908,846.71
Accrued liability		-	-
Bonds payable	VI. 27	68,927,863,631.54	64,941,389,008.10
Deferred taxes liabilities	VI. 17		49,516,610.73
Other liabilities	VI. 28	4,250,451,776.38	3,007,959,770.90
Total Liabilities		1,272,564,090,647.60	971,876,778,808.85
Shareholders' Equity			
Paid-in capital	VI. 29	5,000,000,000.00	5,000,000,000.00
Capital reserves	VI. 30	17,239,439,389.23	17,695,966,622.51
Less: Treasury stock		-	-
Surplus reserves	VI. 31	3,403,213,907.15	3,403,213,907.15
General risk provisions	VI. 32	8,100,629,133.56	6,380,278,367.90
Retained earnings	VI. 33	25,854,179,132.96	16,542,587,242.19
Total equity		59,597,461,562.90	49,022,046,139.75
Total Liabilities and Equity		1,332,161,552,210.50	1,020,898,824,948.60

Legal Representative: President: Financial Director:

The accompanying notes form an integral part of the financial statements

INCOME STATEMENT

Industrial Bank Co., Ltd. 2009 Unit: RMB Yuan

Item	Notes	2009	2008
1. Operating revenue		31,679,045,403.17	29,714,980,693.20
Net interest income	VI. 34	27,201,737,211.91	26,192,454,976.60
Interest income		50,038,804,198.03	52,524,862,544.62
Interest expense		(22,837,066,986.12)	(26,332,407,568.02)
Net fee and commission income	VI. 35	3,115,995,197.24	2,623,844,323.76
Fee and commission income		3,482,170,557.54	2,924,570,896.97
Fee and commission expense		(366,175,360.30)	(300,726,573.21)
Investment income	VI. 36	1,007,511,995.77	450,818,005.04
Gains or losses from changes in fair value	VI. 37	(13,257,264.21)	(124,372,546.27)
Foreign currency translation gains and losses		326,920,602.90	525,621,808.12
Other operating income		40,137,659.56	46,614,125.95
2. Operating expenses:		(14,462,267,675.34)	(15,744,790,782.26)
Business tax and surcharges	VI. 38	(2,321,138,162.62)	(1,956,510,965.35)
General and administrative expenses	VI. 39	(11,473,561,497.73)	(10,348,544,160.45)
Assets impairment loss	VI. 40	(518,460,023.38)	(3,416,422,267.77)
Other operating expenses		(149,107,991.61)	(23,313,388.69)
3. Net operating income		17,216,777,727.83	13,970,189,910.94
Add: Non operating income	VI. 41	139,116,544.44	97,519,490.22
Less: Non operating expense	VI. 42	(126,409,246.41)	(30,420,967.37)
4. Total operating income		17,229,485,025.86	14,037,288,433.79
Less: Income tax	VI. 43	(3,947,542,353.24)	(2,652,261,811.41)
5. Net profit		13,281,942,672.62	11,385,026,622.38
6. Earnings per share			
Basic	VI. 44	2.66	2.28
Diluted	VI. 44	2.66	2.28
7. Other comprehensive income	VI. 45	(456,527,233.28)	339,942,595.08
8. Total comprehensive income		12,825,415,439.34	11,724,969,217.46
Total comprehensive income attributable to equity shareholders of the Bank		12,825,415,439.34	11,724,969,217.46
Total comprehensive income attributable to minority interests of the Bank		-	-

Legal Representative: President: Financial Director:

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

Industrial Bank Co., Ltd. | 2009 | Unit: RMB Yuan

Item	Paid-in capital	Capital reserves	Less:Treasury stock	Surplus reserves	General risk provisions	Retained earnings	Total equity
1. Balance as at 31/12/2008	5,000,000,000.00	17,695,966,622.51	-	3,403,213,907.15	6,380,278,367.90	16,542,587,242.19	49,022,046,139.75
Add: Changes in accounting policies	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-
2. Balance as at 01/01/2009	5,000,000,000.00	17,695,966,622.51	-	3,403,213,907.15	6,380,278,367.90	16,542,587,242.19	49,022,046,139.75
3. Changes of current year	-	(456,527,233.28)	-	-	1,720,350,765.66	9,311,591,890.77	10,575,415,423.15
1) Net profit	-	-	-	-	-	13,281,942,672.62	13,281,942,672.62
2) Other comprehensive income	-	(456,527,233.28)	-	-	-	-	(456,527,233.28)
Subtotal of 1) and 2)	-	(456,527,233.28)	-	-	-	13,281,942,672.62	12,825,415,439.34
3) Capital invested and capital decreased by the shareholders	-	-	-	-	-	-	-
1. Capital invested by the shareholders		-	-	-	-	-	-
2. Capital decrease by the shareholders	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-
4) Profit distribution	-	-	-	-	1,720,350,765.66	(3,970,350,781.85)	(2,250,000,016.19)
1. Appropriation of surplus reserves	-	-	-	-	-	-	-
2. Appropriation of general risk provisions	-	-	-	-	1,720,350,765.66	(1,720,350,765.66)	-
3. Distribution to shareholders	-	-	-	-	-	(2,250,000,016.19)	(2,250,000,016.19)
4. Other	-	-	-	-	-	-	-
5) Internal transfers within shareholders' equity	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-
3. Loss covered by surplus reserves	-	-	-	-	-	-	-
4. Loss covered by general risk provisions	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-
4. Balance as at 31/12/2009	5,000,000,000.00	17,239,439,389.23	-	3,403,213,907.15	8,100,629,133.56	25,854,179,132.96	59,597,461,562.90

Legal Representative: President: Financial Director:

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

Industrial Bank Co., Ltd. — 2008 — Unit: RMB Yuan

Item	Paid-in capital	Capital reserves	Less:Treasury stock	Surplus reserves	General risk provisions	Retained earnings	Total equity
1. Balance as at 31/12/2008	5,000,000,000.00	17,356,024,027.43	-	2,264,711,244.91	4,773,867,488.46	9,502,474,161.49	38,897,076,922.29
Add: Changes in accounting policies	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-
2. Balance as at 01/01/2009	5,000,000,000.00	17,356,024,027.43	-	2,264,711,244.91	4,773,867,488.46	9,502,474,161.49	38,897,076,922.29
3. Changes of current year	-	339,942,595.08	-	1,138,502,662.24	1,606,410,879.44	7,040,113,080.70	10,124,969,217.46
1) Net profit	-	-	-	-	-	11,385,026,622.38	11,385,026,622.38
2) Other comprehensive income	-	339,942,595.08	-	-	-	-	339,942,595.08
Subtotal of 1) and 2)	-	339,942,595.08	-	-	-	11,385,026,622.38	11,724,969,217.46
3) Capital invested and capital decreased by the shareholders	-	-	-	-	-	-	-
1. Capital invested by the shareholders		-	-	-	-	-	-
2. Capital decrease by the shareholders	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-
4) Profit distribution	-	-	-	1,138,502,662.24	1,606,410,879.44	(4,344,913,541.68)	(1,600,000,000.00)
1. Appropriation of surplus reserves	-	-	-	1,138,502,662.24	-	(1,138,502,662.24)	-
2. Appropriation of general risk provisions	-	-	-	-	1,606,410,879.44	(1,606,410,879.44)	-
3. Distribution to shareholders	-	-	-	-	-	(1,600,000,000.00)	(1,600,000,000.00)
4. Other	-	-	-	-	-	-	-
5) Internal transfers within shareholders' equity	-	-	-	-	-	-	-
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-
3. Loss covered by surplus reserves	-	-	-	-	-	-	-
4. Loss covered by general risk provisions	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-
4. Balance as at 31/12/2009	5,000,000,000.00	17,695,966,622.51	-	3,403,213,907.15	6,380,278,367.90	16,542,587,242.19	49,022,046,139.75

Legal Representative: President: Financial Director:

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENT

Industrial Bank Co., Ltd. 2009 Unit: RMB Yuan

Item	Notes	2009	2008
1. Cash flow from operating activities			
Cash received from customer deposits and due to banks and other financial institutions		322,609,072,995.57	118,846,613,078.80
Cash received from due to the Central Bank		40,597,502.55	-
Cash received from placement from banks and other financial institutions		-	27,225,346,074.42
Net decrease in due from the Central Bank and Due from banks and other financial institutions		18,217,570,294.81	-
Cash received from interest, service fee and commissions		46,884,810,915.30	50,449,785,136.87
Cash received from other operating income		417,006,972.60	995,483,043.08
Subtotal of cash inflow		388,169,058,680.83	197,517,227,333.17
Cash paid for loans and advances to customers		(202,072,891,740.71)	(100,603,774,846.64)
Cash paid for statutory deposit with the Central Bank and due to banks		-	(52,194,764,588.20)
Cash paid for placement with other financial institutions		(52,320,721,496.48)	(6,574,647,353.71)
Net decrease in placements from banks and other financial institutions		(23,340,848,551.77)	-
Cash paid for interest, service fee and commission		(20,972,789,757.14)	(21,934,659,404.55)
Cash paid to and for staff		(4,480,516,155.55)	(4,702,440,266.85)
Cash paid for income tax and other tax associate charges		(7,009,900,533.24)	(4,344,816,689.57)
Cash paid for other operating income		(6,123,233,641.34)	(3,833,591,457.36)
Subtotal of cash outflow		(316,320,901,876.23)	(194,188,694,606.88)
Net cash flow from operating activities	VI. 46	71,848,156,804.60	3,328,532,726.29
2. Cash flow from investing activities			
Cash received from recovery of investments		603,392,556,549.16	778,338,399,581.56
Cash received from investment income		6,129,421,679.74	5,523,542,426.37
Cash received from other investing activities		54,208,752.97	63,108,566.87
Subtotal of cash inflow		609,576,186,981.87	783,925,050,574.80
Cash paid for investments		(644,321,051,815.85)	(801,013,359,927.10)
Cash paid for acquiring fixed assets, intangible assets and other long term assets		(1,518,045,006.38)	(1,584,489,353.07)

CASH FLOW STATEMENT *continued*

Industrial Bank Co., Ltd. 2009 Unit: RMB Yuan

Item	Notes	2009	2008
Cash paid for other investing activities		-	-
Subtotal of cash outflow		(645,839,096,822.23)	(802,597,849,280.17)
Net cash flow from investing activities		(36,262,909,840.36)	(18,672,798,705.37)
3. Cash flow from financing activities			
Cash received from equity investments		-	-
Cash received from issuing of bonds		10,000,000,000.00	15,000,000,000.00
Cash received from other financing activities		-	-
Subtotal of cash inflow		10,000,000,000.00	15,000,000,000.00
Cash paid for repayment of debts		(6,000,000,000.00)	(10,000,000,000.00)
Cash paid for distribution of dividends, profits, or interest expense		(4,892,109,870.96)	(3,780,033,205.91)
Cash paid for other financial activities		(33,865,000.00)	(35,545,000.00)
Subtotal of cash outflow		(10,925,974,870.96)	(13,815,578,205.91)
Net cash flow from financing activities		(925,974,870.96)	1,184,421,794.09
4. Effect of changes on exchange rate		52,718,712.18	(355,482,592.02)
5. Net increase in cash and cash equivalents	VI. 46	34,711,990,805.46	(14,515,326,777.00)
Add: Opening balance of cash and cash equivalents	VI. 46	148,111,879,802.03	162,627,206,579.04
6. Closing balance of cash and cash equivalents	VI. 46	182,823,870,607.49	148,111,879,802.03

Legal Representative: President: Financial Director:

The accompanying notes form an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, all the currency units herein are RMB in thousands)

I. BRIEF INTRODUCTION

1. Background

Industrial Bank Co., Ltd. (hereinafter referred to as "the Company") which was referred as Fujian Industrial Bank Co., Ltd. previously, is a joint-stock commercial bank approved by the People's Bank of China (PBOC), with the document YF [1988] No. 347 issued on July 20, 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 Company issued 1,001,000,000 "A" shares with par value of RMB1.00 for each share in January 2007 with the approval of China Securities Regulatory Commission (CSRC). The issue price for each share was RMB15.98, which increased the Company's registered capital and share capital by RMB 1,001,000,000. After the issuance, the Company's registered capital has increased to RMB5,000,000,000, which has been verified by Fujian Huaxing Certified Public Accountants Ltd with a capital verification report referenced "MHXS (2007) YZ NO.G-002". Approved by Shanghai Stock Exchange with the approval document SZSZ [2007] No. 26, shares issued by the Company started trading on Shanghai Stock Exchange on February 5, 2007 with the stock code 601166.

The Company has obtained its license for carrying out financial activities from China Banking Regulatory Commission with the license number of No. B0013H135010001. The Company'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 Company is Gao Jianping.

2. The industry in which the Company operates and the scope of its business

The industry in which the Company operates: financing.

The principal activity of the Company is commercial banking business. The scope of the banking business as listed on its business license includes: customer deposit-taking; provision of short term, medium term and long term loans; provision of payment and settlement services; provision of bill acceptance and bill discounts; provision of services in the bond underwriting; provision of agency services in the underwriting, sale and cashing of government bonds; trading of government bonds and debentures; trading or trading as agent securities excluding stocks; asset trusted business; inter-bank placements and borrowings; purchase and sale of foreign currencies either on its own behalf or on behalf of clients; provision of exchange settlement and sales service; provision of bank card business; provision of letter of credit-related services and guarantee facilities; agency collection and payment services; agency service of insurance; provision of safe deposit box services; financial consultation; credit evaluation; consult and witness business and other services approved by the PBOC. (The scope involving operating permit would be operated only be permitted by related department.)

I. BRIEF INTRODUCTION *continued*

3. Corporate structure

As at December 31, 2009, apart from the head office, the Company has set up 44 branches and more than 500 sub-branches in cities of Fuzhou, Xiamen, Ningde, Putian, Quanzhou, Zhangzhou, Longyan, Sanming, Nanping, Shanghai, Shenzhen, Changsha, Beijing, Hangzhou, Guangzhou, Nanjing, Ningbo, Chongqing, Jinan, Wuhan, Shenyang, Chengdu, Tianjin, Xi'an, Zhengzhou, Foshan, Taiyuan, Kunming, Dongguan, Nanchang, Hefei, Urumqi, Dalian, Qingdao, Nanning, Wuxi, Yiwu, Taizhou, Wenzhou, Haerbin, Shijiazhuang, Yichang, Luoyang and Nantong respectively as well as other operating departments of the head office such as Financial Markets, Credit Card Centre, Retail Banking Headquarters, Asset Custody Department, Bank Services Centre, VIC Department, Futures Finance Department, and Sustainable Finance Center, etc.

II. BASIS OF PRESENTATION

The financial statements are prepared on the basis that the Company is on a going concern, according to the actual transactions and matters which are recognized and measured in terms of the Accounting Standard for Business Enterprises - Basic Guidelines and other specific accounting standards, guidelines and explanation.

III. THE DECLARATION ON COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR ENTERPRISES

The financial statement is in accordance with the requirements of the Accounting Standards for Business Enterprises, fairly presents the financial position of the Company as of December 31, 2009, and of its financial performance and its cash flows for the year then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. The financial year of the Company

The financial year of the Company runs from January 1 to December 31 of each calendar year.

2. Reporting currency

Renminbi (RMB) is adopted by the Company as reporting currency.

3. Reporting basis and accounting principle

The Company's books and ledgers are kept on accrual basis.

When financial assets and liabilities are recognized initially, they are measured at fair value. After initial recognition, financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets are measured at fair value; other financial and non-financial assets and liabilities are measured at their historical cost.

4. Cash and cash equivalent

The cash and cash equivalents of the Company include cash, due from the Central Bank (excluding statutory deposit reserves), due from banks and other financial institutions (excluding overdue and fixed deposits with longer than three months placement term), placements with banks and other financial institutions (excluding overdue and fixed placement with longer than three months placement term), less than three months reverse repurchase agreements and short term and highly liquid investments with less than three months maturity term that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5. Foreign currency transactions

The separate books and records are kept for foreign currency transactions in original currencies.

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at the spot exchange rate of the transaction date. On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date. The foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value has been determined, and the difference is treated as change in fair value and is included in the owner's equity or the profits and losses at the current period.

6. Financial instruments

The Company classifies its financial assets into four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. For financial assets at fair value through profit or loss, any transaction costs are recognized in P/L accounts; for other financial assets which are not measured at fair value through profit or loss, any transaction costs that are directly attributable to the acquisition of the financial assets can be recognized.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses;

Financial assets at fair value through profit or loss include financial asset held for the purpose of selling it at fair value in the near term; or it is part of a portfolio of identified financial instruments that are managed for short term profit-taking. Derivative financial instruments are also classified as held for trading unless: they are designated as effective hedging instruments; they belong to financial guarantee contracts or they are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured.

Besides the transactional financial assets, only the financial assets meeting any of the following requirements can be designated, when they are initially recognized, as financial asset as measured at its fair value and of which the variation is included in the current profits and losses:

(i) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

(ii) The official written documents on risk management or investment strategies of the Company concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair value and be reported to the key management personnel.

(iii) Related to financial instruments that combine a single or many embedded derivatives, which cause the cash flow of the financial instruments to be modified and shall be separated from the host contract.

After initial recognition, these financial assets are measured at fair value. All related realized and unrealized gains or losses are included in the income statement.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *continued*

6. Financial instruments *continued*

(2) Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. These investments are carried at amortized cost using the effective interest method, less provision for impairment in value. Gains and losses are recognized in the income statement when the held-to-maturity investments are derecognized or impaired as well as through the amortization process.

The Company shall reclassify any remaining held-to-maturity investments as available-for-sale within the current accounting year and the following two successive accounting years if it has, during the current period, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity. Unless:

(i) The date of sale or re-classification is quite close to the maturity date or the successive date of the said investment (e.g., within 3 months prior to maturity) that any change of the market interest rate will produce little impact upon the fair value of the said investment;

(ii) After almost all the initial principal of the investment has been drawn back by way of repayment at fixed intervals or repayment ahead of schedule according to the provisions of the contract, the remaining part of the investment will be sold or re-classified;

(iii) The sale or re-classification is caused by any independent event that the Company cannot control, is predicted not to occur again and is hard to be reasonably predicted.

(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. Such assets are carried at amortized cost using the effective interest method, less provision for impairment in value. The cumulative gains or losses are recognized in the income statement when the financial asset is derecognized or impaired as well as through the amortization process.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three previous categories. After initial recognition, available-for-sale financial assets are measured at fair value. Fair value changes of available-for-sale financial assets are reported as a separate component of equity until the financial asset is derecognized or the financial asset is determined to be impaired at which time the cumulative gains or losses previously reported in equity are included in the income statement.

When following situations occur, available-for-sale financial assets which measured at fair value become inadequate, these financial assets will be carried at amortized cost using the effective interest method: factors such as intention and ability to hold has changed; the fair value of these financial assets cannot be measured reliably or the time of holding has exceeded prohibit period as stated on IV 6 (2) of the notes to the financial statement (two complete successive accounting periods). On the reclassification date, the carrying amount of the financial asset is reported as its amortized cost.

Premiums and discounts on available-for-sale financial assets which are previously recognized in equity will be treated under different situations:

(i) If the available-for-sale financial asset has fixed terms, gains or losses are amortized using the effective interest method and included in the income statement. The difference between its maturity value and the amortized cost is amortized using the effective interest method during the remaining term of the financial asset and included in the income statement. If the financial asset is determined to be impaired after the reclassification, gains or losses which are previously reported in equity are included in the income statement.

(ii) If the available-for-sale financial asset does not have fixed terms, gains or losses are remained as equity, until it is derecognized or impaired during the following accounting periods, at which time the cumulative gains or losses previously recognized in equity are recognized in the income statement.

7. Impairment of financial assets

The Company carries out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period to determine whether there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event). The loss event (or events) refers to actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the Company.

(1) Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The reduced amount is recognized through the use of an impairment provision account and is recognized in the income statement. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate, considering the value of related collaterals (minus any cost incurred in the acquisition and sale).

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is then included in a group of financial assets with similar credit risk characteristics and that group of financial assets is to be collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not to be assessed collectively for impairment.

Contractual cash flows and historical loss experience provide the basis for estimating expected cash flows. Historical loss rates are adjusted on the basis of relevant observable data that reflect current economic conditions. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and be recorded into the profits and losses of the current period. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *continued*

7. Impairment of financial assets *continued*

(2) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return. Such impairment losses shall not be reversed.

(3) Available-for-sale financial assets

Where an available-for-sale financial asset is impaired, any accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initial costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

As for the available-for-sale debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value have risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss.

8. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include transactional financial liabilities and the designated financial liabilities which are measured at their fair values.

Transactional financial liabilities include financial liabilities that the purpose to acquire is mainly for selling or repurchase of them in the near future and derivatives other than those designated as effective hedged items.

Besides the transactional financial liabilities, other financial liabilities can be designated, when they are initially recognized, as financial liability as measured at its fair value and of which the variation is included in the current profits and losses if financial liabilities meet the requirements 1, 2 or 3 mentioned at Notes to the financial statement IV 6 (1) .

After initial recognition, these financial liabilities are measured at fair value. All related realized and unrealized gains or losses are included in the income statement.

(2) Other financial liabilities

The Company makes subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the effective interest method, with the exception of financial liabilities at fair value through profit or loss.

9. Fair value determination of financial assets and liabilities

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refer to the prices, which are easily available from the stock exchanges, brokers, industry associations, pricing service institutions and etc. at a fixed term, and which represent the prices at which actually occurred market transactions are made under fair conditions; Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

10. Recognition and measurement of transfer of financial asset

(1) The recognition basis of transfer of financial asset

The transfer of financial asset includes two circumstances as follows:

(i) The contractual right for receiving the cash flow of the financial asset is terminated;

(ii) The financial asset has been transferred (the term “transfer of a financial asset” refers to the Company’s transferring or delivering a financial asset to a party other than the issuer of the financial asset) and meet the following derecognition criteria:

The Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

The Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively:

(a) If it gives up its control over the financial asset, it shall stop recognizing the financial asset;

(b) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

(2) Measurement of transfer of financial asset

The Company differentiates the transfer of a financial asset into the entire transfer and the partial transfer of financial assets.

(1) If the transfer of an entire financial asset meets the conditions of derecognition, the difference between the amounts of the following 2 items should be recorded in the profits and losses of the current period:

(i) The book value of the transferred financial asset;

(ii) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner’s equity.

(2) If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period :

(i) The book value of the portion whose recognition has been stopped;

(ii) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in owner’s equity which is corresponding to the portion whose recognition has been stopped.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *continued*

11. Derecognition of a financial liabilities

An entity shall remove a financial liability from its balance sheet when, and only when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid shall be recognized in profit or loss.

12. Asset securitization

As one of the Company's operation, the Company securitizes some financial assets and sells them to special purpose entities. Asset-backed securities are then issued by these entities and sold to investors. Some or all financial assets that the Company has transferred to transferee for the purpose of asset securitization may meet the criteria of derecognition of financial assets (refer to the above accounting policies for the details of criteria of derecognition). The main reward that the Company retains is secondary asset-backed security, any gain or loss is recorded in the profit and loss account of the current year. Gains and losses are recognized as the difference between (i) book value of derecognized asset and its fair value on the date of transfer; (ii) book value of retained asset and its fair value on the date of transfer.

13. Derivative financial instruments

Financial derivative instruments are recognized initially based on the fair value on the very day when the derivative transaction contact is executed and afterwards are measured based on their fair value. In case the current fair value is positive, the derivative financial products are used as assets; in case the fair value is negative, the derivative financial products are used as liabilities.

Derivatives which embedded in other financial instruments are separated from the host contract and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not a derivative contract. Embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

14. Reverse repurchase agreements and repurchase agreements

The assets involved in the Company's reverse repurchase agreement and repurchase agreement include securities, bills and credit assets. Reverse repurchase agreement is a purchase of assets with an agreement to resell them at a specific future date. Repurchase agreement is a sale of assets with an agreement to repurchase them at a specific future date. For purchased assets for future reverse repurchase, the purchase cost will be used as collateral to offer amounts and purchased assets will be used as collateral for offered amounts. For sold assets for future repurchase, such assets will continue to be reflected on the Company's balance sheet and accounted in accordance with related accounting policies. Amounts received from selling such assets will be recognized as liabilities.

Interest revenue from reverse repurchase agreements and interest expenditure for repurchase agreements are recognized on a time proportion basis.

15. Long term equity investment

(1) Recognition of initial cost

The Company recognizes the long term equity investment using its initial cost. The initial cost includes the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses.

(2) Subsequent measurement and profit and loss recognition

(i) Cost method:

When the Company holds control of the investee enterprise, or does not hold jointly control or exercises no significant influence on the investee enterprise, the fair value of which cannot be reliably measured due to the fact they are not quoted in an active market, the cost method is applied. When the cost method is adopted, the cost of the long-term equity investment shall be adjusted for any additional investments or disinvestments. The Company recognizes investment income according to its share of the profit or cash dividend declared to be distributed by the investee enterprise excluding amount actually paid to acquire the investment or cash dividend or profit included in the purchase cost which has been declared but not yet paid. The distinguish of profits that arise before and after the invested entity has accepted the investment are no longer applicable. For long term equity investments on the subsidiary company, the cost method shall be accounted for and adjustment shall be made by employing the equity method when consolidating financial statements.

(ii) Equity method:

The equity method is adopted when the Company holds jointly control, or exercises significant influence on the investee company.

When the equity method is adopted, the Company recognizes its share of post-acquisition result in the investee enterprise for the current period as a gain or loss on investment, and increases or decreases the carrying amount of the investment simultaneously. The book value of the investment is reduced to the extent that the Company's share of the profit or cash dividend declared to be distributed by the investee enterprise. However, the share of net loss is only recognized to the extent that the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the investing enterprise has the obligation to undertake additional losses. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the unrecognized losses, resume recognizing its attributable share of profits. The Company shall, on the ground of the fair value of all identifiable assets of the invested entity at the time it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by the investing enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of the investing enterprise and recognize the investment profits or losses.

(3) The judgement basis of joint control and significant influence

If the following criteria are met, the Company is deemed to have joint control:

i) None of the participating parties has unilateral control over the economic activity;

ii) Decisions relating to the operating activities of joint enterprise need to be unanimous agreed by both joint parties

iii) The joint enterprise may nominate one of its joint parties in the form of contract or agreement to manage its day-to-day operating activities, however, the party been nominated should exercise its management power within the scope of the financial and operating policies that have been unanimous agreed by the both joint parties.

If the following criteria are met, the Company is deemed to have significant influence:

i) Representation on the board of directors or equivalent governing body;

ii) Participation in the policy making process, including dividend payout policy;

iii) Carrying out transactions with other joint investors;

iv) Sending of managerial personnel;

v) Providing vital technical information.

A holding of 20% to 50% of the voting power, either directly or indirectly through subsidiaries, is presumed to give significant influence.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *continued*

15. Long term equity investment *continued*

(4) Test of impairment and recognition of provision

If the recoverable amount of the long term equity investment is lower than its book value, the difference shall be recognized as impairment loss.

Where a long term equity investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured suffers from any impairment, the difference between the carrying amount of the long term equity investment and the present value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment losses and be recorded into the profits and losses of the current period.

For other long term equity investments, the judgement of making impairment provision shall be made on the ground of whether there is any objective evidence proving that such long term equity investment has been impaired. If the recoverable amount of the long term equity investment is lower than its book value, the difference shall be recog nized as impairment loss. Once the impairment loss has been recognized it shall not be reversed in the future accounting periods.

(5) Disposal of long term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. If any change other than the net profits and losses of the invested entity occurs and is included in the owner's equity, the portion previously included in the owner's equity shall, when disposing of a long term equity investment measured by employing the equity method, be transferred to the current profits and losses according to a certain proportion. Disposal of a long term equity investment without losing control of the subsidiary, the difference between disposal price and the portion of the net asset of the subsidiary shall be included in the owners' equity.

16. Fixed assets and construction in progress

(1) Fixed assets

(i) Recognition criteria of fixed assets

Fixed assets are defined as tangible assets that:

(a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes;

(b) Have useful life of more than one year.

(ii) Accounting for fixed assets and provisions for impairment thereof

(a) The initial measurement of fixed assets upon acquisition is made at their actual cost or amount determined otherwise. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

(b) Expenditure incurred after the asset has been put into operation is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset. However, the carrying amounts of property and equipment should not be recorded in excess of their recoverable amounts.

(c) At the end of each year, recoverable amount of fixed assets is examined on an individual item basis. If the recoverable amount is lower than book value due to such reasons as continuous drop of market price, or obsolete technology, damage and prolonged idling, the difference by which the recoverable amount is lower than the carrying amount of the fixed assets should be provided for. The impairment loss should be recognized in the income statement for the current period. The provision for impairment of fixed assets is made on an individual item basis. Once any loss of asset impairment is recognized, it shall not be reversed in the future accounting periods.

(iii) Depreciation method of fixed assets

Depreciation is calculated, using the straight-line method over the estimated useful life and zero residual value of the property and equipment at the following rates:

	Estimated useful life (years)	Depreciation rate (%)
Properties and buildings	20-30	3.33 - 5.00
Fixed assets improvements	5	20.00
Office equipments and computers	5-10	10.00 - 20.00
Motor vehicles	6-8	12.50 - 16.67

(2) Construction in progress

(i) The actual construction expenditures incurred are charged to the construction in progress account. When the constructed has reached its expected usable condition, the total construction cost in that account is capitalized as fixed assets.

(ii) At the end of each fiscal year, the Company makes a judgment on whether impairment provision should be made based on any sign of possible assets impairment. When the recoverable amount of the construction in progress is lower than its carrying amount, provision should be made as the difference by which the recoverable amount is lower than the carrying amount of individual construction. Once any impairment loss is recognized, it shall not be reversed in the future accounting periods.

17. Intangible assets

(1) Pricing method for intangible assets

Intangible assets should be recorded at the actual purchase price paid.

(2) Amortization of intangible assets

(i) Land use right is amortized on a straight-line basis over its grant life starting from the month in which they were acquired.

(ii) The seat charge of the stock exchange is amortized on a straight-line basis over 10 years starting from the month when the seat is obtained.

(iii) Computer software is amortized on a straight-line basis over 5 years starting in the month in which they were acquired.

(iv) Other intangible assets are amortized on a straight-line basis over 10 years from the month when they are obtained.

(3)Impairment of assets

The Company reviews the carrying amount of its intangible assets at the end of each year for the future economic benefits associated therewith that will flow to the Company. The difference by which the recoverable amount is lower than the carrying amount of the intangible assets should be provided for and recognized in the income statement for the current period. The provision for impairment of intangible assets is made on an individual item basis. Once any impairment loss is recognized, it shall not be reversed in the future accounting periods.

18. Long-term deferred expenses

Long-term deferred expenses are expenses paid by the Company, for which the amortization period is more than one year, including improvement costs of fixed assets under operating lease.
The long-term deferred expenses are evenly amortized over the beneficial period of the related items.

19. Debt asset

Debt asset is initially measured at its fair value. The difference by which the recoverable amount is lower than the carrying amount of the assets shall be provided for and recognized in the income statement for the current period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *continued*

20. Revenue and expenditure recognition

(1) Interest income and expense

Interest income and expense are recognized in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When a single or a group of similar financial assets has impaired, interest will be recognized using the rate of interest used to discount future cash flows.

(2) Fee and commission income

Fee and commission income is recognized in the income statement when the corresponding service is provided and the amount can be reasonably estimated.

21. Income tax

The income tax of the Company comprises current income tax and deferred income tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(1) Tax assets and liabilities that result from current period and previous years are recognized as the amount expected tax payable to, or refundable from Tax Bureau.

(2) The balance sheet liability method is adopted by the Company. Income tax is recognized by temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet at rates applicable during the period of recovering the assets or repaying the liabilities.

(i) Except for the deferred income tax liabilities arising from the following transactions, the Company recognizes the deferred income tax liabilities arising from all taxable temporary differences:

(a) The initial recognition of goodwill; or the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: The transaction is not business combination; and at the time of transaction, the accounting profits will not be affected, nor will the taxable amount be affected.

(b) In case that the deferred income tax liabilities arising from the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises, the investing enterprise can control the time of the reverse of temporary differences; and the temporary differences are unlikely to be reversed in the expected future.

(ii) The Company shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

(a) This transaction is not business combination; and

(b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

(iii) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the Company recognizes the corresponding deferred income tax assets:

(a) The temporary differences are likely to be reversed in the expected future; and

(b) It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

(3) The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. In the case that it is probable that sufficient taxable profit will be available, the reduced amount will be recovered.

22. Employee benefit

Employee benefit refers to all kinds of payments and other relevant expenditures given by the Company in exchange of the services offered by the employees. During the accounting period of an employee providing services to the Company, the Company shall recognize the employee benefit payable as liabilities. If the effect of deferred payment is significant, the liability shall be shown as the present value of future cash flows.

(1) Statutory employee benefit plan

According to the requirements of statutory laws, regulations and policies in the PRC, the Company has entered into social insurance plan including staff retirement benefits, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance required to provide certain staff retirement benefits and housing fund plan. The Company is obliged to contribute a fixed percentage of staff salaries to the related government department governing employee benefits and retirement welfare scheme. All contributions are recognized as expense when incurred.

(2) Supplemental retirement benefit scheme

Except for statutory retirement benefit, the Company has set up a pension plan for employees to supplement the retirement benefit. The Company and its employee are required to contribute a certain percentage of last year's salary of employees to the pension plan. The expenditure of the Company is recognized in the profit and loss account of the current period.

23. Operating Leases

Leases where substantially all the risks and rewards incidental to the ownership of the assets remain with the lessors are accounted for as operating leases. Lease rentals are charged to the income statement on a straight-line basis over the lease term.

24. Acceptance

Acceptance is made up of undertakings by the Company to pay bills of exchange drawn on customers. The Company expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions.

25. Fiduciary Activities

The Company acts in a fiduciary capacity as a custodian, trustee or an agent for customers. Assets held by the Company and the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted lending is the business where the Company enters into entrusted loan agreements with customers. In this regard, the Company grants loans to borrowers, as an intermediary, at the direction of third-party lenders who fund these loans. The Company has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purpose, amounts, interest rates, and repayment schedule. The Company charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third party lenders. Entrusted loans are not recognized in the financial statements of the Company, and no impairment assessments are made for these entrusted loans.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *continued*

26. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized as a provision but is disclosed in the notes to the financial statements. The obligation pertinent to a contingency shall be recognized as an estimated debt when the following conditions are satisfied simultaneously:

(i) That obligation is a current obligation of the Company;

(ii) It is likely to cause any economic benefit out flow of the Company as a result of performance of the obligation; and

(iii) The amount of the obligation can be measured reliably.

27. Related parties

Parties are considered to be related if one party has the ability, directly, indirectly or jointly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control, joint control or common significant influence.

28. Critical accounting estimates and judgments

(1) Judgments

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

(i) Classification of financial assets

The management of the Company needs to make significant judgment as to the classification of the financial assets. Different classifications of investments result in different accounting treatments and hence different financial positions of the Company.

(ii) Derecognition of financial instrument

The management of the Company needs to make significant judgment as to the reward and risk related to the ownership of the financial asset being transferred , and making accounting treatments accordingly.

(2) Estimation of uncertainties

The key assumptions and uncertainties on significant estimations made by the Company's management at the year end may have significant risks resulting in a material adjustment to the assets and liabilities in the next accounting year as are stated below:

(i) Impairment losses of financial assets

The Company determines periodically whether there is any objective evidence that an impairment loss on a financial asset has been incurred. If any such evidence exists, the Company assesses the amount of the impairment loss. The amount of impairment losses are measured as the difference between the carrying amount and the present value of estimated future cash flows. In assessing the amount of impairment losses, significant judgments are required as to whether objective evidence for impairment exists and also significant estimates on the present value of expected future cash flows.

(ii) Income taxes

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Therefore, significant judgment needs to be made for the tax treatment by taking into account all relevant tax legislations as well as the probability of future taxable profits will allow the deferred tax assets to be recovered.

(iii) Fair value of financial instruments

With respect to the financial assets or financial liabilities with an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. The valuation techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc. whenever it is feasible, the market parameters should be used in pricing financial instruments. In case of lacking market parameters, areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

29. Taxation

The major taxes and surcharges applicable are as follows:

Category	Tax rate (%)	Calculation basis
Business tax	5	Taxable operating revenue
Income tax	20	Taxable income (Shenzhen city)
	25	Taxable income (excluding Shenzhen city)
City maintenance and construction tax	1	Business tax (Shenzhen city)
	7	Business tax (excluding Shenzhen city)
Educational surcharge	3	Business tax

From January 1, 2008, the income tax of the Company is in compliance with the Corporate Income Tax Law of the People's Republic of China, the Implementation Regulations of the Corporate Income Tax Law of the People's Republic of China and the Notice of the Ministry of Finance and State Administration of Taxation about Implementation of Preferential Policies of the State Council on Transition of Enterprise Income Tax (GF [2007] No. 39). The income tax is calculated and settled in compliance with the requirements of the Notice of the State Administration of Taxation on Printing and Distributing the Interim Measures for the Administration of Collection of Enterprise Income Tax on the Basis of Consolidation of Trans-regional Business Operations (GSF [2008] No. 28), namely "centralized calculation, level-by-level administration, pre-payment at the locality, consolidated settlement and payment, and transfer to treasury". The income tax of the Company shall be prepaid with head office accounting for 50% and all the branches for the other half.

V. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

There is no significant change in accounting policies and accounting estimates during the year.

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and due from the Central Bank

	2009-12-31	2008-12-31
Cash	2,904,339	2,307,180
Due from the Central Bank:		
Statutory deposit reserve	99,269,235	65,953,601
Surplus deposit reserve	69,618,870	59,375,111
Fiscal deposit	111,843	187,958
Subtotal of due from the Central Bank	168,999,948	125,516,670
Total	171,904,287	127,823,850

The Company is required to place a RMB statutory deposit reserve, a foreign currency statutory deposit reserve and a fiscal deposit with the PBOC. On December 31, 2009, the required reserve ratio for customer deposits denominated in RMB is 13.5% (2008: 13.5%); the required reserve ratio for customer deposits denominated in foreign currencies is 5% (2008: 5%). The fiscal deposits are transferred to the PBOC in full. The foreign currency deposit reserve and fiscal deposits placed with the PBOC are non-interest bearing.

2. Due from banks and other financial institutions

	2009-12-31	2008-12-31
Analyzed by geographical location:		
Banks and other financial institutions in mainland China	40,509,279	94,040,467
Banks and other financial institutions outside mainland China	1,876,345	2,705,726
Subtotal	42,385,624	96,746,193
Less: Provisions for impairment	(21,075)	(21,075)
Net	42,364,549	96,725,118
Analyzed by counterparty:		
Banks	39,184,250	92,473,007
Non-bank financial institutions	3,201,374	4,273,186
Subtotal	42,385,624	96,746,193
Less: Provisions for impairment	(21,075)	(21,075)
Net	42,364,549	96,725,118

(1) As at December 31, 2009, the overdue balance of due from domestic banks and financial institutions amounted to RMB 21,075 thousand (2008: RMB 21,075 thousand).

(2) Movements of provisions for impairment

	2009	2008
Opening balance	21,075	22,540
Charge for the year	-	-
Transfer in (out) for the year	-	-
Write-offs	-	(1,465)
Closing balance	21,075	21,075

The RMB 21,075 thousand of provision for impairment is comprised of all the RMB 4,702 thousand overdue deposits in the financial centers in various places and all the RMB16,373 thousand of overdue deposits in the financial company of Shenzhen Saige Group.

3. Precious metals

	2009-12-31	2008-12-31
Gold	126,384	-
Including: Cost	126,944	-
Changes in fair value	(560)	-

4. Due from and placements with banks and other financial institutions

	2009-12-31	2008-12-31
Analyzed by geographical location:		
Banks and other financial institutions in mainland China	13,801,019	9,000,727
Banks and other financial institutions outside mainland China	-	4,313,685
Subtotal	13,801,019	13,314,412
Less: Provisions for impairment	(116,701)	(116,701)
Net	13,684,318	13,197,711
Analyzed by counterparty:		
Banks	10,044,318	11,779,365
Non-bank financial institutions	3,756,701	1,535,047
Subtotal	13,801,019	13,314,412
Less: Provisions for impairment	(116,701)	(116,701)
Net	13,684,318	13,197,711

(1) As at December 31, 2009, the overdue amount of due from and placements with banks and other financial institutions is RMB 116,701 thousand (2008: RMB 116,701 thousand).

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

4. Due from and placements with banks and other financial institutions *continued*

(2) Movements of provisions for impairment

	2009	2008
Opening balance	116,701	119,701
Charge for the year	-	-
Transfer in (out) for the year	-	(3,000)
Write-offs	-	-
Closing balance	116,701	116,701

The RMB 116,701 thousand of provision for impairment is comprised of the overdue placements of RMB 40,000 thousands with Hainan Development Bank, RMB 9,111 thousand with Hainan Financing Center and RMB 67,590 thousand with Fujian Minfa Securities Co., Ltd.

5. Transactional financial assets

	2009-12-31	2008-12-31
Treasury bond	681,771	1,442,017
Bonds issued by the Central Bank and statutory financial bonds	1,874,543	4,579,094
Bonds issued by banks and other financial institutions	100,416	-
Enterprise bonds	706,713	670,058
Fund investment	41	42
Total	3,363,484	6,691,211

As of December 31, 2009, there is no restricted trading financial assets.

6. Derivative financial instrument derivative transactions relate to sales activities

The Company entered into derivative financial instrument transactions for sales activities.

Sales activities of the Company include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. In order to reduce the market risk associates with the transactions, the Company has signed a back to back contract to a third party to effectively transfer the contract risk. Meanwhile, the Company entered into derivative instrument transactions for asset-liability management.

When the interest rate of asset does not match with the interest rate of liability (For example, the Company has purchased an asset with fixed rate of interest, however, the fund utilized to purchase the asset is subjected to a floating rate), in order to minimize the effect caused by the change of interest rate, the Company will enter into a interest rate swap contract to change the fixed rate to a floating rate.

The nominal amount of a derivative represents the value of the underlying asset or the reference rate. It provides an indication of the volume of business transacted by the Company, but does not provide any measures of risk.

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

The notional amount and fair value of the Company's derivative financial instruments are shown below:

	2009-12-31		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivative contracts	115,029,074	232,732	473,659
Interest rate derivative contracts	180,046,632	1,163,259	1,105,366
Credit derivative contracts	751,102	3,044	1,533
Precious metal derivative contracts	6,733,303	-	21,256
Total	302,560,111	1,399,035	1,601,814

	2008-12-31		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivative contracts	70,718,475	615,290	712,383
Interest rate derivative contracts	156,951,556	3,127,657	3,153,953
Credit derivative contracts	1,161,882	19,899	74,947
Precious metal derivative contracts	5,005,623	1,794	-
Total	233,837,536	3,764,640	3,941,283

7. Reverse repurchase financial asset

	2009-12-31	2008-12-31
Security	6,170,437	26,106,800
Bill	122,162,730	80,648,655
Credit asset	67,550,980	10,520,023
Total	195,884,147	117,275,478

The Company is entitled to sell part of pledged assets without the default of the counterparty, or the Company can transfer the pledge right in other transactions. As at December 31, 2009, fair value of the saleable or transferable pledged assets is RMB 109,777,010 thousand (2008: RMB 52,004,826 thousand). Also, as at December 31, 2009, RMB 12,385,720 thousand reverse repurchase financial assets have been used in repurchase agreement (2008: RMB 27,612,071 thousand).

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

8. Interest receivable

	2009-12-31	2008-12-31
Bond	2,497,728	2,269,920
Loans and advances to customers	1,156,658	742,172
Due from the Central Bank and financial institutions	145,483	298,017
Inter-bank placement	21,924	19,787
Reverse repurchase financial assets	530,695	870,326
Others	1,842	2,484
Total	4,354,330	4,202,706

9. Loans and advances to customers

(1) Product types of corporate and personal loans

	2009-12-31	2008-12-31
Loans and advances to individuals	169,013,816	128,936,855
—Credit cards	6,395,918	4,908,711
—Residential and business mortgage loans	149,091,068	112,158,439
—Others	13,526,830	11,869,705
Loans and advances to enterprises	532,583,645	370,449,574
—Loans	505,882,093	312,919,967
—Discounted bills	26,701,552	57,529,607
—Others	-	-
Total	701,597,461	499,386,429
Less: Provision for loan losses	(9,634,926)	(9,400,655)
-Individually assessed	(1,775,872)	(1,816,578)
-Collectively assessed	(7,859,054)	(7,584,077)
The book value of loans and advances to customers	691,962,535	489,985,774

(i) As at December 31, 2009, RMB165,189,509 thousand discount and transfer in rediscount bills is included in the discounted bills of the Company (2008: RMB 159,464,581 thousand). The transfer out rediscount amounted to RMB 138,487,957 thousand (2008: RMB 101,934,974 thousand).

(ii) As at December 31, 2009, discounted bills included in “Repurchase agreement” amounted to RMB 1,283,189thousand (2008: RMB 1,445,252 thousand).

(iii) As at December 31, 2009, discounted bills pledged under repurchase agreements amounted to RMB 2,615,710 thousand (2008: RMB 2,788,643 thousand).

(iv) As at December 31, 2009, top ten loans to corporate entities amounted to RMB 29,810,500 thousand (2008: RMB 11,412,780 thousand).

(v) As at December 31, 2009, no loan is owed by shareholders holding 5% or more shares of the Company.

(2) Analysis by industry sector

	2009-12-31		2008-12-31	
	Amount	%	Amount	%
Agriculture, forestry, animal husbandry, fishery	1,163,372	0.17	993,245	0.20
Mining	15,577,375	2.22	8,022,880	1.61
Manufacturing	107,480,852	15.32	82,760,707	16.57
Electricity, gas and water production and supply	26,603,785	3.79	23,712,678	4.75
Construction	21,985,448	3.13	15,533,131	3.11
Transportation, storage, postal industry	48,949,687	6.98	32,857,894	6.58
Telecommunications, computer and software service	2,754,597	0.39	2,739,928	0.55
Wholesale and retails	42,306,235	6.03	29,118,406	5.83
Hotels and catering	1,575,723	0.22	1,261,824	0.25
Finance	3,326,994	0.48	777,557	0.16
Real estate	65,867,051	9.39	58,969,718	11.81
Lease and commercial service	57,263,989	8.16	20,390,376	4.08
Scientific research, technical services and geological prospecting	684,398	0.10	499,229	0.10
Hydro-engineering, environmental and public facilities administration	84,052,940	11.98	24,591,698	4.92
Residential services and other related activities	1,841,804	0.26	1,103,509	0.22
Education	1,496,228	0.21	1,690,132	0.34
Sanitation, social security and other community services	3,194,068	0.46	1,296,435	0.26
Cultural, sporting and entertainment	2,692,887	0.38	1,954,600	0.39
Public administration and social organizations	17,064,660	2.43	4,646,020	0.93
Personal loans	169,013,816	24.09	128,936,855	25.82
Bill discount	26,701,552	3.81	57,529,607	11.52
Gross amount	701,597,461	100.00	499,386,429	100.00
Less: loan loss provisions	(9,634,926)		(9,400,655)	
-Individually assessed	(1,775,872)		(1,816,578)	
-Collectively assessed	(7,859,054)		(7,584,077)	
Total	691,962,535		489,985,774	

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

9. Loans and advances to customers *continued*

(3) Analysis of advances to customers by geographical area

	2009-12-31		2008-12-31	
	Amount	%	Amount	%
Head office	15,271,900	2.18	24,492,579	4.90
Fujian	106,332,727	15.16	81,497,832	16.32
Beijing	49,203,482	7.01	32,340,770	6.48
Shanghai	54,977,267	7.84	44,269,463	8.86
Guangdong	77,321,158	11.02	60,902,650	12.20
Zhejiang	69,252,854	9.87	54,882,867	10.99
Jiangsu	39,110,801	5.57	26,993,880	5.41
Others	290,127,272	41.35	174,006,388	34.84
Gross amount	701,597,461	100.00	499,386,429	100.00
Less: loan loss provisions	(9,634,926)		(9,400,655)	
-Individually assessed	(1,775,872)		(1,816,578)	
-Collectively assessed	(7,859,054)		(7,584,077)	
Total	691,962,535		489,985,774	

(4)Analysis by forms of security

	2009-12-31	2008-12-31
Credit loans	167,227,824	82,964,024
Guarantee loans	164,828,196	106,418,517
Secured by guaranties	342,839,889	252,474,281
- Secured by mortgage	307,047,407	213,936,312
- Secured by collaterals	35,792,482	38,537,969
Discounted bills	26,701,552	57,529,607
Gross amount	701,597,461	499,386,429
Less: loan loss provisions	(9,634,926)	(9,400,655)
-Individually assessed	(1,775,872)	(1,816,578)
-Collectively assessed	(7,859,054)	(7,584,077)
Total	691,962,535	489,985,774

(5) Analysis by overdue terms for overdue loans

	2009-12-31				
	1-90 days (inclusive)	91-360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Credit loans	73,942	78,470	107,736	45,986	306,134
Guarantee loans	94,681	526,272	374,397	417,869	1,413,219
Secured by guaranties	1,276,401	735,460	678,601	510,615	3,201,077
-Secured by mortgage	1,184,482	630,879	445,708	418,614	2,679,683
-Secured by collaterals	91,919	104,581	232,893	92,001	521,394
Total	1,445,024	1,340,202	1,160,734	974,470	4,920,430

	2008-12-31				
	1-90 days (inclusive)	91-360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Credit loans	99,115	62,305	80,860	293,756	536,036
Guarantee loans	272,779	209,989	440,871	315,827	1,239,466
Secured by guaranties	1,995,702	600,452	494,661	378,846	3,469,661
-Secured by mortgage	1,950,394	358,672	309,281	372,310	2,990,657
-Secured by collaterals	45,308	241,780	185,380	6,536	479,004
Total	2,367,596	872,746	1,016,392	988,429	5,245,163

(6) Movement of allowances for impairment losses of loan

	2009		
	Individually	Collectively	Total
Opening balance	1,816,578	7,584,077	9,400,655
Charge for the year	284,154	274,977	559,131
Write-offs	(297,860)	-	(297,860)
Recoveries	(27,000)	-	(27,000)
-Recoveries of loans and advances written off in previous years	101,674	-	101,674
-Recoveries due to other reasons	5,183	-	5,183
-Recoveries of interest of impaired loans	(133,857)	-	(133,857)
Closing balance	1,775,872	7,859,054	9,634,926

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

9. Loans and advances to customers *continued*

(6) Movement of allowances for impairment losses of loan *continued*

	2008		
	Individually	Collectively	Total
Opening balance	1,972,737	5,141,263	7,114,000
Charge for the year	794,848	2,442,814	3,237,662
Write-offs	(860,003)	-	(860,003)
Recoveries	(91,004)	-	(91,004)
-Recoveries of loans and advances written off in previous years	28,370	-	28,370
-Recoveries due to other reasons	14,393	-	14,393
-Recoveries of interest of impaired loans	(133,767)	-	(133,767)
Closing balance	1,816,578	7,584,077	9,400,655

10. Available-for-sale investments

	2009-12-31	2008-12-31
Available-for-sale investments, measured at fair value:		
Treasury bonds	34,487,420	21,696,415
Bonds issued by the Central Bank and statutory financial bonds	44,605,477	36,484,703
Bonds issued by banks and other financial institutions	6,142,260	9,841,496
Enterprise bonds	25,832,796	9,061,058
Subtotal	111,067,953	77,083,672
Available-for-sale equity investments:		
Unlisted shares – measured at cost	46,670	80,528
Listed shares – measured at fair value	33,527	3,787
Subtotal	80,197	84,315
Total	111,148,150	77,167,987

(1) Pledge information of the available-for-sale bond investments refers to Note VI. 12 (2)

(2) Details of equity investments measured at cost

Name of investee	2009-12-31		2008-12-31	
	Amount	Percentage of shares(%)	Amount	Percentage of shares(%)
Industrial Securities Co., Ltd	-	-	51,275	6.23
Chongqing National Energy Investment Co., Ltd	29,253	10.17	29,253	10.17
Shanghai Worldbest Co.,Ltd.	17,417	0.79	-	-
Total	46,670		80,528	

(i) Since the equity investments mentioned above do not exist in an active market and their fair value cannot be reasonably measured,, they are therefore measured at cost.
(ii) The sale of shares of Industrial Securities Co., Ltd. refers to Note VIII.(2) 13.

(3) Details of equity investments measured at fair value

Name of investee	2009-12-31		2008-12-31	
	Amount	Percentage of shares(%)	Amount	Percentage of shares(%)
VISA INC	6,540	-	3,787	-
Zhangjiajie Tourism Development Co.,Ltd.	20,610	1.34	-	-
Shandong Jiufa Edible Fungus Co.,Ltd.	6,377	0.37	-	-
Total	33,527		3,787	

(4) The additional available-for-sale equity investments is obtained from bonded loans.

11. Receivables

	2009-12-31	2008-12-31
Bonds issued by the Central Bank and statutory financial bonds	13,949,963	13,949,937
Bonds issued by banks and other financial institutions	3,643,250	1,583,250
Enterprise bonds	1,237,210	1,246,089
Others	21,962,156	1,842,993
Subtotal	40,792,579	18,622,269
Less: provisions for impairment	(6,487)	-
Total	40,786,092	18,622,269

(1) Pledge information of the bonds receivable refers to Note VI. 12 (2)
(2) The other receivables are fund management products and beneficial right of trust purchased by the Company from other financial institutions.
(3) As at December 31, 2009, provision for impairment made for the other receivable portfolio is RMB 6,487 thousand.

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

12. Held-to-maturity investment

	2009-12-31	2008-12-31
Treasury bonds	36,711,354	49,194,898
Bonds issued by the Central Bank and statutory financial bonds	4,538,673	5,051,266
Bonds issued by banks and other financial institutions	88,721	273,286
Enterprise bonds	1,152,052	1,157,128
Subtotal	42,490,800	55,676,578
Less: provision for impairment	(136,563)	(136,691)
Total	42,354,237	55,539,887

(1) Provision for impairment

	2009	2008
Opening balance	136,691	81,373
Changes in interest rate	(128)	(5,235)
Charge for the year	-	60,553
Recovery / transfer out	-	-
Closing balance	136,563	136,691

Detail of provision made for held-to-maturity investment

			2009-12-31		2008-12-31	
Bond Name	Bond Code	Currency	Book value	Provision for impairment	Book value	Provision for impairment
CENTAURI 10//07-4/11	XS0000000010	USD	20,000	20,000	20,000	20,000

“CENTAURI 10//07-4/11” is a capital note structured investment vehicle issued by Centauri Corporation which is formed by Citi group. The net asset of the SIV is less than zero, provision has been made in full by the Company.

(2) As at December 31, 2009, bonds amounted to RMB 6,501,689 thousand (2008: RMB 11,997,210 thousand) have been pledged for the treasury cash term deposit in a commercial bank operation; bonds amounted to RMB 30,427,757 thousand (2008: RMB 26,992,361 thousand) have been pledged for the repurchase agreements and bonds amounted to RMB 5,543 thousand (2008: RMB 221,569 thousand) have been pledged for the derivative transactions.

13. Long term equity investment

(1) Details of the long term equity investment

Investee	Initial investment	2009-12-31	2008-12-31	Percentage of shares (%)
Equity method				
-Jiujiang City Commercial Bank	296,380	334,955	306,447	20.00
Cost method				
-China Unionpay Co., Ltd.	81,250	81,250	81,250	2.16
Total	377,630	416,205	387,697	

(i) In accordance with the approval document of CBRC (YJF [2008] No.449) issued on November 4, 2008, the Company has acquired 102.2 million shares of Jiujiang City Commercial Bank Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB2.9 per share. As a result, the Company 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 registered shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Company currently holds 143.08 million shares of Bank of Jiujiang.

(ii) As at December 31, 2009, the Compay has acquired 62.5 million shares of China Unionpay Co., Ltd. in which 50 million shares has been acquired at the cost of RMB 1 yuan per share according to the approval document of PBOC (YF [2001] No. 234); further 12.5 million shares has been acquired at the cost of RMB 2.5 per share according to the approval of CBRC with the approving document (YJF [2008] No. 202) issued on May 23, 2008.

(2) Details of organization measured by equity method and the movement in equity

Investee	Registered office	Registered capital	Nature of the business	Percentage of share holding	Percentage of voting rights
Bank of Jiujiang	Jiujiang, Jiangxi province	715.34 million	Commercial bank	20%	20%

Investee	2008-12-31	Adjustment on Profit and Loss	Adjustment on Equity	Dividend	2009-12-31
Bank of Jiujiang	306,447	43,866	(9,396)	(5,962)	334,955

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

14. Fixed assets

	2008-12-31	Additions	Disposals	2009-12-31
Cost:				
Properties and buildings	3,072,900	249,094	105,283	3,216,711
Operating premises	160,886	62,072	14	222,944
Office equipments	1,755,283	439,509	57,048	2,137,744
Transportation equipments	178,699	27,008	17,531	188,176
Subtotal	5,167,768	777,683	179,876	5,765,575
Accumulated depreciation:				
Properties and buildings	827,280	97,162	19,176	905,266
Operating premises improvement	82,978	24,496	-	107,474
Office equipments	782,139	305,018	53,595	1,033,562
Transportation equipments	88,590	20,263	16,141	92,712
Subtotal	1,780,987	446,939	88,912	2,139,014
Provisions for impaired losses:				
Properties and buildings	2,782	-	-	2,782
Operating premises improvement	-	-	-	-
Office equipments	-	-	-	-
Transportation equipments	-	-	-	-
Subtotal	2,782	-	-	2,782
Net book value:				
Properties and buildings	2,242,838			2,308,663
Operating premises improvement	77,908			115,470
Office equipments	973,144			1,104,182
Transportation equipments	90,109			95,464
Total	3,383,999			3,623,779

All the properties and buildings of the Company are located in the PRC. Properties and buildings cost RMB 123,792 thousand are in use but the legal ownership registration procedures were still in process as at December 31, 2009.

15. Construction in progress

	Budget	2008-12-31	Increase	Decrease: Transfer to fixed assets	Decrease: Transfer to long term deferred assets	2009-12-31
CIB building, Beijing	854,449	692,608	134,995	-	-	827,603
CIB building, Guangzhou	349,250	80,000	126,000	-	-	206,000
CIB building, Chengdu	294,000	292,334	1,666	-	-	294,000
CIB building, Jinan	132,085	98,877	6,509	-	-	105,386
Zhangjiang operation centre, Shanghai	270,096	102,531	125,954	-	-	228,485
Office building, Xi'an	110,543	-	55,271	-	-	55,271
CIB building, Changsha	95,000	86,961	-	86,961	-	-
CIB building, Hangzhou	73,302	49,804	22,689	-	-	72,493
New century building decoration, Mawei	38,426	27,491	8,652	36,143	-	-
Jinhai trade and commercial centre, Mawei	23,798	23,359	625	23,984	-	-
Other decoration projects	522,658	79,981	350,687	72,252	222,906	135,510
Total	2,763,607	1,533,946	833,048	219,340	222,906	1,924,748

As at December 31, 2009, construction-in progress is financing by own funds, there is no capitalization of interest.

16. Intangible asset

	2008-12-31	Increase	Decrease	2009-12-31
Cost:				
Franchise	447,000	-	-	447,000
Land use right	58,569	-	-	58,569
Others	150,846	41,818	53	192,611
Subtotal	656,415	41,818	53	698,180
Accumulated amortisation:				
Franchise	177,093	44,710	-	221,803
Land use right	17,924	4,446	-	22,370
Others	69,900	24,503	2	94,401
Subtotal	264,917	73,659	2	338,574
Provisions for impaired losses:				
Franchise	-	-	-	-
Land use right	-	-	-	-
Others	-	-	-	-
Subtotal	-	-	-	-
Net book value:				
Franchise	269,907			225,197
Land use right	40,645			36,199
Others	80,946			98,210
Total	391,498			359,606

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

17. Deferred tax

(1) Recognized deferred tax assets and deferred tax liabilities

	2009-12-31	2008-12-31
Deferred tax assets:		
Provision for loan losses	799,035	1,246,237
Other provision for impairment	135,745	151,787
Pre-operating expenses	-	31,340
Valuation of derivative financial instrument	50,695	44,161
Valuation of transactional financial instrument	1,834	11,071
Fair value of available-for-sale investment credited to capital reserve	105,404	-
Salary and educational funds	685,783	508,720
Others	59,684	-
Total	1,838,180	1,993,316
Deferred tax liabilities:		
Unrealized gain f transactional financial asset	-	5,878
Unrealized gain of available-for-sale investment	-	43,639
Total	-	49,517

(2) Temporary differences in assets or liabilities

	2009-12-31	2008-12-31
Temporary differences in assets:		
Provision for loan losses	3,196,142	4,984,946
Other provision for impairment	542,981	607,152
Pre-operating expenses	-	125,359
Valuation of derivative financial instrument	202,779	176,643
Valuation of transactional financial instrument	7,335	44,283
Fair value of available-for-sale investment credited to capital reserve	421,618	-
Salary and educational funds	2,743,131	2,034,881
Others	238,736	-
Total	7,352,722	7,973,264
Temporary differences in liabilities:		
Valuation of transactional financial instrument	-	23,509
Fair value of available-for-sale investment credited to Capital reserve	-	174,557
Total	-	198,066

18. Other assets

	2009-12-31	2008-12-31
Other receivables	1,364,711	626,004
Wait-deal debt repayment assets	518,721	473,035
Items in the process of clearance and settlement	695,584	182,111
Long term deferred assets	742,056	557,336
Fixed assets in liquidation	37	-
Continuous involved assets	1,346,375	373,250
Total	4,667,484	2,211,736

(1) Other receivables

	2009-12-31	2008-12-31
Analyzed by nature:		
Prepayment	214,810	204,470
Legal fare	79,637	101,096
Earnest money	73,957	49,514
Provision	44,287	22,972
Others	1,075,062	428,698
Subtotal	1,487,753	806,750
Less: provision for bad debts	(123,042)	(180,746)
Net book value	1,364,711	626,004
Analyzed by account age:		
Less than 1 year	1,203,637	516,402
1-2 years	81,072	32,138
2-3 years	20,051	24,583
Over 3 years	182,993	233,627
Subtotal	1,487,753	806,750
Less: provision for bad debts	(123,042)	(180,746)
Net book value	1,364,711	626,004

(i) As at December. 31, 2009, other receivables owe by shareholders holding 5% or more shares of the Company is listed below:

Shareholder	Amount	Nature
The Finance Bureau of Fujian Province	563,268	Equity transfer of Industrial Securities Co., Ltd.

Equity transfer of Industrial Securities Co., Ltd. refers to Note VIII. (2) 13.

(ii) Movement of provision for bad debts

	2009	2008
Opening balance	180,746	97,219
Charge for the year	(49,077)	107,630
Recoveries	-	-
Write offs for the year	(8,627)	(24,103)
Closing balance	123,042	180,746

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

18. Other assets *continued*

(2) Wait-deal debt repayment assets

(i) Analyzed by nature of the assets

	2009-12-31	2008-12-31
Properties and Buildings	577,195	522,455
Land use rights	52,454	66,554
Others	6,085	6,085
Subtotal	635,734	595,094
Less: provision for losses	(117,013)	(122,059)
Net book value	518,721	473,035

(ii) Movement of provision for impairment

	2009	2008
Opening balance	122,059	108,565
Charge for the year	1,919	13,577
Transfer out	(6,965)	(83)
Closing balance	117,013	122,059

Transfer out for the year results from the disposal of assets for repayment of debt which have been provided for, and corresponding provision were transferred out simultaneously.

(3) Long term deferred assets

Item	Original amount	2008-12-31	Increase	Decrease	Amortisation	Accumulated amortisation	2009-12-31
Leasehold improvements	1,166,656	483,558	389,399	1,739	172,977	468,415	698,241
Others	85,817	73,778	19,515	30,195	19,283	42,002	43,815
Total	1,252,473	557,336	408,914	31,934	192,260	510,417	742,056

(4) Continuous involved assets

	2009-12-31	2008-12-31
Continuous involved assets of asset securitization transaction	373,250	373,250
Continuous involved assets of financial product transaction	973,125	-
Total	1,346,375	373,250

(i) Continuous involved assets of asset securitization transaction

In December 2007, the Company acted as “consigner” and “initiator”, utilizing its legally possession of “financial assets” amounting to RMB 5,243,250 thousand together with part of funds as “trust assets”, entrusting China Foreign Economy and Trade Trust & Investment Co., Ltd. (Fotic hereafter), who acts as “trustee” and “issuer” to set up “Xingyuan Asset -Backed Securities (the first tranche) of the Industrial Bank”. The actual issue situation is: Fotic issued 4,870,000 thousand primary asset-backed securities within inter-bank bond market. At the same time, Fotic offered 373,250 thousand substandard tranche asset-backed securities orientately to the Company. The situation is as follows:

ABS	Type of interest rate	Coupon rate (%)	Value date	Maturity date	Issue price (Yuan)	Actual issue amount (100 million)	Closing balance (100 million)
Primary A1	Fixed	5.2	2007/12/18	2010/10/26	100	25.0000	0.3400
Primary A2	Floating	Y1+1.1	2007/12/18	2010/10/26	100	18.0000	-
Primary B	Floating	Y1+2.15	2007/12/18	2011/07/26	100	5.7000	5.7000
Substandard	Fixed	5	2007/12/18	2012/04/26	100	3.7325	3.7325
Total						52.4325	9.7725

Once the “trust” becomes effective, the “trust asset” is differentiated from other property of the Company that is not put under trust. In case that the Company is dissolved or cancelled according to law, or is declared bankrupt, and the Company is the sole beneficiary, the trust shall be terminated, and the trust property shall be its legacy liquidation property; where the settler is not the sole beneficiary, the trust shall subsist, and the trust property shall not be its legacy or liquidation property, instead, the “beneficial right of the trust” (including beneficial right represented as asset-backed securities and special beneficial right of the trust) shall be its legacy liquidation property. The “trust asset” shall also be segregated from the property owned by the trustee. Where the trustee is dissolved, removed or is declared bankrupt according to the law, the trust property shall not be deemed as its liquidation property.

As the holder of the substandard tranche of Asset-backed securities, the Company the future losses of loan principal and interests that possible occur. For “trust asset” which is the object of the substandard tranche of Asset-backed securities, the management considers that the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, also the Company has retained control of the financial asset. Therefore, the Company recognizes the related financial asset, that is, the par value of the holding secondary ABS, and recognizes the relevant liability accordingly according to the extent of its continuous involvement in the transferred financial asset.

(ii) Continuous involved assets of financial product transaction

The Company provides liquidity supporting commitment to some non-capital preservation financial products which are medium or long term credit assets of the Company. When the fund-raising from the next relevant financial plan is not equivalent to the transferred fund of relevant financing underling assets, the Company will provide a certain portion of liquidity support to the margin before the maturity of current financial products. Management believes that the Company neither retains nor shifts the whole risks and rewards of the ownership of “credit assets”. Therefore, the Company recognizes the continuous involved assets in the light of the extent of the transfer of financial assets, and accordingly recognizes the continuous involved liabilities.

19. Due to banks and other financial institutions

	2009-12-31	2008-12-31
Analyzed by region:		
Domestic banks and other institutions	237,013,065	182,914,282
Oversea banks and other institutions	-	-
Total	237,013,065	182,914,282
Analyzed by counterparty:		
Banks	89,732,705	73,634,743
Other financial institutions	147,280,360	109,279,539
Total	237,013,065	182,914,282

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

20. Inter-bank borrowing

	2009-12-31	2008-12-31
Analyzed by region:		
Domestic banks and other institutions	1,762,582	12,512,581
Oversea banks and other institutions	-	205,038
Total	1,762,582	12,717,619
Analyzed by counterparty:		
Banks	1,762,582	12,717,619
Other financial institutions	-	-
Total	1,762,582	12,717,619

21. Transactional financial liability

	2009-12-31	2008-12-31
Short selling of gold	-	644,230
Including: Cost	-	599,947
Changes in fair value	-	44,283

22. Repurchase agreements

	2009-12-31	2008-12-31
Securities	30,269,055	27,005,582
Bills	15,001,430	30,400,715
Credit assets	640,000	890,000
Total	45,910,485	58,296,297

23. Customer deposits

	2009-12-31	2008-12-31
Demand deposits	455,931,290	279,520,611
-Corporate	398,129,462	242,821,656
-Personal	57,801,828	36,698,955
Term deposits	373,398,345	278,258,163
-Corporate	284,292,665	226,063,446
-Personal	89,105,680	52,194,717
Other deposits	71,554,813	74,647,185
-Remittance payable and outward remittance	876,027	839,379
-Guarantee deposit	70,303,969	73,244,760
-Trust funds	366,372	544,064
Fiscal deposits	8,445	18,982
Total	900,884,448	632,425,959

24. Salaries and staff welfare payable

Item	2008-12-31	Increase	Decrease	2009-12-31
Salaries	3,169,541	3,964,109	3,282,109	3,851,541
Staff welfare	88,870	1,046,625	1,066,871	68,624
Labor union expenditure and staff educational funds payable	213,704	174,421	131,537	256,588
Total	3,472,115	5,185,155	4,480,517	4,176,753

There is no default salaries and staff welfare among the closing balance.

25. Tax payable

	2009-12-31	2008-12-31
Income tax	1,524,405	2,512,036
Business tax	614,241	525,318
City maintenance and construction tax	41,399	37,821
Personal income tax	36,839	31,900
Real estate tax	906	1,422
Educational Surtax	22,393	19,411
Others	23,726	34,313
Total	2,263,909	3,162,221

26. Interest payable

	2009-12-31	2008-12-31
Interest due to customer deposits	4,226,638	4,501,388
Interest of bonds	1,086,594	1,084,322
Placement interest due to other banks	349,775	490,768
Interest of repurchase agreements	62,632	165,758
Interest of inter-bank borrowings	3,640	45,929
Others	3,041	15,744
Total	5,732,320	6,303,909

27. Bonds payable

	2009-12-31	2008-12-31
Long term subordinated bonds	9,966,554	6,000,000
-Par value	10,000,000	6,000,000
-Unamortized issuance cost	(33,446)	-
Financial bonds	54,961,310	54,941,389
-Par value	55,000,000	55,000,000
-Unamortized issuance cost	(38,690)	(58,611)
Hybrid capital bonds	4,000,000	4,000,000
Total	68,927,864	64,941,389

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

27. Bonds payable *continued*

(1) Long term subordinated bonds

	Issuing period	Term	2009-12-31	2008-12-31
03 Floating rate	2003-12-17 to 2003-12-30	61 months	-	3,000,000
04 Callable fixed rate	2004-12-23 to 2004-12-29	10 years	-	1,860,000
04 Callable floating rate	2004-12-23 to 2004-12-29	10 years	-	1,140,000
09 IB 01	2009-09-09 to 2009-09-11	10 years	2,005,000	-
09 IB 02	2009-09-09 to 2009-09-11	10 years	7,995,000	-
Unamortized issuing costs			(33,446)	-
Total			9,966,554	6,000,000

(i) In December 2003, the Company issued subordinated bonds totaling RMB 3,000,000 thousand with a term of 5 years and 1 month at the floating interest rate 2.01% over the benchmark rate of one-year fixed deposit stipulated by the People's Bank of China. This subordinated bond was due on January 2009.

(ii) In December 2004, the Company issued subordinated bonds totaling RMB 3,000,000 thousand with a term of 10 years. The Company has an option to fully or partly redeem the debt at the par value on the last day of the fifth interest year. Fixed and floating interest rates are adopted for the bonds: The yearly interest rate (namely the original coupon rate) of the fixed interest rate bonds is 5.1% in the period from the first to the fifth year. If the Company does not exercise the option, the contract interest rate will increase by 300BP (100BP is equivalent to 1%) over the original coupon rate (8.1%). The contract interest rate of the floating interest rate bonds 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 People's Bank of China, which is applicable on the inaugural date and the value date of other interest years; The basic interest spread in the first five interest years is 2.4%; If the Company does not exercise the redemption right, the basic margin of the rest five interest years will increase by 50BP (100BP is equivalent to 1%) over the basic margin during the period from the sixth year to the maturity date of the floating interest rate bonds (2.9%). All issue bonds were redeemed on December 2009.

(iii) In accordance with document YSCZYZ [2009] No. 54 and document YJF [2009] No. 260 approved by PBOC and China Banking Regulatory Commission, the Company is able to issue subordinated bonds in the national inter-bank bond market for no more than RMB 10,000,000 thousand. The issuance as follows:

In September 2009, the Company issues 10 billion subordinated bonds named the first tranche subordinated bonds in 2009 of Industrial Bank Co., Ltd, of which RMB 2,005,000 thousand bonds (09 IB 01) with 10-year fixed rate and redemption right can be claimed in the end of the fifth year, the interest-bearing coupon rate is 4.30% for the former 5 years, if the issuer does not claim the right of redemption, the interest-bearing coupon rate will be 7.30% for the rest 5 years; RMB 7,995,000 thousand bonds (09 IB 02) with 15-year fixed rate and redemption right can be claimed in the end of the tenth year, the interest-bearing coupon rate is 5.17% for the former 10 years, if the issuer does not claim the right of redemption, the interest-bearing coupon rate will be 8.17% for the rest 5 years.

(2) Financial bonds

	Issuing period	Term (year)	2009-12-31	2008-12-31
06 IB 01	2006-03-31 to 2006-04-06	5	5,000,000	5,000,000
06 IB 03 (5 years)	2006-12-15 to 2006-12-19	5	8,000,000	8,000,000
06 IB 03 (10 years)	2006-12-15 to 2006-12-19	10	8,000,000	8,000,000
07 IB 01	2007-03-27 to 2007-03-29	3	7,000,000	7,000,000
07 IB 02	2007-03-27 to 2007-03-29	5	7,000,000	7,000,000
07 IB 03	2007-03-27 to 2007-03-29	5	5,000,000	5,000,000
08 IB 01	2008-08-07 to 2008-08-11	3	5,655,000	5,655,000
08 IB 02	2008-08-07 to 2008-08-11	3	5,265,000	5,265,000
08 IB 03	2008-08-07 to 2008-08-11	5	4,080,000	4,080,000
Unamortized issuing costs			(38,690)	(58,611)
Total			54,961,310	54,941,389

(i) In accordance with the approval document of YF [2005] No. 77 by the PBOC and YJF [2005] No. 253 by the CBRC, the Company has issued financial bonds totaling RMB 15,000,000 thousand as follows:

① In November 2005, the Company has issued a financial bond totaling RMB 10,000,000 thousand with a maturity of 3 years at annual interest rate of 2.15%. The bond is named as “Bond of Industrial Bank Co., Ltd., 2005 (first tranche)”. The bond is also referred to as “05 IB 01”.

② In April 2006, the Company has issued a financial bond totaling RMB 5,000,000 thousand with a maturity of 5 years at yearly interest rate of 2.98%. The bond is named as “Bond of Industrial Bank Co., Ltd., 2006 (first tranche)”. The bond is also referred to as “06 IB 01”.

(ii) In accordance with the approval document of (YSCXZYZ [2006] No. 22) issued by the PBOC and (YJF [2006] No. 345) issued by the CBRC, the Company was allowed to issue financial bonds up to RMB 35,000,000 thousand.

① In December 2006, the Company has issued a financial bond totaling RMB 16,000,000 thousand. The bond is named as “Financial Bond of the Industrial Bank Co., Ltd., 2006 (second tranche)”. The financial bond comprised a financial bond totaling RMB 8,000,000 thousand with a maturity of 5 years at yearly interest rate of 3.45% which refers to as “06 IB 03 (5 years)” and a financial bond totaling RMB 8,000,000 thousand with a maturity of 10 years at yearly interest rate of 3.75% which refers to as “06 IB 03 (10 years)”.

② In March 2007, the Company has issued a financial bond totaling RMB 19,000,000 thousand. The bond is named as “Financial Bond of the Industrial Bank Co., Ltd., 2007 (the first tranche)”. The financial bond consisted of a financial bond totaling RMB 7,000,000 thousand with a maturity of 3 years at yearly interest rate of 3.58% which refers to as “07 IB 01; a financial bond totaling RMB 7,000,000 thousand with a maturity of 5 years at yearly interest rate of 3.78% which refers to as “07 IB 02”; a financial bond totaling RMB 5,000,000 thousand with a maturity of 5 years at floating interest rate, which refers to as “07 IB 03. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date and the repricing date with the basic interest margin is 0.65%.

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

27. Bonds payable *continued*

(2) Financial bonds *continued*

(iii) In accordance with the approval document of (YSCXZYZ [2008] No. 24) issued by the PBOC and (YJF [2008] No. 187) issued by the CBRC, the Company was allowed to issue financial bonds up to RMB 15,000,000 thousand within China inter-bank bond market.

① In August 2008, the Company has issued a financial bond totaling RMB 15,000,000 thousand. The bond is named as "Financial Bond of the Industrial Bank Co., Ltd., 2008 (first tranche)". The financial bond comprised the following bonds: a financial bond totaling RMB 5,655,000 thousand with a maturity of 3 years at yearly interest rate of 5.32% which refers to as "08 IB 01"; a financial bond totaling RMB 5,265,000 thousand with a maturity of 3 years at floating interest rate, which refers to as "08 IB 02. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date and the repricing date with the basic interest margin is 1.05%; and a financial bond totaling RMB 4,080,000 thousand with a maturity of 5 years at floating interest rate, which refers to as "08 IB 03. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date and the repricing date with the basic interest margin is 1.25%;

The financial bonds are circulated within inter-bank bond market in accordance with the relevant regulations of the PBOC after the issuance.

(3) Hybrid capital bond

	Issuing period	Term(year)	2009-12-31	2008-12-31
06 IB 02 fixed	2006-09-28 to 2006-09-29	15	3,000,000	3,000,000
06 IB 02 floating	2006-09-28 to 2006-09-29	15	1,000,000	1,000,000
Total			4,000,000	4,000,000

In accordance with the approval document of YSCXZY [2006] No. 16 issued by the PBOC and YJF [2006] No. 324 issued by the CBRC, the Company was allowed to issue hybrid capital bonds up to RMB 4,000,000 thousand. In September 2006, the Company has issued a financial bond totaling RMB 4,000,000 thousand with a maturity of 15 years. The bond is named as "Hybrid Capital Bond of the Industrial Bank Co., Ltd., 2006". Approved by the CBRC, the Company has the option to redeem all the bonds at face value from the 10th year to the maturity of the bond. It does not need any permission of the bond holders to exercise this option.

(i) The annual interest rate of current fixed interest rate bond (also refers to as 06 IB 02 fixed) from the 1st year to the 10th year is 4.94% (namely "original coupon rate"). If the Company does not exercise this option, the annual coupon rate of the bonds for the third 5 year period shall be the original coupon rate plus 2.8%.

(ii) The annual interest rate of current floating interest rate bond (06 IB 02 floating) 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 People's Bank of China, which is applicable on the inaugural date and the value date of other interest years; the basic interest spread in the first 10 interest years is 1.82%. If the Company does not exercise the option to redeem, the basic margin of the rest five interest years shall be the original basic margin plus 1% during the period from the 11th year to the maturity of the bond.

28. Other liabilities

	2009-12-31	2008-12-31
Bank promissory notes	480,527	424,624
Items in the process of clearance and settlement	1,018,247	374,590
Dividend payables	3,081	2,573
Continuous involved liabilities	1,346,375	373,250
Other payables	1,402,222	1,832,923
Total	4,250,452	3,007,960

(1) Dividend payable
As at 31 December, 2009, no dividends payable was owed to shareholders holding 5% or more shares of the Company.

(2) Other payables
As at 31 December, 2009, no other payable was owed to shareholders holding 5% or more shares of the Company.

29. Share capital

	2008-12-31		Movements	2009-12-31	
	Amount	%		Amount	%
I. Shares with limit sales restrictions	1,020,000	20.40	-	1,020,000	20.40
State-owned Shares	1,020,000	20.40	-	1,020,000	20.40
II. Shares without limit sales restrictions	3,980,000	79.60	-	3,980,000	79.60
RMB ordinary shares	3,980,000	79.60	-	3,980,000	79.60
III. Total shares	5,000,000	100.00	-	5,000,000	100.00

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

30. Capital reserve

	Equity premium over par value	Available-for-sale investments reserve	Others	Total
2007-12-31	17,525,842	(204,149)	34,331	17,356,024
Increase	-	342,670	4,876	347,546
Decrease	-	(7,603)	-	(7,603)
2008-12-31	17,525,842	130,918	39,207	17,695,967
Increase	-	-	-	-
Decrease	-	(447,132)	(9,396)	(456,528)
2009-12-31	17,525,842	(316,214)	29,811	17,239,439

The decrease amount of RMB 9,396 thousand in other capital reserve is due to the measurement of the long term equity investment in the Bank of Jiujiang employing equity method.

31. Retained earnings

	Statutory surplus reserve	Discretionary surplus reserve	Total
2007-12-31	1,968,090	296,621	2,264,711
Increase	1,138,503	-	1,138,503
Decrease	-	-	-
2008-12-31	3,106,593	296,621	3,403,214
Increase	-	-	-
Decrease	-	-	-
2009-12-31	3,106,593	296,621	3,403,214

Pursuant to the Companies Law, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The statutory surplus is no longer appropriated when the accumulated amount exceeds 50% of the company's registered capital. Pursuant to the resolution of “2009 Profit Distribution Proposal of Industrial Bank” approved at 21st Meeting of the Sixth Session of the Board of Directors held on March 2, 2010, the Company does not appropriate statutory surplus of this year.

32. General reserve

	2009	2008
Opening balance	6,380,278	4,773,867
Appropriation	1,720,351	1,606,411
Closing balance	8,100,629	6,380,278

Pursuant to CJ [2005] No. 49 “Measures on General Provision for Bad and Doubtful Debts for Financial Institutions” and CJ [2005] No. 90 “Circular on matters related to general provision for bad and doubtful debts” issued by the MOF, the Company is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders’ equity, through the appropriation of income to address unidentified potential impairment losses.

(1) Pursuant to the resolution of “2008 Profit Distribution Proposal of Industrial Bank” approved at the annual general meeting of shareholders held on May 18, 2009, general reserve of RMB 1,606,411thousand was appropriated.

(2) Pursuant to the resolution of “2009 Profit Distribution Proposal of Industrial Bank” approved at 21st Meeting of the Sixth Session of the Board of Directors.held on March 2, 2010, general reserve of RMB 1,720,351 thousand was appropriated.

33. Retained earnings

	2009	2008
Net Profit for the year	13,281,943	11,385,027
Opening balance	16,542,587	9,502,474
Appropriations to statutory surplus reserve	-	(1,138,503)
Appropriations to general reserve	(1,720,351)	(1,606,411)
Dividends declared for ordinary shares	(2,250,000)	(1,600,000)
Closing balance	25,854,179	16,542,587

(1) Appropriations to statutory surplus reserve please refer to Note VI. 31

(2) Appropriations to general reserve please refer to Note VI. 32

(3) Dividends declared for ordinary shares

(i) Pursuant to the resolution of “2008 Profit Distribution Proposal of Industrial Bank” approved at the Annual General Meeting of shareholders held on 18 May 2008, a cash dividend of RMB 0.45 per ordinary share (before tax) was distributed on the basis of 5 billion ordinary shares after the issuance of “A” shares in 2007. The total cash dividend distributed was RMB 2.25 billion.

(ii) Pursuant to the resolution of “2009 Profit Distribution Proposal of Industrial Bank” passed in the 21st session of 6th board of directors on March 2,2010, a cash dividend of RMB 0.5 per ordinary share (tax inclusive) was proposed. The dividends (totaling RMB 2.5 billion) are not recognized as liabilities as at December 31, 2008. This proposal is subject to submission to shareholders’ meeting for approval.

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

34. Net interest income

	2009	2008
Interest income:		
Due from the Central Bank	1,652,449	1,677,631
Due from other financial institutions	1,957,832	1,453,953
Inter-bank placement	321,480	744,858
Reverse repo	2,992,174	6,966,888
Loans and advances to customers	37,087,462	36,520,043
-Corporate	25,284,899	21,834,867
-Personal	6,971,932	9,283,057
-Bills discount	4,830,631	5,402,119
Interest from investment	6,026,271	5,159,352
Others	1,136	2,138
Subtotal	50,038,804	52,524,863
-Interest income from impaired financial assets	133,857	133,767
Interest expense:		
Due to banks and other financial institutions	3,819,805	4,947,993
Placement from banks and other financial institutions	158,903	303,991
Repurchase agreement	606,584	2,404,423
Deposits from customers	12,420,480	12,389,492
Interests of rediscount and inter-bank discount	3,153,738	3,752,983
Bond interest	2,665,229	2,525,629
Others	12,328	7,897
Subtotal	22,837,067	26,332,408
Net interest income	27,201,737	26,192,455

35. Net income from fee and commission

	2009	2008
Fee and commission income		
Settlement and clearing fees	85,285	102,536
Bank card fees	533,782	363,772
Agency commissions	508,754	598,286
Guarantee and commitment commissions	261,859	199,904
Transactional fees	68,548	55,305
Custodian fees	153,516	135,582
Consulting fees	1,766,527	1,107,961
Others	103,899	361,225
Subtotal	3,482,170	2,924,571
Fee and commission expenditure	366,175	300,727
Net income from fee and commission	3,115,995	2,623,844

36. Investment income

	2009	2008
Dividend declared by investee (Cost method)	2,125	1,000
Income from long term equity investment (Equity method)	43,866	5,192
Gains from available-for-sale equity investment	765,471	169,670
Gains from bond	222,625	90,829
Gains from precious metals business	70,180	185,243
Gains from transactional financial liabilities	15	-
Gains or losses of derivative instruments	(96,770)	(1,116)
Total	1,007,512	450,818

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

37. Gains on variation of fair value

	2009	2008
Net change in fair value of derivative instruments	(26,135)	(92,201)
Net change in fair value of transactional financial assets	(30,845)	89,628
Net change in fair value of transactional financial liabilities	44,283	(44,283)
Net change in fair value of precious metals	(560)	(77,517)
Total	(13,257)	(124,373)

38. Business tax and surcharges

	2009	2008
Business tax	2,094,712	1,766,660
City maintenance and construction tax	140,748	117,569
Education surcharge	76,450	64,216
Others	9,228	8,066
Total	2,321,138	1,956,511

39. General and administrative expenses

	2009	2008
Staff expenses	5,185,155	5,060,366
Depreciation and amortization	712,858	581,890
Office expenses	2,066,032	1,775,359
Rental expenses	767,278	574,418
Promotion	824,767	751,518
Entertainment	358,131	243,478
Traveling	182,939	191,610
Fuel	266,650	229,134
Supervision fee	127,449	118,363
Professional service fee	299,878	223,963
Telecommunications and postage	186,224	167,592
Taxes	97,571	58,038
Utilities	99,172	78,570
Repairs and maintenance	49,462	47,807
Others	249,995	246,438
Total	11,473,561	10,348,544

40. Loss from asset devaluation

	2009	2008
Loss from devaluation of placements with banks and other financial institutions	-	(3,000)
Loss from devaluation of receivables	6,487	-
Loss from devaluation of held-to-maturity investment	-	60,553
Provision for loan losses	559,131	3,237,662
Bad debt loss of other receivables	(49,077)	107,630
Loss from devaluation of debt assets	1,919	13,577
Total	518,460	3,416,422

41. Non-operating income

	2009	2008
Gains from disposal of non-current asset	27,812	5,653
-Gains from disposal of fixed assets	16,478	5,435
-Gains from disposal of debt assets	11,334	218
Penalties and fines received	966	457
Gains from aged payable pending for collection	778	33
Tax rebate	27,422	22,638
Others	82,139	68,738
Total	139,117	97,519

42. Non-operating expense

	2009	2008
Losses on disposal of non-current asset	6,701	1,188
- Losses on disposal of fixed assets	858	1,188
- Losses on disposal of debt assets	5,843	-
Repayment of aged payable pending for collection	507	907
Donation expenses	15,975	19,565
Penalties and fines paid	32,549	2,964
Others	70,677	5,797
Total	126,409	30,421

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

43. Income tax

(1) Items

	2009	2008
Current tax	3,542,969	3,856,980
Deferred tax	254,662	(1,025,488)
Income tax for previous years	149,911	(179,230)
Total	3,947,542	2,652,262

(2) Differences between the amount of income tax shown in the financial statements and the amount as calculated by the statutory tax rate of 25% are as follows:

	2009	2008
Profit before tax	17,229,485	14,037,288
Tax calculated using statutory tax rate	4,307,371	3,509,322
Adjustments on income tax:		
Income not subject to tax	(618,174)	(668,860)
Expenses not deductible for tax purposes	121,806	12,641
Repayment of tax	149,911	(179,230)
Lower applicable tax rates in certain geographical area	(13,372)	(21,611)
Total	3,947,542	2,652,262

44. Basic earning per share and diluted earning per share calculation process

	2009	2008
Net profit belongs to ordinary shareholders of the Company	13,281,943	11,385,027
Weight average ordinary shares issued by the Company ('000 shares)	5,000,000	5,000,000
Basic and diluted earning per share (Yuan)	2.66	2.28
Net profit belongs to ordinary shareholders after deducting non-recurring gains and losses	1,2596,132	11,187,454
Basic and diluted earning per share after deducting non-recurring gains and losses (Yuan)	2.52	2.24

45. Other comprehensive income

	2009	2008
(1) Profit(loss) generated from available-for-sale financial assets	(538,824)	270,493
Less: amounts was charged to other comprehensive income but currently transferred to profit and loss	(57,350)	176,384
Tax impact from available-for-sale financial assets	149,043	(111,810)
Subtotal	(447,131)	335,067
(2) Equities retained from the invested enterprises on the basis of equity method	(11,883)	6,501
Less: amounts was charged to other comprehensive income but currently transferred to profit and loss	(645)	-
Tax impact from considering the equities retained from the invested enterprises on the basis of equity method	3,132	(1,625)
Subtotal	(9,396)	4,876
Total	(456,527)	339,943

46. Notes to the cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities

	2009	2008
(i) Reconciliation of net profit to cash flows from operating activities		
Net profit	13,281,943	11,385,027
Add: Provision for asset impairment	518,460	3,416,422
Depreciation of fixed assets	446,939	381,149
Amortization of intangible assets	73,659	70,201
Amortization of long-term deferred assets and other long term assets	172,977	113,715
Losses on disposal of fixed assets, intangible assets and other long term assets	(21,121)	(4,454)
Losses on disposal of fixed assets	-	-
Losses on change in fair value	13,257	124,373
Investment losses	(7,033,783)	(5,610,170)
Decrease of deferred tax assets	260,540	(1,011,986)
Increase of deferred tax liabilities	(5,877)	(13,502)
Decrease in operating receivables	(238,202,621)	(159,258,110)
Increase in operating payables	299,731,274	150,854,757
Interest expense on bond issued	2,665,229	2,525,628
Others	(52,719)	355,483
Net cash flows from operating activities	71,848,157	3,328,533
(ii) Investing and financing activities that do not involve cash receipts and payment		
Conversion of debt into capital	-	-
Convertible corporate bond expired within one year	-	-
Fixed assets acquired under finance leases	-	-
(iii) Net increase/(decrease) in cash and cash equivalents		
Cash at end of year	182,823,830	148,111,837
Less: Cash at beginning of year	(148,111,837)	(161,239,181)
Plus: Cash equivalents at end of year	41	43
Less: Cash equivalents at beginning of year	(43)	(1,388,025)
Net increase in cash and cash equivalents	34,711,991	(14,515,327)

(In RMB'000)

VI. NOTES TO THE FINANCIAL STATEMENTS *continued*

46. Notes to the cash flow statement *continued*

(2) Cash and cash equivalents

	2009-12-31	2008-12-31
Cash:		
Cash in hand	2,904,339	2,307,180
General deposits with the Central Bank	69,618,870	59,375,111
Due from banks and other financial institutions with original maturity less than three months	35,344,200	38,247,679
Placements with banks and other financial institutions with original maturity less than three months	7,459,692	7,207,664
Reverse repurchase agreements with original maturity less than three months	67,496,729	40,974,203
Subtotal	182,823,830	148,111,837
Cash equivalent:		
Security investments with original maturity less than three months	41	43
Subtotal	41	43
Total	182,823,871	148,111,880

VII. SEGMENT INFORMATION

A geographical segment is a distinguishable component of the Company that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Company analyses revenues, expenditures, segment assets, segment liabilities and capital expenditures by geographical segments.

The major geographical segments of the Company include the following major business regions:

The headquarters of the Company (including the head office and its operating departments); Fujian, Beijing, Shanghai, Guangdong, Zhejiang; Jiangsu and others (not included in above segments).

1. Geographical segments for the year 2009

	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Others	Offset	Total
① Operating income	2,593,700	5,721,534	2,859,707	3,292,317	3,115,276	2,527,826	1,501,381	10,067,304	-	31,679,045
Net interest income	1,272,798	4,689,308	2,483,031	2,710,290	2,710,149	2,406,952	1,437,773	9,491,436	-	27,201,737
Including: inter-segment income	(4,817,383)	976,154	1,517,263	1,500,903	992,854	168,309	(182,886)	(155,214)	-	-
Net fee and commission Income	888,566	231,513	375,323	521,616	392,796	109,548	56,819	539,814	-	3,115,995
Other income	432,336	800,713	1,353	60,411	12,331	11,326	6,789	36,054	-	1,361,313
② Operating expense	(2,599,612)	(1,854,102)	(977,053)	(1,072,669)	(1,336,924)	(1,136,089)	(799,472)	(4,686,346)	-	(14,462,267)
③ Operating profit	(5,912)	3,867,432	1,882,654	2,219,648	1,778,352	1,391,737	701,909	5,380,958	-	17,216,778
④ Total asset	464,775,588	158,391,402	130,557,175	148,677,069	157,566,751	81,572,637	66,643,803	418,222,776	(294,245,649)	1,332,161,552
⑤ Total liability	421,088,083	154,771,169	128,760,334	146,476,433	155,975,833	80,439,531	65,994,402	413,303,955	(294,245,649)	1,272,564,091
⑥ Supplemented issue										
A. Loan to customer	15,271,900	106,332,727	49,203,482	54,977,267	77,321,158	69,252,854	39,110,801	290,127,272	-	701,597,461
B. Capital expenditure	516,893	143,731	143,682	22,446	206,617	100,611	53,293	540,021	-	1,727,294
C. Depreciation and amortisation of intangible asset	155,616	113,141	23,698	40,211	98,964	67,651	23,541	190,036	-	712,858
D. Credit commitment	19,521,802	13,257,530	2,033,374	4,007,160	13,629,588	21,417,349	14,369,426	76,325,933	-	164,562,162
E. Asset impairment loss	3,944	(129,758)	75,422	(22,983)	(197,940)	6,842	164,742	618,191	-	518,460

(In RMB'000)

VII. SEGMENT INFORMATION *continued*

(2) Geographical segments for the year 2008

	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Others	Offset	Total
① Operating income	4,438,961	5,192,916	2,403,093	3,049,273	3,212,341	2,389,497	1,209,691	7,819,209	-	29,714,981
Net interest income	3,176,134	4,889,832	2,208,510	2,762,368	2,765,118	2,157,257	1,129,143	7,104,093	-	26,192,455
Including: inter-segment income	(3,136,131)	893,784	1,130,792	1,242,715	961,895	(290,389)	34,405	(837,071)	-	-
Net fee and commission income	750,487	256,941	166,616	237,839	252,130	219,547	68,134	672,150	-	2,623,844
Other income	512,340	46,143	27,967	49,066	195,093	12,693	12,414	42,965	-	898,681
② Operating expense	(3,066,378)	(2,235,545)	(908,834)	(1,226,299)	(1,716,998)	(1,439,144)	(678,730)	(4,472,863)	-	(15,744,791)
③ Operating profit	1,372,583	2,957,371	1,494,259	1,822,974	1,495,343	950,353	530,961	3,346,346	-	13,970,190
④ Total asset	444,551,252	121,723,492	98,951,831	117,495,322	115,015,933	76,224,561	35,537,044	273,549,669	(262,150,279)	1,020,898,825
⑤ Total liability	408,049,536	118,768,625	97,465,569	115,571,058	113,576,603	75,311,719	35,012,529	270,271,419	(262,150,279)	971,876,779
⑥ Supplemented issue										
A. Loan to customer	24,492,579	81,497,832	32,340,770	44,269,463	60,902,650	54,882,867	26,993,880	174,006,388	-	499,386,429
B. Capital expenditure	214,106	178,792	60,192	42,313	169,201	188,872	36,899	692,369	-	1,582,744
C. Depreciation and amortisation of intangible asset	180,188	96,422	19,916	39,752	58,142	49,336	18,117	120,017	-	581,890
D. Credit commitment	31,797,873	11,882,386	2,639,597	4,226,261	13,774,394	30,053,320	10,720,627	61,912,476	-	167,006,934
E. Asset impairment loss	246,393	362,704	76,291	304,177	382,430	471,675	188,988	1,383,764	-	3,416,422

VIII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related parties

The Company's related parties included: shareholders holding more than 5% (including 5%) of the Company's shares as well as their controlling shareholders; legal persons or any other entity which were subject to direct, indirect, joint control or significant influence by the Company's shareholders holding more than 5% (including 5%) of the Company's shares; the Company's directors, senior management and their close relatives (hereinafter referred to as "Key management personnel and their close relatives"); Legal persons or any other entity which were subject to direct, indirect, joint control or significant influence by directors and senior management (hereinafter referred to as "Key management-related enterprises").

(1) Shareholders holding more than 5% (inclusive) of the Company's shares

(i) General information

	Economic nature	Domicile	Business scope	Legal representative
The Finance Bureau of Fujian Province	Legal person of government units	Fuzhou	Administration of Fujian provincial fiscal and tax policy	Chen Xiaoping
Hang Seng Bank Limited	Limited company	Hong Kong	Financial services	Margaret Leung Komay Yee

(ii) Registered capital and changes

	2009-12-31	2008-12-31
The Finance Bureau of Fujian Province	-	-
Hang Seng Bank Limited	HKD11,000,000,000	HKD11,000,000,000

(iii) Number of shares or equity held and changes therein

Unit: shares'0000

	2008-12-31		Increase		Decrease		2009-12-31	
	Amount	%	Amount	%	Amount	%	Amount	%
The Finance Bureau of Fujian Province	104,005	20.80	-	-	-	-	104,005	20.80
Hang Seng Bank Limited	63,909	12.78	-	-	-	-	63,909	12.78

(2) General information of the Company's shareholders related enterprises holding more than 5% (including 5%) of the Company's shares

Unit: RMB'0000

	Economic nature	Domicile	Registered capital	Business scope	Legal representative
Hang Seng Bank (China) Limited	Limited company	Shanghai	450,000	Financial services	Margaret Leung Komay Yee

(In RMB'000)

VIII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *continued*

1. Related parties *continued*

(3) General information of key management-related enterprises

Unit: RMB'0000

Related party	Economic nature	Registered office	Registered capital	Business scope	Legal representative	Remark
China Electronic Information Industry Group Corporation	State-owned	Beijing	793,022	Producing, trading and providing services for IT and related products	Xiong Qunli	A, B
COFCO Limited	State-owned	Beijing	31,223	Commerce, food processing, real estate, hotel operation, financial services	Ning Gaoning	A, B
Sun-life Everbright Life Insurance Co., Ltd.	Foreign capital enterprise	Tianjing	149,900	Life insurance	Xie Zhichun	B
Xiamen University	Public-sector organization	Xiamen	-	Education	Zhu Chongshi	A, B
COFCO Finance Co., Ltd.	State-owned	Beijing	100,000	Providing fund management and other financial service to enterprises	Wu Xiaohui	A, B
Aviva-Cofco Life Insurance Co., Ltd	Foreign capital enterprise	Shanghai	50,000	Life insurance	Wu Xiaohui	A, B
China Merchants Industry Development (Shenzhen) Co., Ltd.	Foreign capital enterprise	Shenzhen	USD 10 million	Industry and other commerce	Hong Xiaoyuan	A

Related parties with remark “A” were key management-related enterprises on December 31, 2009.

Related parties with remark “B” were key management-related enterprises on December 31, 2008.

2. Related party transactions

Related party transactions mainly cover: loans, bank acceptance, letters of credit, letters of guarantee and deposit, etc. Both transaction condition and the interest rate charged are in accordance with the Company’s normal business terms.

(1) Due from banks and other financial institutions

	2009-12-31	2008-12-31
Hang Seng Bank Limited	108,532	11,943

(2) Placement with banks and other financial institutions

	2009-12-31	2008-12-31
Hang Seng Bank (China) Limited	-	200,000

(3) Derivative financial instruments

	Type of transaction	2009-12-31		2008-12-31	
		Notional amount	Fair value	Notional amount	Fair value
Hang Seng Bank Limited	Foreign exchange rate derivative	-	-	220,475	863
Hang Seng Bank (China) Limited	Interest rate derivative	-	-	250,000	1,198
Hang Seng Bank (China) Limited	Foreign exchange rate derivative	205,090	(326)	-	-

(4) Reverse repo financial assets

	2009-12-31	2008-12-31
Hang Seng Bank (China) Limited	-	188,000

(5) Loans and advances to customers

	2009-12-31	2008-12-31
A. Shareholders holding more than 5%(including 5%) of the Company's shares	-	-
B. Shareholders related enterprises holding more than 5%(including 5%) of the Company's shares	-	-
C. Key management personnel and their close relatives	2,620	2,933
D. Key management-related enterprises	-	600,000
Total	2,620	602,933

(6) Other receivables

	2009-12-31	2008-12-31
The Finance Bureau of Fujian Province	563,268	-

(7) Placements from banks and other financial institutions

	2009-12-31	2008-12-31
Hang Seng Bank (China) Limited	-	205,038

(8) Due to banks

	2009-12-31	2008-12-31
Hang Seng Bank (China) Limited	11,168	-

(In RMB'000)

VIII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *continued*

2. Related party transactions *continued*

(9) Customer deposit

	2009-12-31	2008-12-31
A. Shareholders holding more than 5%(including 5%) of the Company's shares	7,614,910	9,249,766
B. Shareholders related enterprises holding more than 5%(including 5%) of the Company's shares	-	6,109
C. Key management personnel and their close relatives	27,138	12,912
D. Key management-related enterprises	69,097	45,291
Total	7,711,145	9,314,078

(10) Interest income

	2009	2008
A. Shareholders holding more than 5%(including 5%) of the Company's shares	-	-
B. Shareholders related enterprises holding more than 5%(including 5%) of the Company's shares	2,181	10,450
C. Key management personnel and their close relatives	291	209
D. Key management-related enterprises	27,739	56,715
Total	30,211	67,374

(11) Interest expense

	2009	2008
A. Shareholders holding more than 5%(including 5%) of the Company's shares	49,553	143,796
B. Shareholders related enterprises holding more than 5%(including 5%) of the Company's shares	11	180
C. Key management personnel and their close relatives	75	118
D. Key management-related enterprises	2,767	1,949
Total	52,406	146,043

(12) Credit line

	2009	2008
Hang Seng Bank Limited and Hang Seng Bank (China) Limited	4,000,000	-
China Oil & Foodstuffs Corporation(COFCO) and COFCO Finance Co., Ltd.	1,800,000	3,800,000
Total	5,800,000	3,800,000

(13) Disposal of debt equity

Pursuant to the resolution of " Proposal on Disposal of Repossessed Equity Ownership of Industrial Securities" approved at the 18th Meeting of the Sixth Session of the Board of Directors, in December 2009, 120,640 thousand shares of Industrial Securities held by Fuzhou and Xiamen Branch are transferred to the Finance Bureau of Fujian Province at the price of RMB 6.67 per share and RMB 804,669 thousand in total. The agreement appoints that the transfer price will be paid in installments, the first tranche of RMB 241,401thousand has been received at the end of 2009, and the second tranche of RMB 563,268 thousand will be paid in one year, by no later than December 31, 2010 after the agreement comes into force. The recognized disposal income from the available-for-sale equity investment in 2009 is RMB 753,394 thousand.

(14) Share subscription commitment

The Company's largest shareholder—the Finance Bureau of Fujian Province commits to subscribe shares which are issued in accordance with the allotment proposal (approved at the 19th Meeting of the Sixth Session of the Board of Directors) on the basis of proportion of holding. The commitment will come into force after the allotment proposal approved by the general shareholders' meeting and national authority.

IX. RISK MANAGEMENT

1. Introduction of risk management

The Company accepts deposits of various terms at fixed or floating rates. It uses the funds obtained for investments or granting loans to earn profit. In these processes, the Company encounters different types of risk. A description and analysis of the major risks faced by the Company is as follows:

Credit risk: Credit risk is the risk of loss from default by an obligor or counterparty when payments fall due.

Market risk: Market risk is the risk that foreign exchange rates, interest rates, equity and commodity prices and indices will move and result in uncertainty of profits or incur losses for the Company.

Liquidity risk: Liquidity risk refers to an inability of the Company to raise funds in order to increase its assets or decrease its liabilities. When a bank is lack of liquidity it may not be able to raise sufficient funds through either increasing liabilities or realizing assets, which may causes a liquidity payment crisis and in turn results in a bank run situation.

Operational risk: Operational risk refers to the potential of loss that result from an imperfect or problematic internal control, employee and information system or cause from external events.

The Company's risk management policy and procedure are designed to identify and analyze risks, to set appropriate risk limits and control facilities and to monitor these risks and limits continually by means of management information systems. By referencing to leading practice of risk management, the Company regularly reviews and strengthens risk management police and system management to reflect the changes of market and product up-to-date. They are regularly reviewed by the Audit Committee to ensure the compliance with the applicable policies and procedures.

2. Credit risk

The main credit risk of the Company arises from loan to customers, inter-bank placement, bill acceptance, letter of credit, letter of guarantee, etc. the Company recognizes and manages above risk through due diligence, approval process, post disbursement monitoring and recovery process.

Several departments of The Company are responsible for the management of credit risk, including Risk Management Department, Credit Control Department and NPL Management Department. Those departments are engaged to the following obligations: draft credit risk management related policies and operating plan; develop risk management technology and the application of risk management tools; monitor the risk, etc.

The Credit Control Department has four local approval centers, including Beijing, Shanghai, Guangzhou and Fujian. The approval center reviews and makes approval of loans developed by the branched. In addition, The Company also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The Credit Approval Committee is responsible for the examination and approval of the loans within the authority. The Credit Accountability Committee is responsible for determining the responsibility of related loans.

IX. RISK MANAGEMENT *continued*

2. Credit risk *continued*

The Company has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Company. 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 company 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 Company draws up managerial systems of industry investment, such as “Rules of Credit Business Access”, moderately increases investment to those industries which supported by national policies and begin to entered the stage of stable growth; on the basis of scientific judgments, decides to increase or decrease capital input to those industries which have already matured and the market tends to be saturated; cuts down input and withdraws steadily from those industries whose prospect tends to be infirmed.

The Company has established a customer credit rating system, comprehensively and systematically investigates various factors and variation trends which influence customer solvency in the future, discloses, evaluates customers’ credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become the important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer.

When applying the credit service, measurement is required by the Company to calculate the degree of risk according to the extent of probable losses in the transaction. Calculation involves translating major relevant factors into the correlation coefficient, and calculating the extent of probable losses comprehensively, the calculation results become the important references of credit investigation, review, as well as decision-making between benefits and risks.

The Company strengthens the monitoring and warning of credit businesses by drawing up “Credit Risk warning and processing regulations”, a variety of credit risk information can be accessed through internal and external sources, and warnings will be notified among the Company who carries out relevant procedures to prevent and overcome the risks; the Company develops the credit management information system to provide management information and advices at all time to detect and prevent the credit risk through conducting dynamic monitoring, real-time warning and pre-control of customer operation status and credit assets status of the Company.

The Company introduces the industry quota management, establishes quota management implementation plan to set up relevant quota for those emphasized credit industries, the monitoring of credit ratio for every industry will be carried out monthly, the Company will analyze the quota management situation of the whole industry comprehensively by collecting the quarterly report from branches, and then readjusts and optimizes 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 Company establishes “Implementation rules of credit assets risk classification”, “Implementation standards of credit assets risk classification”, etc. to guide 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: Pass 1, 2 and 3; special mentioned 1, 2 and 3; sub-standard; 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 financial guarantee and 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.

(1) Analysis of risk concentration

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 Company's total exposures. The Company's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Company operates the lending business in the PRC only. Since there are different economic development characteristics in the different regions in China, credit risks are also different.

For the geographical and industrial concentration of the loans and advances please refer to note VI (9).

(2) Maximum exposure to credit risk before collateral held or other credit enhancements

	2009-12-31	2008-12-31
Due from the Central Bank	168,999,948	125,516,670
Due from banks and other financial institutions	42,364,549	96,725,118
Placement with other banks	13,684,318	13,197,711
Transactional financial assets	3,363,484	6,691,211
Derivative financial assets	1,399,035	3,764,640
Reverse repurchase financial assets	195,884,147	117,275,478
Loan and advance to customers	691,962,535	489,985,774
Available-for-sale bond investment	111,067,953	77,083,672
Receivable	40,786,092	18,622,269
Held-to-maturity investment	42,354,237	55,539,887
Other financial assets	7,575,835	5,270,069
Total of on balance sheet credit risk exposure	1,319,442,133	1,009,672,499
Credit risk exposure of credit commitment	164,562,162	167,006,934
Maximum exposure to credit risk	1,484,004,295	1,176,679,433

Other financial assets mainly include interest receivable, other receivables and items in the process of clearance and settlement.

(In RMB'000)

IX. RISK MANAGEMENT *continued*

2. Credit risk *continued*

(3) Analysis of exposure to credit risk of the Company

Item	2009-12-31			
	Loans and advances	Inter-bank placement	Investment	Total
Impaired:				
Individual assessment				
Total assets	3,579,148	137,776	136,563	3,853,487
Provision for impairment	(1,775,872)	(137,776)	(136,563)	(2,050,211)
Net value of assets	1,803,276	-	-	1,803,276
Collective assessment				
Total assets	389,773	-	-	389,773
Provision for impairment	(257,404)	-	-	(257,404)
Net value of assets	132,369	-	-	132,369
Overdue but not individually impaired				
Total assets	1,266,510	-	-	1,266,510
Including:				
-Over 90 days	1,266,510	-	-	1,266,510
-90 to 360 days	-	-	-	-
-360 days to 3 years	-	-	-	-
-Over 3 years	-	-	-	-
Provision for impairment	(53,881)	-	-	(53,881)
Net value of assets	1,212,629	-	-	1,212,629
Neither past due nor individually impaired				
Total assets	696,362,030	251,933,014	197,578,253	1,145,873,297
Provision for impairment	(7,547,769)	-	(6,487)	(7,554,256)
Net value of assets	688,814,261	251,933,014	197,571,766	1,138,319,041
Total of net value of assets	691,962,535	251,933,014	197,571,766	1,141,467,315

Item	2008 -12-31			
	Loans and advances	Inter-bank placement	Investment	Total
Impaired:				
Individual assessment				
Total assets	4,343,665	137,776	136,691	4,618,132
Provision for impairment	(1,816,579)	(137,776)	(136,691)	(2,091,046)
Net value of assets	2,527,086	-	-	2,527,086
Collective assessment				
Total assets	335,281	-	-	335,281
Provision for impairment	(186,296)	-	-	(186,296)
Net value of assets	148,985	-	-	148,985
Overdue but not individually impaired				
Total assets	1,968,928	-	-	1,968,928
Including:	-			-
-Over 90 days	1,968,928	-	-	1,968,928
-90 to 360 days	-	-	-	-
-360 days to 3 years	-	-	-	-
-Over 3 years	-	-	-	-
Provision for impairment	(63,845)	-	-	(63,845)
Net value of assets	1,905,083	-	-	1,905,083
Neither past due nor individually impaired				
Total assets	492,738,555	227,198,307	157,937,039	877,873,901
Provision for impairment	(7,333,935)	-	-	(7,333,935)
Net value of assets	485,404,620	227,198,307	157,937,039	870,539,966
Total of net value of assets	489,985,774	227,198,307	157,937,039	875,121,120

Inter-banks placement includes due from banks and other financial institutions, placement with other banks and reverse repurchase of financial assets.

IX. RISK MANAGEMENT *continued*

2. Credit risk *continued*

(4) Collaterals and other credit enhancements of the Company

The amount and types of the collaterals the Company needs to acquire depends on the credit risk evaluation of the counter parties. The company bases on information on credit and business operation and economic benefits of the counter parties, wear and tear of the collaterals, mortgage term and the level of difficulty to realize the collaterals to determine the collateral ratios comprehensively. In the mean time, the guideline for collateral ratio issued by the Company stipulates the upper limit of related collateral ratios. Furthermore, the Company implements classified management to manage collaterals based on factors including level of difficulty to obtain the assessment value, the value stability and the level of difficulty to manage the collaterals.

Following are the main types of warrants:

For repurchase agreement, collaterals mainly include notes, loans and negotiable securities;

For commercial loans, collaterals mainly include land, properties, equipments and shares; For personal loans, collaterals mainly include properties.

The management will monitor the market value of the collaterals periodically and ask the borrowers to add collaterals if necessary according to the agreements.

(5) Value analysis of collaterals

(i) The Company will periodically reassess the fair value of the collaterals.

① As at 31 December, 2009, overdue but not individually impaired loans of the Company which can be covered by the fair value of collaterals amounted to RMB 1,649,106 thousand (2008: RMB 2,356,991 thousand). The collaterals include lands, properties, machinery and equipments as well as investment funds.

② As at 31 December, 2009, impaired loans determined by individual impairment test of the Company which can be covered by the fair value of collaterals amounted to RMB 1,119,677 thousand (2008: RMB 1,988,325 thousand). The collaterals include lands, properties, machinery and equipments as well as investment funds.

(ii) During the year 2009, the book value of settled assets that the Company obtained to offset against outstanding loans amounted to RMB 71,149 thousand (2008: RMB 73,365 thousand), which mainly include land, buildings and equipments.

(6) Restructured loans

As at 31 December 2009, the book value of restructured loans (including renewed loans and rearranged loans) amounted to RMB 1,599,069 thousand (2008: RMB 4,772,903 thousand), in which loans overdue more than 90 days amounted to RMB 432,728 thousand (2008: RMB 612,774 thousand).

3. Market risk

Market risk refers to the unfavorable variances of market prices (interest rates, exchange rates, commodity prices) which result in losses of the bank's balance-sheet and off balance-sheet business. It arises from both the Company's trading and non-trading business. The Company's management target is to limit the market risk into tolerable and reasonable scope, in order to achieve the optimized earnings through risk restructure.

According to the Company's market risk management structure, market risk is critical for the Company's assets and liabilities management. Material events should be proposed to the assets management committee for discussion and authorized by the president.

The Planning and Financial Department is responsible for organizing and implementing asset-liability ratio management of the whole bank, analyzing monitoring the indicators of implementation, managing asset-liability configuration and liquidity of the bank, being charged with the asset-liability management committee, as well as formulating and enforcing the market risk management quota from the viewpoint of assets and liabilities of the bank.

For the routine control and management of capital market, considering of improving the market sensitivity and reflecting rate, the Risk Management Department of the Company built up mid-stage risk control system in the treasure center to carry out an implanting risk management. The system controls the market operation of the treasure center simultaneously, and represents written risk evaluation reports of the treasure center.

(1) Interest rate risk

The interest rate risk of the Company includes repricing risk, yield curve risk, standard risk and optional risk, during which the re-setting price risk is the main risk. It is the risk caused by the mismatch between the agreed maturity date and the re-settled maturity date of interest bearing assets and interest payment liabilities. Up till now, the Company has fully carried out the internal capital transfer of foreign currency. Both the mid-term and long-term capital sources and utilization of RMB are also applying the same method. The Company transferred and pricing internal capital according to different products and terms, and centralized the interest rate risk to the head office to be universally settled and managed, so as to improve the efficiency of management and controlling the risk.

As for the interest risk management of bank account, the Company mainly evaluates the interest risk of balance sheet through gap analysis. The Company 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 to the short term bank income while the economic value analysis lays stress on the effect of the interest rate fluctuation to the book value of net bank cash flow.

The management of interest rate risk of the trading accounts is primarily through the quota system of exposure authorization and the introduction of financial transactions and analysis system has achieved the real-time monitoring of the interest rate risk of the trading accounts. For the measurement of interest rate risk exposure, the Company has strengthened the management of econometric models; standardize the developing, testing and commissioning process, building on regular evaluation mechanisms to ensure the accuracy of the measurement model. The Company applies the on-line trading and analysis system to measure timely the interest rate risk exposure of transaction accounts, which provide effective technical support to the interest rate risk of transaction accounts.

(In RMB'000)

IX. RISK MANAGEMENT *continued*

3. Market risk *continued*

(1) Interest rate risk *continued*

① An analysis of expected next repricing dates or maturity dates (whichever is earlier) for the financial assets and liabilities of the Company as at 31 December, 2009 are as follow:

	Less than 3 months	3 month to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Overdue/Non -interest bearing	Total
Assets:								
Cash and due from the Central Bank	150,819,277	16,093,988	1,168,453	698,920	219,195	115	2,904,339	171,904,287
Due from banks and other financial institutions	40,103,755	1,924,231	34,140	302,423	-	-	-	42,364,549
Placements with banks and other financial institutions	9,130,177	4,254,141	300,000	-	-	-	-	13,684,318
Transactional financial assets	204,853	859,335	963,046	590,822	513,226	232,161	41	3,363,484
Derivative financial assets	-	-	-	-	-	-	1,399,035	1,399,035
Reverse repurchase agreements	156,633,100	26,451,047	4,900,000	7,200,000	400,000	300,000	-	195,884,147
Loans and advances	402,773,913	267,644,687	4,620,287	4,215,384	1,707,984	2,642,611	8,357,669	691,962,535
Available-for-sale financial assets	11,942,476	31,571,046	10,489,364	33,242,874	13,443,040	10,373,332	86,018	111,148,150
Receivables	9,065,313	19,210,683	3,190,957	2,224,088	5,189,312	1,905,739	-	40,786,092
Held-to-maturity investments	3,914,878	12,789,653	8,577,126	6,727,861	5,948,046	4,267,047	129,626	42,354,237
Long term equity investments	-	-	-	-	-	-	81,250	81,250
Other assets	-	135,000	-	-	-	-	7,440,835	7,575,835
Total assets	784,587,742	380,933,811	34,243,373	55,202,372	27,420,803	19,721,005	20,398,813	1,322,507,919
Liabilities:								
Due to the Central Bank	16,446	23,954	-	-	-	-	-	40,400
Due to banks and other financial institutions	217,552,955	18,460,110	-	1,000,000	-	-	-	237,013,065
Placements from banks and other financial institutions	1,626,018	136,564	-	-	-	-	-	1,762,582
Transactional financial liabilities	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	1,601,814	1,601,814
Repurchase agreements	45,270,485	640,000	-	-	-	-	-	45,910,485
Customer deposits	736,212,406	145,683,314	10,576,876	6,426,645	1,984,162	1,045	-	900,884,448
Bonds payable	11,993,613	10,329,640	18,646,665	6,991,392	1,998,332	18,968,222	-	68,927,864
Other liabilities	-	-	-	-	-	-	16,412,006	16,412,006
Total liabilities	1,012,671,923	175,273,582	29,223,541	14,418,037	3,982,494	18,969,267	18,013,820	1,272,552,664
Net assets or liabilities	(228,084,181)	205,660,229	5,019,832	40,784,335	23,438,309	751,738	2,384,993	49,955,255

② An analysis of expected next repricing dates or maturity dates (whichever is earlier) for the financial assets and liabilities of the Company as at 31 December, 2008 are as follow:

	Less than 3 months	3 month to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Overdue/Non -interest bearing	Total
Assets:								
Cash and due from the Central Bank	108,968,912	14,137,154	980,730	573,137	856,737	-	2,307,180	127,823,850
Due from banks and other financial institutions	40,087,320	53,878,723	2,759,075	-	-	-	-	96,725,118
Placements with banks and other financial institutions	9,190,175	3,717,536	290,000	-	-	-	-	13,197,711
Transactional financial assets	304,448	2,067,904	396,017	2,423,762	659,615	839,422	43	6,691,211
Derivative financial assets	-	-	-	-	-	-	3,764,640	3,764,640
Reverse repurchase agreements	93,430,975	22,394,503	450,000	-	300,000	700,000	-	117,275,478
Loans and advances	301,748,944	174,353,173	4,984,098	629,296	1,661,147	1,668,198	4,940,918	489,985,774
Available-for-sale financial assets	7,725,786	53,275,841	2,369,646	5,998,647	3,821,227	3,841,039	135,801	77,167,987
Receivables	1,156,459	1,367,438	14,087,152	28,538	1,575,055	407,627	-	18,622,269
Held-to-maturity investments	1,124,919	17,804,987	12,078,389	8,630,536	8,326,153	7,395,742	179,161	55,539,887
Long term equity investments	-	-	-	-	-	-	81,250	81,250
Other assets	-	185,000	-	-	-	-	5,085,069	5,085,069
Total assets	563,737,938	343,182,259	38,395,107	18,283,916	17,199,934	14,852,028	16,494,062	1,012,145,244
Liabilities:								
Due to the Central Bank	-	-	-	-	-	-	-	-
Due to banks and other financial institutions	157,479,739	25,354,908	79,635	-	-	-	-	182,914,282
Placements from banks and other financial institutions	10,980,716	1,736,903	-	-	-	-	-	12,717,619
Transactional financial liabilities	-	-	-	-	-	-	644,230	644,230
Derivative financial liabilities	-	-	-	-	-	-	3,941,283	3,941,283
Repurchase agreements	56,295,510	1,360,787	640,000	-	-	-	-	58,296,297
Customer deposits	473,750,070	135,560,790	9,401,724	5,496,472	8,216,903	-	-	632,425,959
Bonds payable	7,991,854	13,324,759	6,993,417	18,643,020	6,988,339	11,000,000	-	64,941,389
Other liabilities	-	-	-	-	-	-	15,945,601	15,945,601
Total liabilities	706,497,889	177,338,147	17,114,776	24,139,492	15,205,242	11,000,000	20,531,114	971,826,660
Net assets or liabilities	(142,759,951)	165,844,112	21,280,331	(5,855,576)	1,994,692	3,852,028	(4,037,052)	40,318,584

(In RMB'000)

IX. RISK MANAGEMENT *continued*

3. Market risk *continued*

(1) Interest rate risk *continued*

The Company uses sensitive analysis to measure the possible effect of interest fluctuation to the net interest income. The following chart shows the result of the interest rate sensitive analysis of 2009 and 2008 on the basis of the assets and liabilities on balance sheet date.

	2009-12-31 Interest rate fluctuation (basic point)		2009-12-31 Interest rate fluctuation (basic point)	
	(100)	100	(100)	100
Fluctuation of net interest income caused by interest rate risk	1,224,511	(1,224,511)	627,234	(627,234)
Fluctuation of equity caused by interest rate risk	1,931,070	(1,931,070)	922,067	(922,067)

The above sensitive analysis is based on a static interest rate construction. The related analysis only measures the fluctuation in one year and reflects the gain/ (loss) of the Company due to the effect of repricing of the assets and liabilities. It is based on the following assumptions: (1) all the prices of assets and liabilities within three months or over three months but still within one year are re-settled or be maturity during the term. (2) The yield curve moves parallel with the fluctuation of rate. (3) The portfolio of assets and liabilities has no other change. Thus, the result of the analysis would have a certain difference from the actual fluctuation of the Company's gain/ (loss) caused by the change of interest rate.

The sensitivity of equity change is based on the ending balance of available-for-sale financial assets, regarding to the assumption of parallel movement of profit rate curve, and is calculated through revaluation by setting interest rate change.

(2) Exchange rate risk

The currency risk of the Company is mainly caused by structural exposure such as the mismatching of assets and liabilities, foreign currency transactions and foreign capital.

The Financial Markets Department of the Company centrally controls the currency risk. The currency risk exposure due to all types of foreign exchange transactions at branch level should be centralized to the head office which will manage the unwinding and the risk exposure together.

Risk exposure between foreign currency and foreign currency. The management methods are discriminated into "overnight exposure limit" and "daily self-operation exposure". All the exposure are centralized to the treasure center simultaneously and managed together. The exposure is relatively small compared to the Company's asset scale, thus controllable.

Risk exposure between RMB and foreign currency. The Company mainly bears exchange risk exposure arising from RMB versus foreign currency, which mainly includes RMB transaction and foreign currency transactions. As an active RMB market maker, The Company controls the exposure limit positively. To avoid the risk of RMB appreciation, the combined cash position is tended to be zero, and the overnight exposure remains little. The biggest exchange rate exposure of The Company is the exposure between RMB and foreign currency bearing from the foreign capital business. Since the foreign capital is necessary for the foreign currency business, the Company adopts the risk retention tactic. The main methods of controlling the risk are to apply for capital settlement to the State Administration of Foreign Exchange Management Bureau or to settle foreign exchange through profit transformations.

(i) A breakdown of relevant financial assets and liabilities by currency as at 31 December, 2009 is as follows:

	RMB	USD	Others	Total
Assets:				
Cash and due from the Central Bank	171,176,396	521,038	206,853	171,904,287
Due from banks and other financial institutions	36,922,575	3,206,132	2,235,842	42,364,549
Placements with banks and other financial institutions	13,220,000	464,318	-	13,684,318
Transactional financial assets	3,363,443	41	-	3,363,484
Derivative financial assets	1,138,133	250,354	10,548	1,399,035
Reverse repurchase agreements	195,884,147	-	-	195,884,147
Loans and advances	687,175,688	4,525,259	261,588	691,962,535
Available-for-sale financial assets	109,619,807	1,451,407	76,936	111,148,150
Receivables	40,786,092	-	-	40,786,092
Held-to-maturity investments	40,915,539	1,243,111	195,587	42,354,237
Long term equity investments	81,250	-	-	81,250
Other assets	7,482,244	73,132	20,459	7,575,835
Total assets	1,307,765,314	11,734,792	3,007,813	1,322,507,919
Liabilities:				
Due to the Central Bank	40,400	-	-	40,400
Due to banks and other financial institutions	235,469,664	1,244,689	298,712	237,013,065
Placements from banks and other financial institutions	-	1,454,407	308,175	1,762,582
Transactional financial liabilities	-	-	-	-
Derivative financial liabilities	1,097,687	218,466	285,661	1,601,814
Repurchase agreements	45,146,336	764,149	-	45,910,485
Customer deposits	893,056,333	5,529,009	2,299,106	900,884,448
Bonds payable	68,927,864	-	-	68,927,864
Other liabilities	16,265,954	128,863	17,189	16,412,006
Total liabilities	1,260,004,238	9,339,583	3,208,843	1,272,552,664
Net position	47,761,076	2,395,209	(201,030)	49,955,255

(In RMB'000)

IX. RISK MANAGEMENT *continued*

3. Market risk *continued*

(2) Exchange rate risk *continued*

(ii) A breakdown of relevant financial assets and liabilities by currency as at 31 December, 2008 is as follows:

	RMB	USD	Others	Total
Assets:				
Cash and due from the Central Bank	126,798,870	747,448	277,532	127,823,850
Due from banks and other financial institutions	88,035,176	6,971,153	1,718,789	96,725,118
Placements with banks and other financial institutions	8,125,000	4,551,844	520,867	13,197,711
Transactional financial assets	6,691,169	42	-	6,691,211
Derivative financial assets	3,487,167	270,157	7,316	3,764,640
Reverse repurchase agreements	117,275,478	-	-	117,275,478
Loans and advances	488,008,827	1,873,711	103,236	489,985,774
Available-for-sale financial assets	76,646,401	521,586	-	77,167,987
Receivables	18,622,269	-	-	18,622,269
Held-to-maturity investments	53,897,103	1,604,290	38,494	55,539,887
Long term equity investments	387,697	-	-	387,697
Other assets	5,081,288	94,772	94,009	5,270,069
Total assets	992,749,998	16,635,003	2,760,243	1,012,145,244
Liabilities:				
Due to the Central Bank	-	-	-	-
Due to banks and other financial institutions	179,447,931	1,847,090	1,619,261	182,914,282
Placements from banks and other financial institutions	10,756,000	1,961,530	89	12,717,619
Transactional financial liabilities	644,230	-	-	644,230
Derivative financial liabilities	3,152,381	770,475	18,427	3,941,283
Repurchase agreements	58,296,297	-	-	58,296,297
Customer deposits	625,673,629	4,574,339	2,177,991	632,425,959
Bonds payable	64,941,389	-	-	64,941,389
Other liabilities	15,791,438	122,848	31,315	15,945,601
Total liabilities	958,703,295	9,276,282	3,847,083	971,826,660
Net position	34,046,703	7,358,721	(1,086,840)	40,318,584

The Company measured possible gain/ (loss) due to exchange rate changes by sensitivity analysis. Following table shows the results of exchange rate sensitivity analysis of assets and liabilities on December 31, 2009and December 31, 2008.

	2009-12-31		2008-12-31	
	Exchange rate fluctuation (%)		Exchange rate fluctuation (%)	
	(1)	1	(1)	1
Profit fluctuation caused by currency risk	(29,943)	29,943	(11,525)	11,525

The above sensitivity analysis is based on a static exchange frame of assets and liabilities. And the related assumptions are as follows: (1) The exchange rate sensitivity stands for the gain/ (loss) caused by a 1% fluctuation of the closing quotation exchange rate (middle price) of foreign currency versus RMB on the balance sheet date. (2) The undulation among different currencies means the changing exchange between different foreign currencies and RMB in the same direction simultaneously. (3) It includes current and forward foreign exchange exposure when calculating the foreign exposure. As the results are based on the above assumptions, the actual fluctuation of the Company's net gain/ (loss) due to the fluctuation of exchange rate may be different from the result of the sensitive analysis.

4. Liquidity risk

The assets and liabilities management committee supervises the liquidity risk on behalf of the Company to ensure that liquidity is under control. The committee normally carries out the following work: 1) authorizing and deciding: (a) policies on liquidity risk management; (b) monitoring indexes and alarming limits of liquidity risk; (c) methods of liquidity risk management; 2) listening and discussing reports of liquidity risk periodically.

The Company monitors liquidity indicators, including excess reserves ratio, liquidity ratio, and loan- deposit ratio, defines threshold values and tolerable values, and generates a comprehensive report based on the match case of the above indicators and maturity of cashflow of the Company's assets and liabilities, as well as liquidity condition of macro economic and inter-bank market. The report forms an integral part of the asset liability report which is submitted to the Asset and Liability Management Committee for consideration. The report is also submitted to the Risk Management Committee, with credit risk, liquidity risk and operational risk analysis, as the comprehensive risk analysis report, for consideration.

(In RMB'000)

IX. RISK MANAGEMENT *continued*

4. Liquidity risk *continued*

(1) A maturity analysis of financial assets and liabilities of the Company as at 31 December, 2009 is as follows:

	Overdue	On demand	less than 3 months	3 months to 1 year	1 to 5 years	over 5 years	Unlimited duration	Total
Assets:								
Cash and due from the Central Bank	-	129,928,394	14,732,389	16,483,785	7,910,776	127	2,904,339	171,959,810
Due from banks and other financial institutions	21,075	16,869,493	23,355,590	1,964,018	382,939	-	-	42,593,115
Placements with banks and other financial institutions	116,701	-	9,200,427	4,292,653	306,641	-	-	13,916,422
Transactional financial assets	-	41	89,832	291,794	2,973,117	444,311	-	3,799,095
Reverse repurchase agreements	-	-	157,748,317	27,169,641	13,148,404	303,982	-	198,370,344
Loans and advances	4,944,012	-	92,569,667	242,873,461	301,537,109	207,431,671	-	849,355,920
Available-for-sale financial assets	-	-	980,536	8,599,831	85,437,538	33,044,908	80,197	128,143,010
Receivables	-	-	8,960,124	19,673,077	12,758,873	3,018,336	-	44,410,410
Held-to-maturity investments	-	-	3,599,428	12,291,766	25,716,819	5,464,374	-	47,072,387
Long term equity investments	-	-	-	-	-	-	81,250	81,250
Other assets(excluding interest receivable)	6,048	697,418	100,959	1,025,761	1,488,223	34,156	-	3,352,565
Total assets	5,087,836	147,495,346	311,337,269	334,665,787	451,660,439	249,741,865	3,065,786	1,503,054,328
Liabilities:								
Due to the Central Bank	-	-	16,494	24,103	-	-	-	40,597
Due to banks and other financial institutions	-	159,468,578	58,497,001	18,717,976	1,009,375	-	-	237,692,930
Placements from banks and other financial institutions	-	-	1,629,240	138,006	-	-	-	1,767,246
Transactional financial liabilities	-	-	-	-	-	-	-	-
Repurchase agreements	-	-	45,372,319	669,212	-	-	-	46,041,531
Customer deposits	-	553,938,546	135,782,604	151,345,296	72,742,713	1,163	-	913,810,322
Bonds payable	-	-	7,660,200	2,030,848	48,106,017	23,039,508	-	80,836,573
Other liabilities(excluding interest receivable)	-	1,847,251	6,888,454	518,811	1,376,174	48,996	-	10,679,686
Total liabilities	-	715,254,375	255,846,312	173,444,252	123,234,279	23,089,667	-	1,290,868,885
Net position of assets and liabilities	5,087,836	(567,759,029)	55,490,957	161,221,535	328,426,160	226,652,198	3,065,786	212,185,443
Cashflow of derivative instruments:								
Net amount settlement	-	-	(11,100)	(2,862)	65,654	(2,728)	-	48,964
Total amount settlement	-	-	811,580	(44,857)	1,344	-	-	768,067
Include: Cash inflow	-	-	60,313,860	56,466,203	1,196,865	-	-	117,976,928
Cash outflow	-	-	(59,502,280)	(56,511,060)	(1,195,521)	-	-	(117,208,861)

(2) A maturity analysis of financial assets and liabilities of the Company as at 31 December, 2008 is as follows:

	Overdue	On demand	less than 3 months	3 months to 1 year	1 to 5 years	over 5 years	Unlimited duration	Total
Assets:								
Cash and due from the Central Bank	-	94,019,393	10,279,209	14,752,502	5,356,751	1,146,933	2,307,180	127,861,968
Due from banks and other financial institutions	21,075	15,684,522	24,666,395	55,236,251	3,033,292	-	-	98,641,535
Placements with banks and other financial institutions	116,701	-	9,259,823	3,808,161	290,688	-	-	13,475,373
Transactional financial assets	-	43	175,810	1,997,138	4,000,700	1,120,373	-	7,294,064
Reverse repurchase agreements	-	-	94,645,695	22,758,646	947,092	726,407	-	119,077,840
Loans and advances	5,334,133	-	74,035,194	242,850,642	136,959,255	146,333,552	-	605,512,776
Available-for-sale financial assets	-	-	409,534	39,891,472	25,905,767	22,237,984	84,315	88,529,072
Receivables	-	-	513,761	1,810,748	17,242,557	590,128	-	20,157,194
Held-to-maturity investments	-	-	698,790	15,480,625	36,524,939	8,989,168	-	61,693,522
Long term equity investments	-	-	-	-	-	-	81,250	81,250
Other assets(excluding interest receivable)	192,915	211,923	46,371	300,120	485,125	22,644	-	1,259,098
Total assets	5,664,824	109,915,881	214,730,582	398,886,305	230,746,166	181,167,189	2,472,745	1,143,583,692
Liabilities:								
Due to the Central Bank	-	-	-	-	-	-	-	-
Due to banks and other financial institutions	-	129,233,588	28,701,442	25,947,706	87,969	-	-	183,970,705
Placements from banks and other financial institutions	-	-	11,004,898	1,809,636	-	-	-	12,814,534
Transactional financial liabilities	-	-	644,230	-	-	-	-	644,230
Repurchase agreements	-	-	56,500,275	1,411,492	680,259	-	-	58,592,026
Customer deposits	-	330,169,695	100,900,577	146,984,853	57,088,616	11,391,301	-	646,535,042
Bonds payable	-	-	3,765,350	4,874,682	53,613,336	13,523,400	-	75,776,768
Other liabilities(excluding interest receivable)	-	1,165,210	7,390,599	625,042	459,494	1,348	-	9,641,693
Total liabilities	-	460,568,493	208,907,371	181,653,411	111,929,674	24,916,049	-	987,974,998
Net position of assets and liabilities	5,664,824	(350,652,612)	5,823,211	217,232,894	118,816,492	156,251,140	2,472,745	155,608,694
Cashflow of derivative instruments:								
Net amount settlement	-	-	4,142	(53,209)	32,393	(7,415)	-	(24,089)
Total amount settlement	-	-	(903,535)	(13,453)	(109,260)	12,231	-	(1,014,017)
Include: Cash inflow	-	-	33,117,491	35,307,807	4,102,815	144,686	-	72,672,799
Cash outflow	-	-	(34,021,026)	(35,321,260)	(4,212,075)	(132,455)	-	(73,686,816)

IX. RISK MANAGEMENT *continued*

5. Operational risk

Operational risk is the risk of a direct or indirect loss resulting from incorrectly or insufficiently set up internal processes, or from errors caused by systems, persons or external factors.

The Company has already defined, assessed, controlled, managed and reported its operational risks by establishing some rules and procedures in order to assess the testing of internal controls. The system includes all business sections involving finance, loan, accounting, settlement, deposit, funds, agency, information system application and management, asset maintenance and law affairs. It helps the Company to comprehensively identify and recognize the whole major products, activities, processes, and internal operational risk of the system. The main internal control measures consist of which as following:

(1) Continue to enhance the establishment of rules and regulations and normalize the management and operation flows of all kinds of business as well as to implement the supervision and restriction among each department, position and panel point during that process.

(2) Combining the key point which may cause the risk in process, in connection with the business variety, process and legal contract etc. to sort out relevant suggestions and to distribute to each branch and operating unit for the purpose of increasing the operational risk awareness of relevant staff.

(3) Promote the specialization and centralization in order to gradually set up processing centre such as professional loan centre as well as disbursement and settlement centre.

(4) Emphasize the labor division and staff training in post.

(5) Business departments and management departments are responsible for their own operational risk respectively by using internal examination and accountability system so as to strengthen the subsequent supervision and specify each staff's responsibility.

(6) Intensify the punishment of internal control by using internal auditing and accountability mechanism. Internal auditing department examines and evaluates the risk management policy and procedure and internal control independently. Based on the evaluation of the risk level for different business sectors and branches, the Audit Department decides the frequency and the order of auditing process.

(7) Specially concern the risk management while conducting the guidance and acceptance check of newly established departments or branches.

X. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties at an arm's length transaction. Subject to the existence of an active market, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. As there is no available market value for part of the financial assets and liabilities held and issued by the Company, the discounted cash flow method or other valuation methods described below are adopted to determine the fair value of these assets and liabilities. However, the value determined by such methods is subject to the impact of future cash flows, time assumption and discount rates used.

Assumptions used to estimate fair value:

(1) Financial assets and liabilities at fair value through profit or loss (including transactional financial assets and liabilities, derivative financial assets and liabilities) and available-for-sale financial assets are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available then fair values are estimated on the basis of pricing models or discounted cash flows. The carrying amount of the asset is its fair value.

(2) Held-to-maturity investments, receivables and bonds payables are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available then fair values are estimated on the basis of pricing models or discounted cash flows. These items' book values and fair values are stated below:

	2009-12-31		2008-12-31	
	Book value	Fair value	Book value	Fair value
Held-to-maturity investments	42,354,237	42,614,229	55,539,887	55,983,667
Receivables	18,830,423	18,828,452	16,779,276	16,787,598
Bonds payables	68,927,864	68,137,517	64,941,389	64,543,664

(3) The fair values of financial assets and liabilities maturing within 12 months are assumed to be approximately equal to their carrying amounts.

(4) The fair value of fixed rate loans is estimated by comparing the market interest rates offered when the loans are granted, with the current market rates offered on similar loans. The applicable interest rates of most loans are repriced once every year for any changes in market interest rate and accordingly their fair values approximate to their carrying amounts. Changes in the credit quality of loans within the portfolio are not taken into account in determining the gross fair values as the impact of credit risk is recognized separately by deducting the amount of impairment provision from the carrying amount.

(5) The interest rates of deposits from customers, floating or fixed, depend on the types of products. The fair values of demand deposits and saving deposits without specific maturity date represent the amounts payable to customers at any moment. Due to the short-term nature of most fixed deposits, the fair values of the fixed deposits approximate to their carrying values.

XI. CAPITAL MANAGEMENT

The Company formulated the "2009-2012 Capital Management Plan" in 2009, starting from business strategy, risk conditions and regulatory requirements, based on the analysis of the situation inside and outside the Company, making a reasonable forecast of the business development for the next three years, clearly demonstrating growth rate of assets, capital requirements and supplementary channel for capital, fully demonstrating the necessity and feasibility of additional capital, making clear that the level of capital adequacy ratio and core capital adequacy ratio which the Company should maintain to achieve healthy, sustainable and rapid development. In specific operation, maximizing shareholders' value will be the ultimate goal of the Company, which will be achieved by the following:

1. Ensuring that the total amount of available capital match the Company's current and future business development plans as well as the expected capital adequacy ratio;

2. Selecting the appropriate capital instrument portfolio to raise capital and manage the balance;

3. Ensuring that the funds raised are invested in a suitable manner, in order to maximize shareholders' return.

(In RMB'000)

XI. CAPITAL MANAGEMENT *continued*

The Company has calculated and disclosed core capital and supplementary capital as follows according to the "Measures for the Management of Capital Adequacy Ratio of Commercial Banks" issued by CBRC.

	2009-12-31	2008-12-31
Net core capital	56,662,635	46,218,497
Capital base	77,027,395	57,969,155
Risk-weighted assets and market risk capital adjustment	716,204,884	513,679,432
Core capital adequacy ratio	7.91%	9.00%
Capital adequacy ratio	10.75%	11.29%

Note 1: Net core capital = Core capital- Deductions

Core capital includes capital shares, capital reverses, surplus reverses and retained earnings;

Note 2: Capital base = Core capital+ Supplementary capital- Deductions

Supplementary capital includes revaluation reserve, general provision, long term subordinated debts and hybrid debts.

XII. CONTINGENCIES

1. Pending legal proceedings

As at 31 December 2009, the pending legal proceedings against the Company or its branches involved claims amounting to RMB 75 million. In the opinion of management of the Company, these legal proceedings do not have significant adverse impact on the Company's financial position and its operating result.

XIII. Commitment

1. Credit commitment

	2009-12-31	2008-12-31
Undrawn credit limit of credit card facilities	19,521,802	31,797,873
Letter of credit	5,905,879	5,528,190
Letter of guarantee	7,733,390	5,839,981
Bank acceptance	131,401,091	123,840,890
Total	164,562,162	167,006,934

2. Capital expenditure commitment

	2009-12-31	2008-12-31
Ratified but not signed	117,942	269,250
Signed but not appropriated	528,641	455,991
Total	646,583	725,241

3. Operating lease commitment

At the end of each accounting period, the lowest rental payables of the Company according to the irrevocable house lease agreements in the following terms are:

	2009-12-31	2008-12-31
Within one year	727,808	560,512
One to five years	2,130,640	1,634,778
Over five years	1,137,376	862,399
Total	3,995,824	3,057,689

4. Bearer treasury bonds redemption commitments

The Company is entrusted by the MOF to issue certain Bearer Treasury Bonds. The investors of Bearer Treasury Bonds have a right to redeem the bonds at par any time prior to maturity and the Company is committed to redeem those bonds. The redemption price is the principal value of the Bearer Treasury Bonds plus unpaid interest. The principal value of the bonds underwritten and sold by the Company which have not matured and have not been redeemed are listed as follows:

	2009-12-31	2008-12-31
Bearer treasury bonds redemption commitments	5,011,382	4,284,269

Management expects the amount of redemption before the maturity dates through the Company will not be material.

XIV. FIDUCIARY TRANSACTIONS

	2009-12-31	2008-12-31
Entrusted loans	36,285,586	30,176,857
Entrusted deposits	36,285,586	30,176,857
Fiduciary wealth management assets	113,657,926	42,960,654
Fiduciary wealth management funds	113,657,926	42,960,654

Entrusted deposits/loans represent funds which depositors have instructed the Company to use to make loans to third parties designated by them. The credit risk remains with the depositors.

Fiduciary wealth management business means that the Company acts in a fiduciary capacity as a custodian or an agent for customers and is responsible for running and managing customers' assets. Fiduciary wealth management funds represent the funds that the Company obtained from customers while fiduciary wealth management assets represent the investment sum that the Company invests using entrusted funding from customers.

XV. Post balance sheet event

1. Profit distribution after balance sheet date

Pursuant to the resolution of "Proposal of 2009 Profit Distribution of Industrial Bank" passed at the 21th Session of the 6th Board of Directors on March 2, 2010, a cash dividend of RMB 0.5 per ordinary share (tax inclusive) was proposed. The dividends (totaling RMB 2.5 billion) are not recognized as a liability as at December 31, 2009. This proposal is subject to submission to the general shareholders' meeting for approval.

2. Allowed to open branches

In accordance with the document "Approval of the Opening of Hohhot Branch of Industrial Bank Co., Ltd. (YJF [2010] No.10) issued by the Inner Mongolia office of the CBRC, the Hohhot Branch is allowed to open.

XVI. OTHER MATERIAL EVENTS

1. Issuance of subordinated debts

In accordance with the document "Approval of issuing subordinated debts by the Industrial Bank Co., Ltd." (YJF [2009] No. 260) issued by the CBRC and the "Written Decision on Administrative Permission Granted by the PBOC" (YSCXZYZ [2009] No. 54) issued by the PBC, The Company was approved to issue RMB 2.005 billion subordinated debts"09 IB 01" (5+5 fixed interest rate) and RMB 7.995 billion subordinated debts "09 IB 02" (10+5 fixed interest rate) in the inter-bank bond market in September 2009. The funds raised from issuing subordinated debts will be used to replenish the Company's capital base, to add supplementary capital and to enhance the capital adequacy ratio in accordance with applicable laws and regulatory approvals.

2. Equity interests transferred

The Company sold 120,640 thousand equity interest of the Industrial Securities Co., Ltd. held by Fuzhou and Xiamen branches to the Finance Bureau of Fujian Province, The total price of the equity interests transferred amounting to RMB804,669 thousand (RMB6.67 per share). According to the contract, the price is paid by installments. The first installment amounting to RMB 241,401 thousand has been received by the end of 2009; second installment of RMB 563,268 thousand should be paid within one year from the effective date of the contract and no later than December 31, 2010.

RMB753,394 thousand income for the disposal of available-for-sale equity investments has been recognized by the Company in 2009.

3. Allowed to open branch

Pursuant to the document "Approval Regarding the Opening of Shijiazhuang Branch and the Qualification of Senior Management Personnel" (YJF [2009] No. 136) issued by Hebei Office of the CBRC, the Shijiazhuang Branch of the Company is allowed to open.

4. Proposed to increase capital

Pursuant to the resolution of the allotment program passed at the 1st Extraordinary General Meeting held in December 8, 2009, the Company proposed to allot no more than 2.5 shares per 10 shares to all shareholders of the Company. Under the principle that the allotment price is not more than the net asset value per share determined by the most recent domestic audit before the allotment, the allotment price is determined using market discount method. The resolution is effective for 18 month from the date on which the resolution was approved by the shareholders' meeting of the Company.

5. Approval for branch preparatory establishment

Pursuant to the "Approval of Preparation of Hohhot Branch of the Industrial Bank Co., Ltd." (YJF [2009] No. 361) and the "Approval of Preparation of Chang Chun Branch of the Industrial Bank Co., Ltd." (YJF [2009] No. 497), the preparatory establishments of Hohhot Branch and Changchun Branch were approved.

6. Permitted to engage in insurance funds custody business

Pursuant to the document "Assessment Letter with regard to Commercial Banks to Engage in Insurance Funds Managed Operations" (BJZJPGH [2009] No.2) issued by the Insurance Funds Supervision Department of CIRC, the Company is permitted to engage in insurance funds custody business.

7. Assets and liabilities measured at fair value

	2008-12-31	Profits and losses on the changes in fair value of the period	Changes in fair value that directly recognized in equity	Impairment loss provision of the period	2009-12-31
Asset:					
(1) Transactional financial asset	6,691,211	(30,844)	-	-	3,363,484
(2) Precious metal	-	(560)	-	-	126,384
(3)Derivative financial asset	3,764,640	(2,365,605)	-	-	1,399,035
(4) Available-for- sale financial asset	77,167,987	-	(421,618)	-	111,148,150
Total	87,623,838	(2,397,009)	(421,618)	-	116,037,053
Liability:					
(1)Transactional financial liability	644,230	44,283	-	-	-
(2)derivative financial liability	3,941,283	2,339,469	-	-	1,601,814
Total	4,585,513	2,383,752	-	-	1,601,814

8. Main contents and changes of the annuity plan

The Company has set up an annuity plan for employees to supplement the retirement benefit since 2007. The Company and its employees are required to contribute a certain percentage of last year’s salary of employees to the annuity plan. The annuity fund creates personal account for each employee, as well as creates a common account by account manager. Funds in the common account are administrated by the Company, and may be used to make an one-off compensation of the difference when an employee whose accumulative amount of retirement benefit paid by the Company is lower than current retirement benefit level at the time the employee retires. No change is made for the annuity plan during the year.

(In RMB'000)

XVII. SUPPLEMENTAL DOCUMENTS

1. Non-recurring gains & losses

In accordance with the requirement of "Public Offering of Securities Companies to Disclose Information Explanatory Notice No. 1- Non-recurring Gains and Losses" (2008) (ZJHGG [2008] No. 43) issued in 31 October 2008, the calculation of non-recurring gains and loss is listed as follow:

Item	2009	2008
Net profit	13,281,943	11,385,027
Non-recurring gains and losses:		
Gains and losses from disposal of non-current asset	774,505	174,134
Recovery of impairment provision for receivables which individually tested for impairment	76,422	-
Recovery of assets previously written off	101,674	28,370
Non-operating income and expense other than above items	(8,403)	62,635
Subtotal of non-recurring gains and losses	944,198	265,139
Less: effects on income tax	(258,387)	(67,566)
Non-recurring gains and losses, net	685,811	197,573
Net profit excluding extraordinary items	12,596,132	11,187,454

The Company defines following items as recurring gains and losses which are specified in the "Public Offering of Securities Companies to Disclose Information Explanatory Notice No. 1- Non-recurring Gains and Losses" as non recurring gains and losses:

	2009	2008	Reason
Except for the effective hedging related to the day to day operation, profits and losses on the changes in fair value of the period resulting from holding of transactional financial assets and liabilities, and investment income resulting from disposal of transactional financial assets and liabilities and available-for-sale financial assets.	116,055	8,160	The transaction related to the Company's day to day business

2. Difference between financial statements based on Chinese Accounting Standard (CAS) and International Financial Reporting Standard (IFRS)

(1) Net profit difference

	2009	2008
Amount based on Chinese GAAP	13,281,943	11,385,027
Adjustments	-	-
Amount based on IFRS	13,281,943	11,385,027

(2) Net asset difference

	2009-12-31	2008-12-31
Amount based on Chinese GAAP	59,597,462	49,022,046
Adjustments	-	-
Amount based on IFRS	59,597,462	49,022,046

The international auditor of the Company is Ernst & Young.

3. Return on equity and earnings per share

Profit of reporting period	2009		
	Weighted average ROE (%)	EPS (Yuan)	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	24.54	2.66	2.66
Net profit attributable to the Company's ordinary shareholders after nonrecurring gains and loses	23.27	2.52	2.52

Profit of reporting period	2008		
	Weighted average ROE (%)	EPS (Yuan)	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's ordinary shareholders	26.06	2.28	2.28
Net profit attributable to the Company's ordinary shareholders after nonrecurring gains and loses	25.61	2.24	2.24

XVIII. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 2, 2010.

According to the Articles of Association of the Company, the financial statements will be submitted for discussion on the general shareholders' meeting.

Industrial Bank Co., Ltd.

March 2, 2010

Legal representative:

President:

Financial Director:

GREEN HAPPINESS

36 principal branches, 22,000 employees and 36 smiling faces.

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/ Forging a happy society with harmonious development
/ Constructing a beautiful environment for happy living

CONTENTS

INDUSTRIAL BANK CO., LTD.

Audited Financial Statements
(Prepared in accordance with International Financial Reporting Standards)

31 December 2009

Important Notice

The attached financial statements have been translated from financial statements written in Chinese (as prepared in accordance with International Financial Reporting Standards) for reference by Industrial Bank's management. In the event of any differences in interpreting the financial statements, the financial statements in Chinese shall prevail.

ERNST & YOUNG
安 永

INTERNATIONAL AUDITORS' REPORT

To the shareholders of Industrial Bank Co., Ltd.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2009, and of its financial operating results and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Hong Kong Certified Public Accountants

2 March 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

(In RMB'000)

	Notes	2009	2008
Interest income	3	50,038,804	52,524,863
Interest expense	3	(22,837,067)	(26,332,408)
Net interest income	3	27,201,737	26,192,455
Net fee and commission income	4	3,115,995	2,623,844
Other income, net	5	1,181,046	937,275
OPERATING INCOME		31,498,778	29,753,574
Staff costs	6	(5,185,155)	(5,060,366)
General and administrative expenses	7	(5,664,045)	(4,788,869)
Depreciation		(624,362)	(499,309)
Business tax and surcharges		(2,321,138)	(1,956,511)
Provision for loans	16(d)	(559,130)	(3,237,662)
Provision for impairment of other assets	8	40,671	(178,760)
OPERATING PROFIT		17,185,619	14,032,097
Share of profits of associates		43,866	5,192
PROFIT BEFORE TAX		17,229,485	14,037,289
Income tax	9	(3,947,542)	(2,652,262)
PROFIT FOR THE YEAR		13,281,943	11,385,027
EARNINGS PER SHARE			
- Basic (in RMB)	10	2.66	2.28
OTHER COMPREHENSIVE INCOME			
Share of other comprehensive income of associates, net of tax		(9,396)	4,876
Unrealized gain or loss of available-for-sale financial assets			
- Unrealized gain/(loss) resulted from changes in fair value		(538,824)	270,493
- Transfer to income statement from other comprehensive income		(57,350)	176,384
- Deferred tax effect on changes in fair value	9	149,043	(111,810)
Other comprehensive income, net of tax		(456,527)	339,943
Total comprehensive income		12,825,416	11,724,970

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009
(In RMB'000)

	Notes	31-12-2009	31-12-2008
ASSETS			
Cash and balances with the Central Bank	11	171,904,287	127,823,850
Due from and placements with banks and other financial institutions	12	56,048,867	109,922,829
Financial assets at fair value through profit or loss	13	3,363,485	6,691,211
Derivative financial assets	14	1,399,035	3,764,640
Reverse repurchase agreements	15	195,884,147	117,275,478
Loans	16	691,962,536	489,985,774
Available-for-sale financial assets	17	111,223,579	77,197,751
Held-to-maturity investments	18	42,224,611	55,360,769
Loans and receivables investments	19	40,786,092	18,622,269
Investment in an associate	20	334,955	306,447
Fixed assets	21	6,282,968	5,442,148
Intangible assets	22	323,407	350,853
Deferred tax assets	9	1,838,180	1,993,316
Other assets	23	8,585,403	6,161,491
TOTAL ASSETS		1,332,161,552	1,020,898,826
LIABILITIES			
Due to Central Bank		40,400	-
Due to and placements from banks and other financial institutions	24	238,775,646	195,631,901
Financial liabilities at fair value through profit or loss		-	644,230
Derivative financial liabilities	14	1,601,814	3,941,283
Repurchase agreements	25	45,910,485	58,296,297
Customer deposits	26	900,884,448	632,425,959
Bonds issued	27	68,927,864	64,941,389
Deferred tax liabilities		-	49,517
Other liabilities	28	16,423,433	15,946,204
TOTAL LIABILITIES		1,272,564,090	971,876,780
SHAREHOLDERS' EQUITY			
Share capital	29	5,000,000	5,000,000
Capital surplus	30	17,560,173	17,560,173
Surplus reserves	31	3,403,214	3,403,214
General reserve	32	8,100,629	6,380,278
Retained earnings	33	25,854,179	16,542,587
Other reserves net of tax		(320,733)	135,794
TOTAL SHAREHOLDERS' EQUITY		59,597,462	49,022,046
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,332,161,552	1,020,898,826

These financial statements have been approved by the Board of Directors.

Director 高建平 印

Director 李仁杰 印

Chop 兴业银行股份有限公司 INDUSTRIAL BANK CO., LTD.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

(In RMB'000)

	Share Capital	Capital Surplus	Surplus Reserves	General Reserve	Retained Earnings	Other Reserves Net of Tax	Total Equity
As at 1 January 2009	5,000,000	17,560,173	3,403,214	6,380,278	16,542,587	135,794	49,022,046
Profit for the year	-	-	-	-	13,281,943	-	13,281,943
Other comprehensive income	-	-	-	-	-	(456,527)	(456,527)
Total comprehensive income	-	-	-	-	13,281,943	(456,527)	12,825,416
Surplus reserves	-	-	-	-	-	-	-
General reserve (note 32)	-	-	-	1,720,351	(1,720,351)	-	-
Dividend (note 34)	-	-	-	-	(2,250,000)	-	(2,250,000)
As at 31 December 2009	5,000,000	17,560,173	3,403,214	8,100,629	25,854,179	(320,733)	59,597,462

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

(In RMB'000)

	Share Capital	Capital Surplus	Surplus Reserves	General Reserve	Retained Earnings	Other Reserves Net of Tax	Total Equity
As at 1 January 2008	5,000,000	17,560,173	2,264,711	4,773,867	9,502,474	(204,149)	38,897,076
Profit for the year	-	-	-	-	11,385,027	-	11,385,027
Other comprehensive income	-	-	-	-	-	339,943	339,943
Total comprehensive income	-	-	-	-	11,385,027	339,943	11,724,970
Surplus reserves	-	-	1,138,503	-	(1,138,503)	-	-
General reserve (note 32)	-	-	-	1,606,411	(1,606,411)	-	-
Dividend	-	-	-	-	(1,600,000)	-	(1,600,000)
As at 31 December 2008	5,000,000	17,560,173	3,403,214	6,380,278	16,542,587	135,794	49,022,046

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

(In RMB'000)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	17,229,485	14,037,289
Adjustments for:		
Interest income	(50,038,804)	(52,524,863)
Interest expense	22,837,067	26,332,408
Foreign exchange differences	(52,719)	355,483
Depreciation	624,362	499,309
Amortisation of intangible assets	69,214	65,756
Provisions for loan losses and provisions for impairment of assets	518,459	3,416,422
Unrealised gain on financial instruments at fair value through profit or loss	13,257	124,373
Net loss from trading precious metals	(70,180)	(185,243)
Net loss on disposal of fixed assets	(15,629)	(4,237)
Net loss on disposal of investments	(887,371)	(252,637)
Dividend income	(20,164)	(1,000)
Share of net profits of an associate	(43,866)	(5,192)
Net increase/(decrease) in operating assets:		
Deposits with the Central Bank and fiscal deposits	(33,239,519)	(7,896,897)
Due from and placements with banks and other financial institutions	51,222,512	(48,224,703)
Reverse repurchase agreements	(52,086,143)	(2,647,812)
Loans	(202,018,636)	(100,603,775)
Operating receivables	(1,581,474)	70,266
Net increase/(decrease) in operating liabilities:		
Due to and placements from banks and other financial institutions	43,143,745	3,517,727
Repurchase agreements	(12,385,812)	15,499,130
Customer deposits	268,458,489	127,055,103
Operating payables	2,071,594	1,279,615
Net cash inflow/(outflow) from operating activities before interest and income tax	53,747,867	(20,093,478)
Interest received	43,402,640	47,525,214
Borrowing from Central Bank	40,598	-
Interest paid	(20,606,614)	(21,633,933)
Income tax paid	(4,719,011)	(2,437,996)
NET CASH INFLOW FROM OPERATING ACTIVITIES	71,865,480	3,359,807

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

(In RMB'000)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from maturity or disposal of investments	576,864,093	768,176,506
Interest received from bond investments	6,610,454	5,046,484
Dividends received from equity investments	20,164	1,000
Cash received from disposal of fixed assets	25,122	30,088
Cash received from disposal of long-term assets	51	-
Cash paid for purchase of fixed assets	(1,464,514)	(1,542,020)
Cash paid for purchase of intangible assets	(41,819)	(40,723)
Cash paid for purchase of investments	(618,237,021)	(792,604,651)
Cash paid for purchase of associates	-	(296,380)
Cash (paid for)/received from trading of precious metals	(56,763)	2,525,623
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(36,280,233)	(18,704,073)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from issuance of long-term bonds	10,000,000	15,000,000
Cash paid for redemption of long-term bonds	(6,000,000)	(10,000,000)
Interest paid for bonds issued	(2,676,483)	(2,216,833)
Cash paid for dividends	(2,249,492)	(1,598,745)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(925,975)	1,184,422
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	52,719	(355,483)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34,711,991	(14,515,327)
Cash and cash equivalents at beginning of year	148,111,880	162,627,207
CASH AND CASH EQUIVALENTS AT END OF YEAR	182,823,871	148,111,880
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash on hand and general deposits with the Central Bank	72,523,209	61,682,291
Due from banks and other financial institutions with original maturity less than three months	35,344,200	38,247,679
Reverse repurchase agreements with original maturity less than three months	67,496,729	40,974,203
Placements with banks and other financial institutions with original maturity less than three months	7,459,692	7,207,664
Investments with original maturity less than three months	41	43
	182,823,871	148,111,880

The accompanying notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

(In RMB'000)

1. CORPORATE INFORMATION

Industrial Bank Co., Ltd. (the "Company", formerly known as Fujian Industrial Bank Co., Ltd.) was established on 22 August 1988 with the approval of the State Council and the People's Bank of China ("PBOC") as a joint stock commercial bank, and was listed on the Shanghai Stock Exchange on 5 February 2007. The Company's registered address is No. 154 Hudong Road, Fuzhou, Fujian Province, the People's Republic of China (the "PRC"). The legal representative of the Company is Mr. Gao Jianping.

The Company is principally engaged in the banking business approved by the PBOC. The scope of the banking business as stated in the business license includes accepting deposits from the public; granting short-term, medium-term and long-term loans; settlement services; discounting bills and notes; issuing financial bonds; issue and encashment, underwriting and trading 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 service; credit investigation, advisory and attestation services; and other banking activities approved by China Banking Regulatory Commission ("CBRC") of the PRC. (The licensed businesses among above stated scope must be permitted by relevant authorities before its operation.)

2.1 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the judgements and estimates set out in note 2.2 and the accounting policies set out in note 2.3, which comply with International Financial Reporting Standards ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee's interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect. Disclosures have been made, in all material respects, in accordance with the IFRS and in a format appropriate to the business environment of the Company and the PRC.

The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value.

The Company prepares its statutory financial statements in accordance with Chinese Accounting Standards as established by the Ministry of Finance ("MOF") of the PRC on 15 February 2006. There are no material differences in major items between the accounting policies and basis of preparation used in preparing statutory financial statements and the IFRS, other than the presentation and disclosure in the financial statements.

The Company has adopted the following relevant new and revised IFRS and International Financial Reporting Interpretation Committee's ("IFRIC") interpretations during the year.

IFRS 7 Amendments	Financial Instruments: Disclosures–Improving Disclosure about Financial Instruments
IFRS 8	Operating Segments
IAS 1 Amendments	Presentation of Financial Statements
IAS 32 and IAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 9 and IAS 39 Amendments	Reassessment of Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes

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

The amended IFRS 7 requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, the reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The fair value measurement disclosures are presented in Note 43, and the amendment for the revised liquidity risk disclosures has had no significant impact to the financial statement disclosure of the Company.

New IFRS 8 replaces IAS 14 Segment Reporting. The Company concluded that the segments determined in accordance with IFRS 8 are the same as the segments previously identified under IAS 14. It did not have significant impact on the disclosure to the notes to financial statements of the Company.

The revised IAS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. The Company has selected to present in one single statement.

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of the amendments has had no impact on the financial position or results of operating results of the Company.

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. IFRIC 13 has no specific provisions on transition. The Company should apply the changes retrospectively and restate prior year financial information, in accordance with IAS 8. The interpretation had no significant impact on the financial position or operating results of the Company.

Apart from the above, the IASB has also issued its improvements to IFRSs*, which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009, although there are separate transitional provisions for each standard.

* Improvements to IFRSs contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

(In RMB'000)

2.1 BASIS OF PRESENTATION *continued*

The Company has not applied the following new and revised IFRS and IFRIC interpretations, which have been issued but are not yet effective.

IFRS 1 (Revised)	First-time Adoption of International Financial ReportingStandards (1)
IFRS 1 Amendments	First-time Adoption of International Financial Reporting Standards-Additional Exemptions for First-time Adopters(2)
IFRS 2 Amendments	Group Cash-settled Share-based Payment Transactions (2)
IFRS 3 (Revised)	Business Combination (1)
IFRS 9	Financial Instruments (6)
IAS 24 (Revised)	Related Parties Disclosures (5)
IAS 27 (Revised)	Consolidated and Separate Financial Statements (1)
IAS 32 Amendments	Financial Instruments: Presentation-Classification of Rights Issues (3)
IAS 39 Amendments	Eligible Hedged Items (1)
IFRIC 14 Amendments	Prepayments for Minimum Funding Requirements (5)
IFRIC 17	Distributions of Non-cash Assets to Owners (1)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (4)

(1) Effective for annual periods beginning on or after 1 July 2009

(2) Effective for annual periods beginning on or after 1 January 2010

(3) Effective for annual periods beginning on or after 1 February 2010

(4) Effective for annual periods beginning on or after 1 July 2010

(5) Effective for annual periods beginning on or after 1 January 2011

(6) Effective for annual periods beginning on or after 1 January 2013

The Company is currently assessing the impact of initial adoption of these new and revised IFRSs and IFRIC interpretations. The amendment which is expected to have significant impact on the Company is as below:

IFRS 9 issued in November 2009 is the first part of the phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial asset. Instead of classifying financial assets in to four categories, an entity shall classify financial assets as subsequently measured at either amortised cost of fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of the financial assets compared with the requirements of IAS 39. In addition, it requires one impairment method to be used, which is currently still an exposure draft for users' feedback.

Except for IFRS 9, the management does not expect for the adoption of these new and revised IFRSs to have significant impact on the Company's results of operations and financial position.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effect on the financial statements:

Classification of investments

In evaluating the classification of investments, significant management judgements are required. Different classifications of investments result in different accounting treatments and hence different financial positions of the Company. If the Company fails to correctly classify its investments, the Company may need to reclassify the whole investment portfolio.

Derecognition of Financial Instruments

The management of the Company has assessed and made judgments on the extent to which it retains the risks and rewards of ownership of the financial instruments for the transferred transactions entered, and make relevant accounting treatments accordingly.

Estimation uncertainties

The key assumptions and uncertainties on significant estimations made by the Company's management at the year end may have significant risks resulting in a material adjustment to the assets and liabilities in the next accounting year are stated below:

Impairment losses of financial assets

The Company determines periodically whether there is any objective evidence that an impairment loss on financial assets has been incurred. If any such evidence exists, the Company assesses the amount of the impairment loss. The amount of impairment losses are measured as the difference between the carrying amount and the present value of estimated future cash flows. In assessing the amount of impairment losses, significant judgements are required as to whether objective evidence for impairment exists and also significant estimates are required on assessing the present value of expected future cash flows.

Income tax

Determining income tax provisions requires the Company to make judgements on the future tax treatment of certain transactions. The Company carefully evaluates the tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. This requires significant judgements on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be also available for the recovery of deferred tax assets.

Fair value of financial instruments

If the market for a financial instrument is not active, the Company establishes fair value by using valuation techniques. These techniques include using recent arm's length market transactions between knowledgeable, willing parties; if available, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. To the extent practicable, valuation techniques make maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both its own and any counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Associates

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

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

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

Foreign currency transactions

The functional and presentation currency of the Company is Renminbi ("RMB").

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the dates of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the balance sheet date. Exchange differences are recognised in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined.

Financial instruments

Financial instrument will be recognised as a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

The Company classifies its financial assets into four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value. For financial assets which are not classified as at fair value through profit or loss, any transaction costs that are directly attributable to the acquisition of the financial assets can be recognised.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets which are either classified as held for trading or designated by the Company at fair value through profit or loss upon initial recognition.

Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset, other than one held for trading, may be designated as a financial asset at fair value through profit or loss if it meets the criteria set out below, and is so designated by management:

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

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

(iii) relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flow resulting from those financial instruments; or it is clear, with little analysis, that the embedded derivatives would not be separately recorded.

The interest of financial assets at fair value through profit or loss is recognised at the nominal rate and is included in interest income.

(2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity. These investments are carried at amortised cost using the effective interest rate method, less provision for impairment in value. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, or are recognised through the amortisation process.

The Company shall not classify any financial assets as held-to-maturity if the Company has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity, other than sales or reclassifications that:

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

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

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

(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 and the Company has no intention of trading the assets immediately or in the near term. Such assets are carried at amortised cost using the effective interest rate method, less provision for impairment in value.

Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Financial assets *continued*

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Available-for-sale financial assets, that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, shall be measured at cost. The interest income derived from available-for-sale financial assets are amortised using the effective interest rate method and recognised in the income statement.

Fair value changes of available-for-sale financial assets are reported as a separate component of equity until the financial asset is derecognised or the financial asset is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in the income statement.

If, as the result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available or because the "two preceding financial years" referred to in note 2.3 (2) have passed, it becomes appropriate to carry a financial asset or financial liability at amortised cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that date becomes its new amortised cost, as applicable.

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

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

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence of any impairment of financial assets as a result of one or more events that occur after the initial recognition of those assets ("loss event") and whether the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

(1) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Company classifies the financial assets into different groups with similar credit risk characteristics and then collectively assesses the impairment of such financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is then included in a group of financial assets with similar credit risk characteristics and that group of financial assets is to be collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not to be assessed collectively for impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience of the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Subsequent recoveries of the amounts previously written off reduce the amount of provision for loan impairment in the income statement.

(2) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on a financial asset, the amount of impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not allowed to be reversed.

(3) Available-for-sale financial assets

If an available-for-sale asset is impaired, any cumulative gain/loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of cumulative loss that is removed from equity and recognised in the income statement 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 the income statement.

Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as available-for-sale are made through the income statement, if the increase in the fair value of the debt instruments can be objectively related to an event occurring after the impairment losses have been recognised in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or deposits, debt securities issued and other liabilities.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities which are either classified as held for trading or designated by the Company as at fair value through profit or loss upon initial recognition.

Financial liabilities at fair value through profit or loss are financial liabilities which are either classified as held for trading or, based on the criteria (i), (ii) and (iii) in note 2.3, designated by the Company as at fair value through profit or loss upon initial recognition.

Gains and losses from changes in fair value are recognised in the income statement.

(2) Deposits, debt securities issued and other liabilities

Deposits, debt securities issued other than those designated as trading liabilities or at fair value through profit or loss, and other financial liabilities are carried at amortised cost.

Derecognition of financial assets and liabilities

(1) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

• the rights to receive cash flows from the assets have expired;

• the Company retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

• the Company has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of ownership of the financial asset; or (ii) has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement of the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(2) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(3) Asset-backed securities

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

Special purpose entity

Special purpose entity ("SPE") is consolidated if it is in substance controlled by the Company. When assessing whether the Company has a control over the SPE, the Company evaluates a range of factors, including whether:

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Derivative financial instruments

Derivatives are initially measured at fair value on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when the fair value is negative. Fair values are obtained from quoted market prices in an active market, including recent market transactions, and valuation techniques, including discounting cash flow models and option pricing models, as appropriate.

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

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

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments, or otherwise an internal pricing model such as the discounted cash flow method.

Offsetting

Assets and liabilities are offset only when the Company has the legal right to offset amounts with the same counterparty and transactions are expected to be settled on a net basis.

Repurchase and reverse repurchase transactions

The Company purchases securities, bills and loans under agreements to resell and engages in the sale of securities, bills and loans under agreements to repurchase. The considerations paid to purchase assets under agreements to resell are treated as collateralised loans and the purchased assets are treated as the collateral. Assets sold under agreements to repurchase continue to be recognised in the balance sheet. The proceeds from the sale of these assets are treated as liabilities.

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

Fixed assets

Fixed assets, other than construction in progress, are initially stated at cost. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset. The carrying amounts of fixed assets are reviewed and if their carrying values exceed the recoverable amounts, the assets are written down and the impairment losses are charged to the current year’s income statement.

Depreciation is calculated using the straight-line method over the estimated useful life of the fixed assets with zero residual value at the following rates per annum:

	Estimated useful life	Depreciation rate
Properties and buildings	20 - 30 years	3.33% - 5.00%
Leasehold improvements	5 years or the lease terms, whichever is shorter	
Office equipment and computers	5 - 10 years	10.00% - 20.00%
Motor vehicles	6 - 8 years	12.50% - 16.67%

Construction in progress comprises the direct costs of construction less any impairment during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those obtained from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are stated at cost less accumulated amortisation. Amortisation is charged on intangible assets with finite lives using the straight-line method over their estimated economic useful lives. Intangible assets are assessed for impairment at each balance sheet date. A write-down is made if the carrying value exceeds the recoverable amount and the impairment losses are charged to the current year's income statement.

Impairment of assets

The Company assesses at each balance sheet date whether there is any objective evidence that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement under those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Cash and cash equivalents

Cash and cash equivalents comprise cash, amounts due from the Central Bank with original maturity of three months or less, amounts due from banks and other financial institutions with original maturity of three months or less, placements with banks and other financial institutions with original maturity of three months or less, reverse repurchase agreements with other banks with original maturity of three months or less, and short-term highly liquid investments which are readily convertible into known amounts of cash, subject to an insignificant risk of conversion in value and which are within three months of maturity when acquired.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

Related parties

A party is considered to be related to the Company if:

(i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Company; (b) has an interest in the Company that gives it significant influence over the Company; or (c) has joint control over the Company;

(ii) the party is an associate of the Company;

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, on the following bases:

(a) interest income is recognised by using the effective interest rate method. The effective interest rate method involves applying the rate that discounts the estimated future cash inflows through the expected life of the financial instrument to the net carrying amount of the financial asset. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss;

(b) fee and commission income is recognised when the service has been rendered and proceeds can be reasonably estimated; and

(c) dividend income is recognised when the shareholders' right to receive payment has been established.

Income tax

Income tax is inclusive of current tax and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

(b) in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

(b) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be recovered.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Employee retirement benefits

(1) Defined retirement contribution plan

According to the statutory requirements of the PRC, the Company is required to provide certain staff retirement and pension benefits. The Company is obligated to contribute a fixed percentage of staff salaries to a fixed contribution employee retirement benefits scheme, governed by the relevant government authorities. The contributions are charged to the income statement.

(2) Supplementary retirement benefit plan

The Company has set up a pension plan for employees to supplement the retirement benefit. The defined benefit is calculated by the amount of benefit that an employee is entitled to receive from the Company upon retirement and the plan is considered as a defined benefit plan. The amount recognised as the defined benefit liability at the balance sheet date shall be the net total of the present value of the defined benefit obligation at the balance sheet date, plus any actuarial gains (less any actuarial losses) not recognised, minus any past service cost not yet recognised and minus the fair value at the balance sheet date of plan assets. The Company adopts the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and past service cost, and the relevant defined benefit liability is recognised as other liabilities on balance sheet. As at balance sheet date, the Company recognises a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognised gains and losses at the end of the previous balance sheet date exceeded the greater of (a) and (b) mentioned below and the portion of actuarial gains and losses to be recognised is the excess portion divided by the expected average remaining working lives of the employees participating in the plan, otherwise, the amount is not recognised:

(a) 10% of present value of the defined benefit obligation at balance sheet date; and

(b) 10% of fair value of plan assets at the balance sheet date.

Past service cost is recognised to the income statement as an expense immediately except for the vesting condition applied. The Company recognises past service cost as an expense on the straight-line basis over the average period until the benefits become vested.

Fiduciary activities

Where the Company acts in a fiduciary capacity such as nominee, trustee or agent, the risk is taken by the client. The Company only charges fee income, thus assets and liabilities arising thereon are excluded from the financial statements.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset. Only when the reimbursement is virtually certain are the expenses relating to any provision presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Financial guarantee contracts

The Company issues letters of credit, acceptance and letters of guarantee. These financial guarantee contracts provide for specified payments to be made to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligation.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. This amount is amortised over the period of the contract and recorded as fee and commission income. Subsequently, the liabilities are measured as the higher of the initial fair value less cumulative amortisation and the fair value of the provision related to the Company's obligation under the contract.

Any increase in the liability relating to a financial guarantee is taken to the income statement. The premium received is recognised in the income statement as fee and commission income and on the straight-line basis over the life of the guarantee.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

(In RMB'000)

3. NET INTEREST INCOME

	2009	2008
Interest income:		
Interest income on loans	34,025,593	34,598,539
Interest income on amounts due from the Central Bank	1,652,449	1,677,631
Interest income on amounts due from and placements with banks and other financial institutions	8,334,491	11,089,341
Interest income on investments	6,026,271	5,159,352
	50,038,804	52,524,863
Interest expense:		
Interest expense on deposits	12,420,479	12,389,492
Interest expense on amounts due to and placements from banks and other financial institutions	7,751,359	11,417,287
Interest expense on bonds issued	2,665,229	2,525,629
	22,837,067	26,332,408
	27,201,737	26,192,455

Included in interest income for 2009 is RMB134 million (note 16(d)) (2008: RMB134 million) with respect to notional interest of impaired loans.

Included in interest income for 2009 is RMB161 million (2008: RMB436 million) with respect to financial instruments at fair value through profit or loss.

4. NET FEE AND COMMISSION INCOME

	2009	2008
Settlement	85,285	102,536
Bank card business	533,782	363,772
Agency services	508,754	598,286
Guarantee and commitment business	261,859	199,904
Trading	68,548	55,305
Assets fiduciary activities	153,516	135,582
Consulting services	1,766,527	1,107,961
Others	103,899	361,225
Fee and commission income	3,482,170	2,924,571
Fee and commission expense	(366,175)	(300,727)
	3,115,995	2,623,844

5. OTHER INCOME, NET

	2009	2008
Net trading (loss)/gain on financial assets at fair value through profit or loss	(130,665)	90,812
Net trading gain on available-for-sale financial assets	1,018,036	204,644
Loss on held-to-maturity financial assets, net	-	(42,819)
Unrealised loss on financial assets at fair value through profit or loss, net	(13,257)	(124,373)
Foreign exchange gain, net	326,921	525,622
Net gain from trading precious metals	70,180	185,243
Others	(90,169)	98,146
	1,181,046	937,275

6. STAFF COSTS

	2009	2008
Salaries and bonuses	3,964,108	4,054,778
Contributions to defined contribution schemes	187,804	139,335
Supplementary retirement benefits and others (note 28 (a))	1,033,243	866,253
	5,185,155	5,060,366

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Office expenses	2,066,032	1,775,359
Rental	767,278	574,418
Entertainment	358,131	243,478
Promotion	824,767	751,518
Telecommunications and postage	186,224	167,592
Travelling	182,939	191,610
Repairs and maintenance	49,462	47,807
Utilities	99,172	78,570
Taxes	97,571	58,038
Consulting and professional fees	299,878	223,963
Supervision fees	127,449	118,363
Fuel	266,650	229,134
Amortisation of intangible assets (note 22)	69,214	65,756
Others	269,278	263,263
	5,664,045	4,788,869

(In RMB'000)

8. PROVISION FOR IMPAIRMENT OF OTHER ASSETS

	2009	2008
Due from and placements with banks and other financial institutions (note 12 (a))	-	(3,000)
Held-to-maturity bond investments (note 18 (a))	-	60,553
Loans and receivables investments (note 19 (b))	6,487	-
Other assets (note 23 (b))	(47,158)	121,207
	(40,671)	178,760

9. INCOME TAX

	2009	2008
Current income tax	3,542,969	3,856,979
Deferred tax	254,662	(1,025,487)
Underprovision / (Overprovision) in prior years	149,911	(179,230)
	3,947,542	2,652,262

A reconciliation of income tax expense, disclosed in the statement of comprehensive income, to the amount calculated at the statutory rate of 25% is as follows:

	2009	2008
Profit before income tax	17,229,485	14,037,289
Income tax at statutory rate of 25% additions / (deductions):	4,307,371	3,509,322
Tax exempted income	(618,174)	(668,860)
Non-deductible expenses	121,806	12,641
Under / (over provision) in respect of the prior year	149,911	(179,230)
Effect of lower tax rates in certain regions	(13,372)	(21,611)
Income tax	3,947,542	2,652,262

9. INCOME TAX

	31-12-2009	31-12-2008
Deferred tax assets:		
Provisions for loan losses	799,035	1,246,236
Salaries and bonuses	685,783	508,720
Provisions for impairment of other assets	135,745	151,788
Pre-operating expenses	-	31,340
Unrealised loss on derivatives	50,695	44,161
Unrealised loss on financial liabilities at fair value through profit and loss	-	11,071
Unrealised loss on financial assets at fair value through profit and loss	1,834	-
Unrealised loss on available-for-sale financial assets	105,404	-
Others	59,684	-
Subtotal of deferred tax assets	1,838,180	1,993,316
Deferred tax liabilities:		
Unrealised gain on available-for-sale financial assets	-	43,639
Unrealised gain on financial assets at fair value through profit and loss	-	5,878
Subtotal of deferred tax liabilities	-	49,517
Net deferred tax assets	1,838,180	1,943,799

Deferred income tax recorded in equity:

	2009	2008
Unrealised loss on available-for-sale financial assets	(149,043)	111,810

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2009	2008
Profit for the year attributable to shareholders (in RMB'000)	13,281,943	11,385,027
Number of ordinary shares outstanding (in thousand shares)	5,000,000	5,000,000
Earnings per share, basic (in RMB)	2.66	2.28

(In RMB'000)

11. CASH AND BALANCES WITH THE CENTRAL BANK

	31-12-2009	31-12-2008
Cash on hand	2,904,339	2,307,180
Due from the Central Bank:		
- General deposits	69,618,870	59,375,111
- Statutory deposits	99,381,078	66,141,559
Total	171,904,287	127,823,850

Statutory deposits represent a statutory reserve placed with the Central Bank calculated at 13.5% (31 December 2008: 13.5%) on customer deposits denominated in RMB and at 5% (31 December 2008: 5%) on customer deposits denominated in foreign currency.

12. DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31-12-2009	31-12-2008
Deposits:		
Domestic banks and financial institutions	40,509,279	94,040,467
Foreign banks and financial institutions	1,876,346	2,705,726
	42,385,625	96,746,193
Less: Provisions for impairment (a)	(21,075)	(21,075)
	42,364,550	96,725,118
Placements:		
Domestic banks and financial institutions	13,801,018	9,000,727
Foreign banks and financial institutions	-	4,313,685
	13,801,018	13,314,412
Less: Provisions for impairment (a)	(116,701)	(116,701)
	13,684,317	13,197,711
Total	56,048,867	109,922,829

(a) Movements of provisions for impairment

	Deposits	Placements	Total
At 1 January 2009	21,075	116,701	137,776
Transfer out	-	-	-
Write-offs	-	-	-
At 31 December 2009	21,075	116,701	137,776

	Deposits	Placements	Total
At 1 January 2008	22,540	119,701	142,241
Transfer out	-	(3,000)	(3,000)
Write-offs	(1,465)	-	(1,465)
At 31 December 2008	21,075	116,701	137,776

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31-12-2009	31-12-2008
Government bonds	681,771	1,442,017
Financial bonds issued by policy banks and PBOC	1,874,544	4,579,094
Bonds isssued by financial institutions	100,416	-
Corporate bonds	706,713	670,058
Funds	41	42
Total	3,363,485	6,691,211

14. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which is derived from the value of another “underlying” financial instrument, an index or some other variables. Typically, an “underlying” financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Company uses derivative financial instruments including forwards and swaps.

The nominal amount of a derivative instrument represents the underlying assets, reference interest/exchange rate or index, upon which the fair value of the derivative is based. The nominal amount indicates the unsettled credit risk exposure as at the period end but does not reflect the market risk and credit risk.

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

The Company does not have derivative financial instruments designated for hedging.

(In RMB'000)

14. DERIVATIVE FINANCIAL INSTRUMENTS *continued*

At the balance sheet date, the derivative financial instruments are as follows:

	31-12-2009						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate derivatives							
Forwards	57,730,878	56,452,028	846,168	-	115,029,074	232,732	(473,659)
Interest rate derivatives							
Cross-currency swaps	141,282	-	310,831	-	452,113	69	(12,396)
Interest rate swaps	16,619,071	69,945,855	89,929,818	1,999,775	178,494,519	1,163,118	(1,092,824)
Forwards	500,000	600,000	-	-	1,100,000	72	(146)
	17,260,353	70,545,855	90,240,649	1,999,775	180,046,632	1,163,259	(1,105,366)
Credit derivatives							
Credit default swaps	-	-	751,102	-	751,102	3,044	(1,533)
Precious metal derivatives							
Forwards	6,733,303	-	-	-	6,733,303	-	(21,256)
	81,724,534	126,997,883	91,837,919	1,999,775	302,560,111	1,399,035	(1,601,814)

	31-12-2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate derivatives							
Forwards	31,484,454	35,300,549	3,933,471	-	70,718,474	615,290	(712,383)
Interest rate derivatives							
Cross-currency swaps	-	-	141,346	192,914	334,260	1,942	(2,355)
Interest rate swaps	17,759,580	53,750,681	82,648,448	2,258,587	156,417,296	3,124,336	(3,151,598)
Forwards	200,000	-	-	-	200,000	1,379	-
	17,959,580	53,750,681	82,789,794	2,451,501	156,951,556	3,127,657	(3,153,953)
Credit derivatives							
Credit default swaps	170,865	205,038	785,979	-	1,161,882	19,899	(74,947)
Precious metal derivatives							
Forwards	5,005,623	-	-	-	5,005,623	1,794	-
	54,620,522	89,256,268	87,509,244	2,451,501	233,837,535	3,764,640	(3,941,283)

15. REVERSE REPURCHASE AGREEMENTS

	31-12-2009	31-12-2008
Analysed by counterparty:		
Banks	153,905,963	80,030,662
Other financial institutions	41,978,184	37,244,816
	195,884,147	117,275,478
Analysed by collateral:		
Bills	122,162,730	80,648,655
Bonds	6,170,437	26,106,800
Loans	67,550,980	10,520,023
	195,884,147	117,275,478

Regarding certain agreements included in the above reverse repurchase agreements, the Company is permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. As at 31 December 2009, the fair value of the aforesaid collateral amounted to RMB109,777 million (31 December 2008: RMB52,005 million).

16. LOANS

	31-12-2009	31-12-2008
Corporate loans	505,882,093	312,919,967
Personal loans	169,013,817	128,936,855
Discounted bills (c)	26,701,552	57,529,607
	701,597,462	499,386,429
Less: Provisions for loan losses (d)	(9,634,926)	(9,400,655)
	691,962,536	489,985,774

(In RMB'000)

16. LOANS *continued*

Loan derecognition

In December 2007, the Company transferred a portfolio of clean and guaranteed loans to a special purpose trust ("SPT") with a face value amounting to RMB5,243 million. The trustee of the SPT, China Foreign Economy and Trade Trust & Investment Co., Ltd., subsequently issued a prime tranche of RMB4,870 million to other investors and a subordinated tranche of RMB373 million of asset-backed securities to the Company, respectively. Being the holder of the subordinated tranche, the Company should bear the potential future loss, which is limited to the subordinated tranche retained by the Company, of the transferred loans.

Management considered that the Company had not transferred substantially all risks and rewards of the loans; therefore, based on the degree of continuing involvement, the Company recognised the associated assets (note 23(a)) and liabilities (note 28).

Besides, the Company had neither held nor transferred substantially all risks and rewards of the underlying assets of wealth management product. The Company recognised the associated assets and liabilities based on the degree of continuing involvement. As at 31 December 2009, the total amount of above mentioned wealth management products was amounting to RMB6,488 million. The Company has recognised the continue involved assets and liabilities of RMB973 million respectively (note 23(a) and note 28).

(a) The composition of corporate loans to customers by industry is as follows:

	31-12-2009	%	31-12-2008	%
Agriculture, forestry and fishing	1,163,372	0	993,245	0
Mining	15,577,375	3	8,022,880	3
Manufacturing	107,480,852	21	82,760,706	26
Electricity, gas and water supply	26,603,785	5	23,712,678	8
Construction	21,985,448	4	15,533,131	5
Transport, storage, post and courier activities	48,949,687	10	32,857,894	11
Telecommunications, computer and software related activities	2,754,597	1	2,739,928	1
Wholesale and retail trade	42,306,235	8	29,118,406	9
Hotels and restaurants	1,575,723	0	1,261,824	0
Finance	3,326,994	1	777,557	0
Real estate	65,867,051	13	58,969,718	19
Rental and business activities	57,263,989	11	20,390,376	7
Scientific research, technical services and geologic reconnaissance	684,398	0	499,229	0
Water conservancy, environment and public facilities administration	84,052,940	17	24,591,698	8
Residential services and other related activities	1,841,804	1	1,103,509	0
Education	1,496,228	0	1,690,133	1
Sanitation, social security and other community services	3,194,068	1	1,296,435	0
Cultural, sport and entertainment	2,692,887	1	1,954,600	1
Public administration and social organisation activities	17,064,660	3	4,646,020	1
Total	505,882,093	100	312,919,967	100

(b) For the composition of corporate loans to customers by geographical region, see note 41 of the financial statements.

(c) As at 31 December 2009, re-discounted but unexpired bills amounted to RMB138,488 million (31 December 2008: RMB101,935 million).

(d) Movement of provisions for loan losses:

	Individual assessment	Collective assessment	Total
At 1 January 2009	1,816,578	7,584,077	9,400,655
Charge for the year	284,152	274,978	559,130
Notional interest on impaired loans (note 3)	(133,857)	-	(133,857)
Recovery	101,674	-	101,674
Other reversal	5,184	-	5,184
Write-offs	(297,860)	-	(297,860)
At 31 December 2009	1,775,871	7,859,055	9,634,926

	Individual assessment	Collective assessment	Total
At 1 January 2008	1,972,737	5,141,262	7,113,999
Charge for the year	794,847	2,442,815	3,237,662
Notional interest on impaired loans (note 3)	(133,767)	-	(133,767)
Recovery	28,370	-	28,370
Other reversal	14,394	-	14,394
Write-offs	(860,003)	-	(860,003)
At 31 December 2008	1,816,578	7,584,077	9,400,655

(In RMB'000)

16. LOANS *continued*

(d) Movement of provisions for loan losses *continued*

	31-12-2009	31-12-2008
Loans for which provisions for impairment losses are:		
Individually assessed	3,579,148	4,343,665
Collectively assessed	698,018,314	495,042,764
	701,597,462	499,386,429
Provision for loan losses:		
Individually assessed	1,775,871	1,816,578
Collectively assessed	7,859,055	7,584,077
	9,634,926	9,400,655
Net loans for which provisions for impairment losses is:		
Individually assessed	1,803,277	2,527,087
Collectively assessed	690,159,259	487,458,687
	691,962,536	489,985,774

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31-12-2009	31-12-2008
Bond investment measured at fair value:		
Government bonds	34,487,420	21,664,597
Financial bonds issued by policy banks and the Central Bank	44,599,655	36,473,706
Bonds issued by banks and other financial institutions	6,142,260	9,841,496
Corporate bonds	25,832,797	9,052,387
Available-for-sale bond investments	111,062,132	77,032,186
Equity investments measured at cost (a)	127,921	161,778
Equity investments measured at fair value (b)	33,526	3,787
Total	111,223,579	77,197,751

(a) Equity investments measured at cost

Invested Companies	31-12-2009	31-12-2008	Percentage of shares in invested companies at Dec.31,2009(%)
China UnionPay Co., Ltd.	81,250	81,250	2.13
Chongqing China Energy Conservation Co., Ltd.	29,254	29,254	10.17
Shanghai Worldbest Co., Ltd.	17,417	-	0.79
Industrial Securities Co., Ltd.	-	51,274	-
	127,921	161,778	

The above-mentioned unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses.

(b) Equity investments measured at fair value

Invested Companies	31-12-2009	31-12-2008	Percentage of shares in invested companies at Dec.31,2009(%)
VISA INC.	6,540	3,787	0.00
Zhangjiajie Tourism Development Co.,Ltd.	20,609	-	1.34
Shandong Jiufa Edible Fungus Co.,Ltd.	6,377	-	0.37
	33,526	3,787	

18. HELD-TO-MATURITY INVESTMENTS

	31-12-2009	31-12-2008
Government Bonds	36,581,728	49,015,781
Financial bonds issued by policy banks and the Central Bank	4,538,673	5,051,266
Bonds issued by banks and other financial institutions	88,721	273,286
Corporate bonds	1,152,052	1,157,127
	42,361,174	55,497,460
Provision for held-to-maturity bond investments (a)	(136,563)	(136,691)
Total	42,224,611	55,360,769

(In RMB'000)

18. HELD-TO-MATURITY INVESTMENTS *continued*

(a) Provision for held-to-maturity bond investments

	2009	2008
Balance at beginning of year	136,691	81,373
Charge for the year (note 8)	-	60,553
Foreign exchange differences	(128)	(5,235)
Transfer out	-	-
Balance at end of the year	136,563	136,691

19. LOANS AND RECEIVABLES INVESTMENTS

	31-12-2009	31-12-2008
Financial bonds issued by policy banks and the PBOC	13,949,963	13,949,937
Bonds issued by banks and other financial institutions	3,643,250	1,583,250
Corporate bonds	1,237,210	1,246,089
Trust and wealth management products (a)	21,962,156	1,842,993
	40,792,579	18,622,269
Provisions (b)	(6,487)	-
Total	40,786,092	18,622,269

(a) Trust and wealth management products

These products are mainly purchased from other financial institutions and the underlying assets mainly are trusted loans.

(b) Provisions

	2009	2008
Balance at beginning of year	-	-
Charge for the year (note 8)	6,487	-
Transferred out	-	-
Balance at end of year	6,487	-

20. INVESTMENT IN AN ASSOCIATE

At the balance sheet date, the Company held an investment in an associate as follows:

Name	Percentage of equity interest attributable to the Company		Place of incorporation / registration	Principal activities	Registered capital RMB (million)
	2009	2008			
Bank of Jiujiang Co., Ltd. ("Jiujiang Bank")	20%	20%	Jiujiang City, China	Commercial bank	715

	31-12-2009	31-12-2008
Share of net assets	284,275	255,767
Goodwill	50,680	50,680
Investment, at cost	334,955	306,447

The following table illustrates the summarised financial information of the Company's associate extracted from its financial statement:

	31-12-2009	31-12-2008
Total assets	23,231,377	13,443,329
Total liabilities	21,551,980	11,969,257
Total net assets	1,679,397	1,474,072
Interest income	652,379	637,809
Net profit for the year	230,243	157,729

(In RMB'000)

21. FIXED ASSETS

	Properties and buildings	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Construction in progress	Total
Cost:						
At 1 January 2009	3,289,572	888,205	1,755,284	178,699	1,533,946	7,645,706
Additions	108,979	177,172	422,356	27,009	833,048	1,568,564
Transfer in/(out)	202,187	222,906	17,153	-	(442,246)	-
Disposals	(105,297)	(121,627)	(57,048)	(17,531)	-	(301,503)
At 31 December 2009	3,495,441	1,166,656	2,137,745	188,177	1,924,748	8,912,767
Accumulated depreciation:						
At 1 January 2009	928,181	404,648	782,140	88,590	-	2,203,559
Additions	126,104	172,977	305,018	20,263	-	624,362
Disposals	(19,176)	(109,210)	(53,596)	(16,140)	-	(198,122)
At 31 December 2009	1,035,109	468,415	1,033,562	92,713	-	2,629,799
Cost:						
At 1 January 2008	3,073,181	612,991	1,289,166	157,482	1,122,199	6,255,019
Additions	61,339	145,366	509,411	33,248	792,656	1,542,020
Transfer in/(out)	161,530	191,096	11,524	-	(380,909)	(16,759)
Disposals	(6,477)	(61,248)	(54,818)	(12,031)		(134,574)
At 31 December 2008	3,289,573	888,205	1,755,283	178,699	1,533,946	7,645,706
Accumulated depreciation:						
At 1 January 2008	801,053	333,400	598,972	79,546	-	1,812,971
Additions	129,640	113,715	237,127	18,827	-	499,309
Transfer in Disposals	(2,512)	(42,467)	(53,960)	(9,783)	-	(108,722)
At 31 December 2008	928,181	404,648	782,139	88,590	-	2,203,558
Net book value:						
At 31 December 2009	2,460,332	698,241	1,104,183	95,464	1,924,748	6,282,968
At 31 December 2008	2,361,392	483,557	973,144	90,109	1,533,946	5,442,148

Fixed assets are stated at cost less provision for impairment losses as at 31 December 2009. After comparing with the recoverable amount of nearby properties, management considers that the provision for impairment losses on properties and buildings as at 31 December 2009 is RMB3 million (31 December 2008: RMB3 million).

All the properties and buildings of the Company are located in Mainland China. Included in properties and buildings are costs amounting to RMB124 million. Legal ownership registration procedures were not yet completed as at 31 December 2009.

22. INTANGIBLE ASSETS

	Operation rights and customer relations	Other individually purchased intangible assets	Total
Cost:			
At 1 January 2009	447,000	150,846	597,846
Additions	-	41,819	41,819
Disposals	-	(53)	(53)
At 31 December 2009	447,000	192,612	639,612
Accumulated amortisation:			
At 1 January 2009	177,093	69,900	246,993
Amortisation (note 7)	44,710	24,504	69,214
Disposals	-	(2)	(2)
At 31 December 2009	221,803	94,402	316,205
Cost:			
At 1 January 2008	430,000	127,199	557,199
Additions	17,000	23,723	40,723
Disposals	-	(76)	(76)
At 31 December 2008	447,000	150,846	597,846
Accumulated amortisation:			
At 1 January 2008	132,583	48,730	181,313
Amortisation (note 7)	44,510	21,246	65,756
Disposals	-	(76)	(76)
At 31 December 2008	177,093	69,900	246,993
Net book value:			
At 31 December 2009	225,197	98,210	323,407
At 31 December 2008	269,907	80,946	350,853

(In RMB'000)

23. OTHER ASSETS

	31-12-2009	31-12-2008
Bond interest receivables	2,633,174	2,500,524
Loan interest and other interest receivables	1,856,602	1,932,787
Repossessed assets	635,735	595,094
Clearing accounts	695,584	182,110
Precious metals	126,384	-
Continuing involvement of credit assets (a)	1,346,375	373,250
Receivables on selling Industial Securities	563,268	-
Others	968,336	880,531
	8,825,458	6,464,296
Less: provisions for other assets (b)	(240,055)	(302,805)
	8,585,403	6,161,491

(a) Under certain circumstances, the Company established a special purpose trust/vehicle (“SPV”) to fulfill the securitisation criteria and issue the respective asset-back securities. The SPV under the control of the Company has been consolidated in the Company’s financial statements. The control assessment is made based on the risks and rewards borne by the Company and whether the Company can exercise influence over the operations and decision making of the SPV. Since the Company had not retained nor transferred all risks and rewards of the financial assets and the Company had retained its control, the relevant asset-back securities had been derecognised entirely. The Company, based on the degree of continuing involvement, recognised the related assets and associated liabilities.

Part of the wealth management products issued by the Company, the Company had neither retained nor transferred all risks and rewards of the ownership of the transferred assets, and, the Company retains control of the transferred assets. The Company recognised the related assets and associated liabilities based on the degree of continuing involvement (Note 16).

(b) Provision for other assets

	Settled assets	Others	Total
At 1 January 2009	122,059	180,746	302,805
Charge for the year	1,919	(49,077)	(47,158)
Transfer out	(6,965)	(8,627)	(15,592)
At 31 December 2009	117,013	123,042	240,055
At 1 January 2008	108,565	97,219	205,784
Charge for the year	13,577	107,630	121,207
Transfer out	(83)	(24,103)	(24,186)
At 31 December 2008	122,059	180,746	302,805

24. DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31-12-2009	31-12-2008
Deposits:		
Domestic banks and financial institutions	237,013,064	182,914,282
Placements:		
Domestic banks and financial institutions	1,762,582	12,512,581
Foreign banks and financial institutions	-	205,038
	1,762,582	12,717,619
Total	238,775,646	195,631,901

25. REPURCHASE AGREEMENTS

	31-12-2009	31-12-2008
Analysed by counterparty:		
Banks	45,905,580	57,113,655
Other financial institutions	4,905	1,182,642
	45,910,485	58,296,297
Analysed by collateral:		
Bills	15,001,430	30,400,715
Bonds	30,269,055	27,005,582
Loans	640,000	890,000
	45,910,485	58,296,297

26. CUSTOMER DEPOSITS

	31-12-2009	31-12-2008
Corporate and personal demand deposits	456,297,662	280,064,675
Corporate and personal time deposits	373,398,345	278,258,163
Deposits pledged as collateral	70,303,969	73,244,760
Fiscal deposits	8,445	18,982
Remittances	876,027	839,379
	900,884,448	632,425,959

(In RMB'000)

27. BONDS ISSUED

	Issuing period	Interest commencement date	Term	Interest rate	31-12-2009	31-12-2008
Financial bonds						
06Xingye01(i)	31/03/2006-06/04/2006	06/04/2006	5 years	2.98%	5,000,000	5,000,000
06Xingye03(ii)	15/12/2006-19/12/2006	19/12/2006	5 years	3.45%	8,000,000	8,000,000
06Xingye03(ii)	15/12/2006-19/12/2006	19/12/2006	10 years	3.75%	8,000,000	8,000,000
07Xingye01(iii)	27/03/2007-29/03/2007	29/03/2007	3 years	3.58%	6,999,476	6,993,417
07Xingye02(iii)	27/03/2007-29/03/2007	29/03/2007	5 years	3.78%	6,991,392	6,988,339
07Xingye03(iii)	27/03/2007-29/03/2007	29/03/2007	5 years	(iv)	4,994,136	4,991,854
08Xingye01(v)	07/08/2008-11/08/2008	11/08/2008	3 years	5.32%	5,646,665	5,643,020
08Xingye02(v)	07/08/2008-11/08/2008	11/08/2008	3 years	(vi)	5,257,235	5,253,850
08Xingye03(v)	07/08/2008-11/08/2008	11/08/2008	3 years	(vii)	4,072,406	4,070,909
					54,961,310	54,941,389
Subordinated bonds						
Callable fixed rate(viii)	09/09/2009-11/09/2009	11/09/2009	10 years	(ix)	1,998,332	-
Callable fixed rate(viii)	09/09/2009-11/09/2009	11/09/2009	15 years	(x)	7,968,222	-
Floating rate	17/12/2003-30/12/2003	31/12/2003	61 months	(xi)	-	3,000,000
Callable fixed rate	23/12/2004-29/12/2004	30/12/2004	10 years	(xii)	-	1,860,000
Callable floating rate	23/12/2004-29/12/2004	30/12/2004	10 years	(xiii)	-	1,140,000
					9,966,554	6,000,000
Hybrid Bonds						
06Xingye02 (fixed)(xiv)	28/09/2006-29/09/2006	29/09/2006	15 years	(xv)	3,000,000	3,000,000
06Xingye02 (floating)(xiv)	28/09/2006-29/09/2006	29/09/2006	15 years	(xvi)	1,000,000	1,000,000
					4,000,000	4,000,000
					68,927,864	64,941,389

(i) The issuance of financial bonds amounting RMB5 billion was approved by the PBOC and the China Banking Regulatory Commission ("CBRC") according to "PBOC approval of the issuance of financial bonds for Industrial Bank Co., Ltd." (Yin Fu [2005] No. 77) and "CBRC approval of the issuance of financial bonds for Industrial Bank Co., Ltd." (Yin Jian Fu [2005] No. 253).

(ii) The issuance of the financial bonds totalling RMB16 billion was approved by the PBOC (Yin Shi Chang Xu Zhun Yu Zi [2006] No. 22) and the CBRC (Yin Jian Fu [2006] No. 345).

(iii) The issuance of the financial bonds totalling RMB19 billion was approved by the PBOC (Yin Shi Chang Xu Zhun Yu Zi [2007] No. 14) and the CBRC (Yin Jian Fu [2007] No. 345).

(iv) The floating rate of the bond is the benchmark interest rate, plus an interest margin of 0.65%. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date or repricing dates.

(v) The issuance of the financial bonds totalling RMB15 billion was approved by the PBOC (Yin Shi Chang Xu Zhun Yu Zi [2008] No. 24) and the CBRC (Yin Jian Fu [2008] No. 187).

(vi) The floating rate of the bond is the benchmark interest rate, plus an interest margin of 1.05%. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date or repricing dates.

(vii) The floating rate of the bond is the benchmark interest rate, plus an interest margin of 1.25%. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date or repricing dates.

(viii) The issuance of the subordinated bonds totalling RMB10 billion was approved by the PBOC (Yin Shi Chang Xu Zhun Yu Zi [2009] No. 54) and the CBRC (Yin Jian Fu [2009] No. 260). The Company has the right to redeem the callable bonds at the end of 5 years and 10 years for the 10-year and 15-year category respectively without the consent of the bond holders.

(ix) The interest rate of the fixed rate bond is 4.30% per annum (the initial rate) for the first 5 years. If the Company does not exercise its redemption right by the end of the 5th year, the interest rate will be increased by 3% compared with the initial rate from the 6th year onward.

(x) The interest rate of the fixed rate bond is 5.17% per annum (the initial rate) for the first 10 years. If the Company does not exercise its redemption right by the end of the 10th year, the coupon rate will be increased by 3% compared with the initial rate from the 11th year onward.

(xi) The floating rate of the bond is the benchmark interest rate, plus an interest margin of 2.01%. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date or repricing dates.

(In RMB'000)

27. BONDS ISSUED *continued*

(xii) The Company had exercised the redemption right on 30 December 2009 according to its announcement notice made in 2004.

(xiii) The Company had exercised the redemption right on 30 December 2009 according to its announcement notice made in 2004.

(xiv) The term of the hybrid bond contract is 15 years. The Company has an option to fully redeem the bonds at par value from the tenth year to the maturity date, subject to CBRC approval. The Company does not require consent from the holders of the bonds before exercising the redemption option.

(xv) The interest rate for the first year to the tenth year is 4.94% per annum. If the Company does not exercise the option mentioned in note 3, the interest rate will be increased by 2.8% for the eleventh year and each subsequent year.

(xvi) The floating rate of the bond is the benchmark interest rate, plus an interest margin of 1.82%. The benchmark rate is the PBOC one-year fixed deposit rate at the issuance date or the repricing dates. If the Company does not exercise this option to redeem the bonds by the tenth year, the interest margin will be increased by 1% for the eleventh year and each subsequent year.

28. OTHER LIABILITIES

	31-12-2009	31-12-2008
Interest payable	5,732,320	6,303,909
Tax payable	2,263,909	3,162,220
Salaries and welfare payables (a)	4,176,753	3,472,115
Bank promissory notes	480,527	424,624
Dividends payable	3,081	2,573
Clearing accounts	1,018,247	374,590
Continuing involved liabilities	1,346,375	373,250
Other payables	1,402,221	1,832,923
	16,423,433	15,946,204

(a) Supplementary retirement benefits

Salaries and welfare payables included a pension plan (the “Pension”) to provide supplementary retirement benefits to employees.

The Company’s obligations in respect of the supplementary retirement benefits at the balance sheet date were reviewed by an independent actuary, Towers Watson Consulting Co., Ltd., Shanghai, whose actuaries are members of the Society of Actuaries of the United States of America, using the projected unit credit method.

According to the actuarial report, the actuarial present value of the defined benefit obligation as at the balance sheet date is RMB568 million (31 December 2008: RMB756 million), and the plan asset at fair value is RMB985 million (31 December 2007: RMB726 million).

(i) Movement of actuarial present value of the defined benefit obligation is as follows:

	2009	2008
Present value at beginning of year	756,024	618,497
Current service cost without interest	89,332	92,075
Current interest cost	24,105	28,836
Actual payment	(28,662)	(22,832)
Actuarial loss/(gain)	(272,590)	39,448
Present value at end of year	568,209	756,024

(ii) Movement of plan assets at fair value is as follows:

	2009	2008
Fair value at beginning of year	725,574	-
Actual contributions to the plan	223,124	724,219
Expected return on plan assets	24,684	14,028
Actual payment	(28,662)	(22,832)
Actuarial loss	40,360	10,159
Fair value at end of year	985,080	725,574

(iii) Principal actuarial assumptions are as follows:

	31-12-2009	31-12-2008
Discount rate	4.00%	3.25%
Employee salary increase rate	4.00%	6.00%
Employee turnover rate	8.00%	8.00%

29. SHARE CAPITAL

	31-12-2009	31-12-2008
Registered (par value: RMB1)	5,000,000	5,000,000
Issued and fully paid (par value: RMB1)	5,000,000	5,000,000

30. CAPITAL RESERVES

	Share premium	Others	Total
At 1 January 2008 and at 31 December 2008	17,525,842	34,331	17,560,173
At 1 January 2009 and at 31 December 2009	17,525,842	34,331	17,560,173

(In RMB'000)

31. SURPLUS RESERVES

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2008	1,968,090	296,621	2,264,711
Appropriations	1,138,503	-	1,138,503
At 31 December 2008	3,106,593	296,621	3,403,214
At 1 January 2009 and at 31 December 2009	3,106,593	296,621	3,403,214

Pursuant to the Company's articles of association and the relevant accounting standards and regulations of the PRC, the Company shall make appropriations to the surplus reserves, including the statutory surplus reserve and the discretionary surplus reserve, at a certain percentage of the Company's net profit. The statutory surplus reserve should be appropriated at a minimum of 10% of the net profit arrived at under the PRC accounting standards and relevant regulations. The statutory surplus reserve can be used to compensate the accumulated losses or transfer to paid-in capital, upon approval of the shareholders. Appropriations to the discretionary surplus reserve are to be determined by the shareholders.

Pursuant to the Corporate Law, the Company may appropriate of the statutory surplus reserves up to 50% of the registered or paid-in capital. Pursuant to the resolution passed in the 21th Session of the 6th Board of Directors meeting held on 2 March 2010, on the 2009 profit appropriation plan of the Company, no appropriations of the statutory surplus reserve made by the Company for the year.

32. GENERAL RESERVE

According to the relevant regulations of the MOF, the Company should set aside a certain percentage of its general reserve through profit appropriation. Pursuant to the resolution passed in the 16th Session of the 6th Board of Directors meeting held on 25 April 2009, the directors appropriated RMB1,606 million to the general reserve for the year ended 31 December 2008. The resolution was approved at the 2008 annual general meeting of shareholders held on 18 May 2009.

Pursuant to the resolution passed in the 21th Session of the 6th Board of Directors meeting held on 2 March 2010, the directors appropriated RMB1,720 million to the general reserve for the year ended 31 December 2009.

33. RETAINED EARNINGS

According to the PRC Company Law and the Company's articles of association, the profit can be distributed to the shareholders after (1) fulfilling all tax liabilities, (2) compensating any accumulated losses, (3) making appropriation to the statutory surplus reserve, (4) making appropriation to the general reserve and (5) the discretionary surplus reserve. The percentages of the general reserve and surplus reserves that are used in appropriation are decided by the Company's board of directors with reference to the relevant regulations.

As stated in note 2.1, these financial statements are prepared under IFRS. These financial statements are not the statutory financial statements of the Company and are prepared for supplementary purposes only. According to the relevant regulations, the profits distributable to shareholders are based on the statutory financial statements prepared under the PRC accounting standards and regulations, and not on these financial statements prepared under the IFRS.

Profit distribution is decided at the annual general meeting of shareholders of the Company, with reference to the operating results, financial status and other relevant factors.

34. DIVIDENDS

Pursuant to the resolution passed in the 16th Session of the 6th Board of Directors meeting held on 25 April 2009, a final dividend of RMB4.5 per 10 shares was proposed. The total dividends of RMB 2,250 million were approved at the 2008 annual general meeting of shareholders held on 18 May 2009.

Pursuant to the resolution passed in the 21th Session of the 6th Board of Directors meeting held on 2 March 2010, a dividend of RMB 5 per 10 shares was proposed. As at 31 December 2009, the total dividends of RMB2,500 million, which were subject to the approval at the 2009 Annual General Meeting of shareholders, were not recognised as liabilities in the current year's financial statements.

35. COMMITMENTS

(a) Capital commitments

	31-12-2009	31-12-2008
Approved, but not contracted for	117,942	269,250
Contracted, but not provided for	528,641	455,991
	646,583	725,241

(b) Operating lease commitments

At the balance sheet date, the Company had total future minimum lease payments in respect of non-cancellable operating leases falling due as follows:

	31-12-2009	31-12-2008
Within one year	727,808	560,512
In the second to fifth years, inclusive	2,130,640	1,634,778
After five years	1,137,376	862,399
	3,995,824	3,057,689

36. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	31-12-2009	31-12-2008
Bank acceptances	131,401,091	123,840,890
Irrevocable letters of credit issued	5,905,879	5,528,190
Guarantees issued	7,733,390	5,839,981

The Company grants credit facilities to certain customers. However, in the opinion of management, the Company is not committed to the undrawn credit facilities and they are all revocable at the discretion of the Company.

37. FIDUCIARY TRANSACTIONS

	31-12-2009	31-12-2008
Entrusted loans	36,285,586	30,176,857
Entrusted deposits	36,285,586	30,176,857
Fiduciary wealth management assets	113,657,926	42,960,654
Fiduciary wealth management funds	113,657,926	42,960,654

(In RMB'000)

37. FIDUCIARY TRANSACTIONS *continued*

Entrusted deposits represent funds which depositors have instructed the Company to use to grant loans to third parties designated by them. The credit risk remains with the depositors.

In the fiduciary wealth management business, the Company acts in a fiduciary capacity as a custodian or as an agent for customers and is responsible for running and managing customers' assets. Fiduciary wealth management funds represent the funds that the Company obtained from customers while fiduciary wealth management assets represent the investment sum that the Company invests using entrusted funding from its customers.

As at 31 December 2009, the difference between entrusted deposits and entrusted loans amounted to RMB366 million (31 December 2008: RMB544 million). The depositors have not yet advised the Company to whom the surplus entrusted deposits should be granted, which were included in customer deposits.

38. CONTINGENT LIABILITIES

(a) Legal proceedings

As at 31 December 2009, the pending legal proceedings against the Company or its branches involved claims amounting to RMB75 million (2008: RMB20 million). In the opinion of the management, the Company has made adequate allowance for any probable losses based on the current facts and circumstances.

(b) Redemption commitments of government voucher type bonds

As an underwriting agent of the PRC government, the Company underwrites PRC government voucher type bonds and sells the bonds to the general public. The Company is obliged to redeem the bonds at the discretion of the holders. As at 31 December 2009, the Company has sold bonds with an accumulated amount of RMB5,011 million (31 December 2008: RMB4,284 million) to the general public that have not yet matured and have not been redeemed. Management expects that the early redemption amount of government bonds through the Company before maturity will not be material.

39. ASSETS PLEDGED AS SECURITY

As at 31 December 2009, the assets of the Company which have been pledged for the repurchase agreements are as follows:

	31-12-2009	31-12-2008
Bonds	30,427,757	26,992,361
Reverse repurchase bills	12,385,721	27,612,071
Loans	1,283,189	1,445,252
Bills	2,615,710	2,788,643
	46,712,377	58,838,327

As at 31 December 2009, bonds amounting to RMB 6 million (31 December 2008: RMB 222 million) have been pledged for derivative transactions.

As at 31 December 2009, bonds amounting to RMB 6,502 million (31 December 2008: RMB 11,997 million) have been pledged for time deposits from commercial banks at the state treasury for cash management.

40. RELATED PARTY TRANSACTIONS

(a) Shareholders and related companies

The Company does not have a controlling shareholder. Shareholders and related companies mentioned below refer to those holding more than 5% of the Company's shares.

Name	Relationship
Finance Bureau of Fujian Province	Shareholders
Hang Seng Bank Co., Ltd.	Shareholders

Related party transactions with shareholders and their related companies holding more than 5% of the Company's shares are as follows:

	2009	2008
Interest income	2,181	10,450
Interest expense	49,563	143,976
	31-12-2009	31-12-2008
Due from and placements with banks and other financial institutions	108,532	211,943
Due to and placements from banks and other financial institutions	11,168	205,038
Reverse repurchase agreements	-	188,000
Customer deposits	7,614,910	9,255,875
Other Receivables (i)	563,268	-
Interest rate derivative contracts	-	250,000
Foreign exchange derivative contracts	205,090	220,475

(i) In year 2009, the Company has disposed its shareholding of 121 million shares in Industrial Securities Co., Ltd. to Fujian Finance Bureau at RMB 6.67 per share. Total sales proceeds was amounting to RMB805 million. As at 31 December 2009, balance receivable from Fujian Finance Bureau was amounting to RMB563 million.

(b) Related party transactions with other companies upon which key executives have controlling or significant influence are as follows:

	2009	2008
Interest income	27,739	56,715
Interest expense	2,767	1,949
	31-12-2009	31-12-2008
Loans	-	600,000
Customer deposits	69,097	45,291

(In RMB'000)

40. RELATED PARTY TRANSACTIONS *continued*

(c) Related party transactions between the Company and its key executives and their family members are as follows:

	2009	2008
Interest income	291	209
Interest expense	75	118
	31-12-2009	31-12-2008
Loans	2,620	2,933
Deposits	27,138	12,912

Related party borrowings are negotiated on commercial terms. Borrowers are requested to provide guarantees and collateral according to their financial conditions. Loan interest is calculated based on the market interest rate set by the PBOC.

(d) Key management personnel remuneration

The key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including members of the supervisory board, directors and other senior officers.

	2009	2008
Salaries and other short-term employee benefits	19,726	19,029
Post-employment benefits	1,727	653

41. SEGMENT INFORMATION

The Company manages its operation primarily based on geographical areas. The Company mainly operates in mainland China with branches located in major provinces, autonomous region and municipalities. The principal business activities of each segments include accepting deposits, loans granting and inter-bank lendings and borrowings. The majority of the transactions between different segments are inter-branch lendings and borrowings, which are priced according to the average cost of capital and recorded in each segments' operation results accordingly.

There was no revenue from a single customer constitutes 10 percent or more of the Company's total revenue in 2008 and 2009.

2009

	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Others	Eliminations	Total
Total interest income	1,272,798	4,689,308	2,483,031	2,710,290	2,710,149	2,406,952	1,437,773	9,491,436	-	27,201,737
Net internal interest income/ (expenses)	(4,817,383)	976,154	1,517,263	1,500,903	992,854	168,309	(182,886)	(155,214)	-	-
Net fee and commission income	888,566	231,513	375,323	521,616	392,796	109,548	56,819	539,814	-	3,115,995
Other income/(expenses), net	458,804	778,288	(3,541)	40,208	(102,729)	(10,466)	4,149	16,333	-	1,181,046
Operating income	2,620,168	5,699,109	2,854,813	3,272,114	3,000,215	2,506,034	1,498,741	10,047,584	-	31,498,778
Staff costs	(1,311,630)	(902,508)	(357,370)	(437,018)	(449,669)	(341,475)	(185,494)	(1,199,991)	-	(5,185,155)
General & administrative expenses	(961,893)	(614,933)	(352,522)	(410,263)	(683,478)	(466,223)	(298,681)	(1,876,052)	-	(5,664,045)
Depreciation	(136,264)	(110,289)	(21,743)	(40,211)	(54,052)	(56,764)	(22,738)	(182,301)	-	(624,362)
Business tax and surcharges	(171,224)	(347,037)	(168,485)	(196,923)	(246,719)	(263,423)	(127,808)	(799,519)	-	(2,321,138)
Provision for loan losses	(74,589)	136,796	(75,464)	21,818	217,750	(4,585)	(164,321)	(616,535)	-	(559,130)
Provision for impairment of other assets	70,646	(7,039)	42	1,165	(19,810)	(2,257)	(421)	(1,655)	-	40,671
Share of profits and losses of associates	43,866	-	-	-	-	-	-	-	-	43,866
Profit before income tax	79,080	3,854,099	1,879,271	2,210,682	1,764,237	1,371,307	699,278	5,371,531	-	17,229,485
Loans	15,271,900	106,332,727	49,203,482	54,977,267	77,321,158	69,252,854	39,110,801	290,127,273	-	701,597,462
Total assets	464,775,588	158,391,402	130,557,175	148,677,069	157,566,751	81,572,637	66,643,803	418,222,776	(294,245,649)	1,332,161,552
Total liabilities	(421,088,083)	(154,771,169)	(128,760,334)	(146,476,433)	(155,975,833)	(80,439,531)	(65,994,402)	(413,303,954)	294,245,649	(1,272,564,090)
Capital expenditure	516,893	143,731	143,682	22,446	206,617	100,611	53,293	540,021	-	1,727,294
Credit commitments	-	13,257,530	2,033,374	4,007,160	13,629,588	21,417,349	14,369,426	76,325,933	-	145,040,360

(In RMB'000)

41. SEGMENT INFORMATION *continued*

Geographical segment information mainly shows the seven largest business regions of the Company.

2008

	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Others	Eliminations	Total
Total interest income	3,176,133	4,889,832	2,208,510	2,762,368	2,765,118	2,157,258	1,129,143	7,104,093	-	26,192,455
Net internal interest income/ (expense)	(3,136,131)	893,784	1,130,792	1,242,715	961,895	(290,389)	34,405	(837,071)	-	-
Net fee and commission income	750,487	256,941	166,616	237,839	252,130	219,546	68,134	672,151	-	2,623,844
Other income/(expenses), net	561,303	43,331	27,613	50,054	195,902	9,111	11,906	38,055	-	937,275
Operating income	4,487,923	5,190,104	2,402,739	3,050,261	3,213,150	2,385,915	1,209,183	7,814,299	-	29,753,574
Staff costs	(1,655,116)	(862,983)	(338,555)	(376,926)	(421,426)	(282,382)	(160,657)	(962,321)	-	(5,060,366)
General & administrative expenses	(945,790)	(555,203)	(327,538)	(332,247)	(607,878)	(415,546)	(216,543)	(1,388,124)	-	(4,788,869)
Depreciation	(120,061)	(93,472)	(19,046)	(39,736)	(56,334)	(41,029)	(17,606)	(112,025)	-	(499,309)
Business tax and surcharges	(88,779)	(356,069)	(147,405)	(173,170)	(248,094)	(228,390)	(94,935)	(619,669)	-	(1,956,511)
Provision for loan losses	(105,033)	(365,838)	(75,811)	(274,328)	(379,576)	(470,945)	(188,873)	(1,377,258)	-	(3,237,662)
Provision for impairment of other assets	(141,362)	3,134	(479)	(29,849)	(2,853)	(730)	(116)	(6,505)	-	(178,760)
Share of profits and losses of associates	5,192	-	-	-	-	-	-	-	-	5,192
Profit before income tax	1,436,974	2,959,673	1,493,905	1,824,005	1,496,989	946,893	530,453	3,348,397	-	14,037,289
Loans	24,492,577	81,497,832	32,340,770	44,269,463	60,902,650	54,882,867	26,993,880	174,006,390	-	499,386,429
Total assets	444,551,252	121,723,492	98,951,831	117,495,322	115,015,933	76,224,561	35,537,044	273,549,670	(262,150,279)	1,020,898,826
Total liabilities	(408,049,536)	(118,768,625)	(97,465,568)	(115,571,058)	(113,576,603)	(75,311,719)	(35,012,529)	(270,271,421)	262,150,279	(971,876,780)
Capital expenditure	214,105	178,791	60,192	42,313	169,201	188,873	36,899	692,369	-	1,582,743
Credit commitments	-	11,882,386	2,639,597	4,226,261	13,774,394	30,053,320	10,720,627	61,912,476	-	135,209,061

42. FINANCIAL INSTRUMENTS RISK POSITION

The Company principally accepts deposits with fixed or floating rates at various terms, and uses the funds obtained for investments or granting loans to make profit. The Company will encounter different types of risks during this process. The Risk Management Committee of the Board of Directors is responsible for the overall risk management of the Company. In year 2009, the Board of Directors of the Company promulgated risk management strategy and a series of risk management policies, which clearly stated the Company's risk preference and its short term risk management target before 2014, as well as the implementation approaches, management procedures, risk culture and etc. The Company has set up the overall risk management system. The Board of Directors of the Company will review risk assessment report periodically on the major risks the Bank exposes to, suggest and plan according to macroeconomic trend, policies, regional economy and etc. Description and analysis of the major risks faced by the Company is as follows:

(1) Credit risk

Credit risk is the risk of loss from default by an obligor or counterparty when payments fall due.

Credit risk is often greater when counterparties are concentrated in a single industry or geographical location or have common economic characteristics.

The Company operates its lending business in Mainland China only. Major off-balance sheet items such as bank acceptance are due from domestic enterprises. However, there are different economic development characteristics in different regions of China, and credit risks are therefore different. For the geographical concentration of the loan portfolio and major off-balance sheet items, please refer to note 41. For analysis of the concentration of loans by industry, please refer to note 16(a).

The credit risk of the Company mainly comes from loans, placements, bond investments, bank acceptances, letters of credit, letters of guarantee, etc. The Company manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, loan review and approval and post-disbursement loan monitoring and collection.

Several departments of the Company are responsible for the management of credit risk, including the Risk Management Department, Credit Control Department, and NPL Management Department. These departments are responsible for the following duties: drafting credit risk management policies and operating manuals; developing risk management technology and the application of risk management tools; monitoring credit risk and inspection and supervision, etc.

The Credit Control Department has four regional approval centers, including Beijing, Shanghai, Guangzhou and Fujian. The regional approval centers centrally review and approve loan applications submitted by the relevant branches. In addition, the Company also sets up several specialised committees such as the Credit Approval Committee and Credit Accountability Committee. The former is responsible for the review and approval of the credit related business within its authority. The latter is responsible for determining the responsibility of credit related business.

The Company has established a set of standard processes on the approval and management of credit related business. The management process of corporate and retail loans can be separated into the following segments: investigation, review, approval, loan disbursement, post-disbursement loan monitoring and collection. In addition, the Company has the credit policy to distinguish the responsibility of every segment of the credit management process so as to control the credit risk effectively and strengthen the monitoring of credit compliance works.

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(1) Credit risk *continued*

The Company has established guidance to manage the investing industries of credit business. According to the principle of “ratio control”, “adequate distribution”, “distinguish method” and “periodic adjustment”, the Company has appropriately increased its share in industries supported by government strategy and stably developed industries. The Company will also analyze and decide for the increase or decrease of investment in matured or weaken capacity industries.

The Company has set up the Obligor Credit Rating System to make comprehensive and systematical investigation for factors that affect the solvency ability of the borrowers. It identifies and assesses the credit risk and repayment ability based on qualitative and quantitative analysis. The credit rating assessment result is an important basis for setting up the credit business policies, adjusting and improving the structures and individual customer’s risk related business policies.

The Company assesses risk rating according to potential loss for risk related business. The assessment would turn the related major factors into relevant parameters, so that the potential loss can be measured comprehensively. The assessment result is made reference for credit investigation and approval, and rewards and risks balancing decision.

The Company has established “Credit Risk Alert Management Policy” to strengthen the post-disbursement loan monitoring procedure. The Company will obtain various information through internal and external sources, and report, prevent and minimize the risks on a bank wide basis. The Company also developed the Credit Management Information System to monitor the business operation of borrower and credit assets of the Company to ensure the credit risk are detected and prevented timely.

The Company has established the Credit Assets Risk Classification standard and related Implementation Polices etc to adequately identify the risk status of credit assets, to appropriately reflect the reward of adjusted risk, to optimize the capital and resources allocation, and to strengthen risk consciousness of business units. Based on the five tier classification policy established by CBRC, the Company classified credit assets into nine tiers, which are Pass 1, Pass 2, Pass 3, Special Mention 1, Special Mention 2, Special Mention 3, Substandard, Doubtful and Loss. According to the different tiers, the Company adopted different management policies and made provisions correspondingly.

Collateral

The amount and type of collateral required depends 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 Company set an upper limit of the pledged rate. Furthermore, the Company 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.; and
- For retail loans, collateral mainly includes properties.

The management will monitor the market value of the collateral periodically and ask the borrowers to add collateral if necessary according to the agreements.

The Company disposed of repossessed assets in an orderly way. Proceeds from disposal are used to offset against outstanding loans. Normally, the Company does not use repossessed assets for commercial purposes.

The book value of repossessed assets the Company obtained during 2009 amounted to RMB71 million (2008: RMB73 million), which mainly included land, properties and equipment.

The maximum credit risk exposure without consideration of any collateral and other credit enhancements

As at the balance sheet date, the maximum credit risk exposure of the Company without taking account of any collateral and other credit enhancements is set out below:

	31-12-2009	31-12-2008
Balances with the Central Bank	168,999,948	125,516,670
Due from banks and other financial institutions	56,048,867	109,922,829
Financial assets at fair value through profit and loss	3,363,485	6,691,211
Derivative financial assets	1,399,035	3,764,640
Reverse repurchase agreements	195,884,147	117,275,478
Loans	691,962,536	489,985,774
Available-for-sale financial assets	111,062,132	77,032,186
Held-to-maturity investments	42,224,611	55,360,769
Loans and receivables investments	40,786,092	18,622,269
Other assets	7,711,282	5,500,674
	1,319,442,135	1,009,672,500
Bank acceptances	131,401,091	123,840,890
Irrevocable letters of credit issued	5,905,879	5,528,190
Guarantees issued	7,733,390	5,839,981
	145,040,360	135,209,061
Maximum credit risk exposure	1,464,482,495	1,144,881,561

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(1) Credit risk *continued*

The credit quality by class of financial assets of the Company is analysed as follows:

	31-12-2009 (RMB million)				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High quality	Standard quality			
Balances with the Central Bank	169,000	-	-	-	169,000
Due from banks and other financial institutions	56,049	-	-	138	56,187
Financial assets at fair value through profit or loss	3,363	-	-	-	3,363
Derivative financial assets	1,399	-	-	-	1,399
Reverse repurchase agreements	195,884	-	-	-	195,884
Loans	689,704	6,657	1,267	3,969	701,597
Available-for-sale financial assets	111,062	-	-	-	111,062
Held-to-maturity investments	42,225	-	-	137	42,362
Loans and receivables investments	40,793	-	-	-	40,793
Other assets	7,741	-	-	93	7,834
Total	1,317,220	6,657	1,267	4,337	1,329,481

	31-12-2008 (RMB million)				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High quality	Standard quality			
Balances with the Central Bank	125,517	-	-	-	125,517
Due from banks and other financial institutions	109,923	-	-	138	110,061
Financial assets at fair value through profit or loss	6,691	-	-	-	6,691
Derivative financial assets	3,765	-	-	-	3,765
Reverse repurchase agreements	117,275	-	-	-	117,275
Loans	482,935	9,803	1,969	4,679	499,386
Available-for-sale financial assets	77,032	-	-	-	77,032
Held-to-maturity investments	55,361	-	-	137	55,498
Loans and receivables investments	18,622	-	-	-	18,622
Other assets	5,384	-	-	297	5,681
Total	1,002,505	9,803	1,969	5,251	1,019,528

Loans

Impaired loans are the loans with objective evidence of impairment. Impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of loans that can be reliably estimated. These loans include corporate loans and personal loans which are mainly graded as "Substandard", "Doubtful" or "Loss".

The fair value of collateral that related to loans individually determined to be impaired at 31 December 2009 amounted to RMB1,120 million (31 December 2008: RMB1,988 million). The collateral includes land, properties, equipment and shares.

As at 31 December 2009, neither past due nor impaired loans included Pass and Special Mention loans of RMB696 billion (31 December 2008: RMB493 billion). The management considered that these loans are only with normal business risk without objective evidence of impairment.

The ageing analysis of past due but not impaired loans is shown below:

	31-12-2009					
	Less than 90 days	90 days to 360 days	360 days to 3 years	3 years	Total	Fair value of collateral
Loans	1,266,510	-	-	-	1,266,510	1,649,106

	31-12-2008					
	Less than 90 days	90 days to 360 days	360 days to 3 years	3 years	Total	Fair value of collateral
Loans	1,968,928	-	-	-	1,968,928	2,356,991

The carrying amount of loans that would otherwise be past due or impaired if not restructured is as follows:

	31-12-2009	31-12-2008
Loans	203,090	1,520,689

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(2) Liquidity risk

The Assets and Liabilities Management Committee of the Company will monitor and manage the liquidity risk of the Company. The committee will regularly analyze and discuss the liquidity risk assessment report submitted, determine the liquidity risk management strategy, the monitoring indicators and the alarming index.

The Company will regularly monitor the surplus reserve ratio, liquidity ratio, loan-to-deposit ratio and set alarming and security limits for each ratio. The Company will also prepare general liquidity analysis report based on liquidity indicators recorded and cash flow net position of assets and liabilities, incorporating also the consideration of macro-economy and inter-bank 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 Company's overall risk assessment and determining the management strategy accordingly.

The administrative office of Assets and Liabilities Management Committee (the "administrative office") is responsible for: (1) drafting liquidity risk management policies and measures and (2) monitoring different types of liquidity ratios and exposure indicators. The administrative office monitors the liquidity risk ratios monthly by reviewing the assets and liabilities structure. If there are any ratios close to or over alarming limits, the office has to investigate the reasons and make recommendations to adjust the assets and liabilities structure accordingly. That means the administrative office should analysis the liquidity risk and report to the Assets and Liability Management Committee regularly.

The Financial Markets Department and the Planning and Financial Department are responsible for the daily operation of the liquidity management. Both departments are responsible for establishing a cash position forecast system at the Company level; in order to meet the Company's cash payment needs and assure the liquidity of the business development needs.

Regular key monitoring indicators for liquidity include surplus reserve ratio, liquidity ratio, liquidity gap ratio, long-term assets and liabilities mismatching ratio, financing ratio, loan-to-deposit ratio, etc. The Company set security limits of these indicators. The general liquidity analysis report, which is prepared based on liquidity indicators and cash flow period of assets and liabilities as well as considering of macroeconomic and inter-bank liquidity, is submitted to the Board of Risk Management Committee for their deliberation as an integral part of comprehensive risk management appraisal report. Relevant management measures are formulated accordingly.

A maturity analysis of financial assets and liabilities of the Company at the balance sheet date is as follows:

	31-12-2009(RMB million)							
	Overdue	On demand	Less than 3 month	3 month to 1 year	1 to 5 years	More than 5 years	No maturity	Total
None-derivative cash flows:								
Financial assets:								
Cash and balances with the Central Bank	-	129,929	14,732	16,484	7,911	-	2,904	171,960
Due from and placements with banks and other financial institutions	138	16,869	32,556	6,257	690	-	-	56,510
Financial assets at fair value through profit and loss	-	-	90	292	2,973	444	-	3,799
Reverse repurchase agreements	-	-	157,748	27,170	13,148	304	-	198,370
Loans	4,944	-	92,570	242,873	301,537	207,432	-	849,356
Available-for-sale financial assets	-	-	981	8,600	85,438	33,045	161	128,225
Held-to-maturity investments	-	-	3,599	12,292	25,717	5,464	-	47,072
Loans and advances investments	-	-	8,960	19,673	12,759	3,018	-	44,410
Other financial assets	6	697	101	1,026	1,488	34	-	3,352
Financial assets total	5,088	147,495	311,337	334,667	451,661	249,741	3,065	1,503,054
Financial liabilities:								
Borrowing from Central Bank	-	-	16	24	-	-	-	40
Due to and placements from banks and other financial institutions	-	159,469	60,126	18,856	1,009	-	-	239,460
Repurchase agreements	-	-	45,373	669	-	-	-	46,042
Customer deposits	-	553,938	135,783	151,345	72,743	1	-	913,810
Bonds issued	-	-	7,660	2,031	48,106	23,040	-	80,837
Other financial liabilities	-	1,847	6,889	519	1,376	49	-	10,680
Financial liabilities total	-	715,254	255,847	173,444	123,234	23,090	-	1,290,869
Net none-derivative cash flows	5,088	(567,759)	55,490	161,223	328,427	226,651	3,065	212,185
Derivative cash flows:								
Derivative settled by net values	-	-	(11)	(3)	66	(3)	-	49
Derivative settled by total values								
-Cash in	-	-	60,314	56,466	1,197	-	-	117,977
-Cash out	-	-	(59,502)	(56,511)	(1,196)	-	-	(117,209)
	-	-	812	(45)	1	-	-	768
Credit commitments	-	-	80,668	60,434	3,862	76	-	145,040

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(2) Liquidity risk *continued*

	31-12-2008(RMB million)							
	Overdue	On demand	Less than 3 month	3 month to 1 year	1 to 5 years	More than 5 years	No maturity	Total
None-derivative cash flows:								
Financial assets:								
Cash and balances with the Central Bank	-	94,019	10,279	14,753	5,357	1,147	2,307	127,862
Due from and placements with banks and other financial institutions	138	15,685	33,926	59,044	3,324	-	-	112,117
Financial assets at fair value through profit and loss	-	-	176	1,997	4,001	1,120	-	7,294
Reverse repurchase agreements	-	-	94,646	22,759	947	726	-	119,078
Loans	5,334	-	74,035	242,851	136,959	146,334	-	605,513
Available-for-sale financial assets	-	-	410	39,891	25,906	22,238	166	88,611
Held-to-maturity investments	-	-	699	15,481	36,525	8,989	-	61,694
Loans and advances investments	-	-	514	1,811	17,243	590	-	20,158
Other financial assets	193	212	46	300	485	23	-	1,259
Financial assets total	5,665	109,916	214,731	398,887	230,747	181,167	2,473	1,143,586
Financial liabilities:								
Due to and placements from banks and other financial institutions	-	129,234	39,706	27,757	88	-	-	196,785
Financial liabilities at fair value through profit and loss	-	-	644	-	-	-	-	644
Repurchase agreements	-	-	56,500	1,411	680	-	-	58,591
Customer deposits	-	330,170	100,901	146,985	57,089	11,391	-	646,536
Bonds issued	-	-	3,765	4,875	53,613	13,523	-	75,776
Other financial liabilities	-	1,165	7,391	625	459	1	-	9,641
Financial liabilities total	-	460,569	208,907	181,653	111,929	24,915	-	987,973
Net none-derivative cash flows	5,665	(350,653)	5,824	217,234	118,818	156,252	2,473	155,613
Derivative cash flows:								
Derivative settled by net values	-	-	4	(53)	32	(7)	-	(24)
Derivative settled by total values								
-Cash in	-	-	33,117	35,308	4,103	145	-	72,673
-Cash out	-	-	(34,021)	(35,321)	(4,212)	(132)	-	(73,686)
	-	-	(904)	(13)	(109)	13	-	(1,013)
Credit commitments	-	-	66,815	65,525	2,845	24	-	135,209

(3) Market risk

Market risk is the risk of loss, in respect of the Company's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates and commodity prices, etc. Market risk arises from both the Company's trading and non-trading business. The Company's market risk management objective is to control the market risk within a reasonable scope in order to achieve the risk adjusted optimizing yield.

According to the Company's market risk management structure, market risk management is critical for the management of the Company's assets and liabilities. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by the Company's president.

The Planning and Financial Department is responsible for implementing the Company's assets and liabilities management policy, analyzing and monitoring the implementation status of each type of indicators, and managing the assets and liabilities mismatch, etc. The Planning and Financial Department also acts as an administrative office for the Asset and Liability Management Committee to discharge its daily market risk management function and determine market risk limits which are allocated to each business unit for implementation.

In order to enhance the sensitivity and responsiveness to market risk management, the Risk Management Department has set up a middle office within the Financial Markets Department to monitor the operating status of the Financial Markets Department in a timely way and make risk evaluation reports regarding the operating status regularly.

(a) Currency risk

The Company is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The Financial Markets Department of the Company centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralised to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies, are managed through "overnight position limit" and "day time self-trading positions". The positions are centralised to the Financial Markets Department in a timely way and managed centrally. This kind of position is relatively small compared to the Company's asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Company 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 Company controls the position limit properly. To avoid the risk of RMB appreciation, the comprehensive positions of the market maker is managed close to zero and the overnight positions are kept at low level. The position arisen from the foreign currency capital is the largest currency risk position between RMB and foreign currency. Since the foreign currency capital is the necessity for the Company to develop its foreign currency business, the Company adopts a risk bearing strategy for this part of the position. The main method adopted by the Company to control the position is to apply to the State Administration of Foreign Exchange for the settlement of foreign currency capital and the foreign currency profit.

The Company is established in the PRC and the majority of the Company's operations are conducted in Mainland China.

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(3) Market risk *continued*

(a) Currency risk *continued*

A breakdown of relevant financial assets and liabilities by currency is as follows:

	31-12-2009 (RMB million)			
	RMB	USD	Others	Total
Financial assets:				
Cash and balances with the Central Bank	171,176	521	207	171,904
Due from and placements with banks and other financial institutions	50,143	3,670	2,236	56,049
Financial assets at fair value through profit and loss	3,363	-	-	3,363
Derivative financial assets	1,138	250	11	1,399
Reverse repurchase agreements	195,884	-	-	195,884
Loans	687,176	4,525	262	691,963
Available-for-sale financial assets	109,696	1,451	77	111,224
Held-to-maturity investments	40,786	1,243	196	42,225
Loans and receivables investments	40,786	-	-	40,786
Other financial assets	7,618	73	20	7,711
Total financial assets	1,307,766	11,733	3,009	1,322,508
Financial liabilities:				
Borrowing from Central Bank	40	-	-	40
Due to and placements from banks and other financial institutions	235,470	2,699	607	238,776
Derivative financial liabilities	1,098	218	286	1,602
Repurchase agreements	45,146	764	-	45,910
Customer deposits	893,056	5,529	2,299	900,884
Bonds issued	68,928	-	-	68,928
Other financial liabilities	16,267	129	17	16,413
Total financial liabilities	1,260,005	9,339	3,209	1,272,553
Net position	47,761	2,394	(200)	49,955
Foreign exchange derivative financial instruments	(1,039)	679	121	(239)
Loan commitments	138,493	5,228	1,319	145,040

A breakdown of relevant financial assets and liabilities by currency is as follows:

	31-12-2008 (RMB million)			
	RMB	USD	Others	Total
Financial assets:				
Cash and balances with the Central Bank	126,799	747	278	127,824
Due from and placements with banks and other financial institutions	96,160	11,523	2,240	109,923
Financial assets at fair value through profit and loss	6,691	-	-	6,691
Derivative financial assets	3,488	270	7	3,765
Reverse repurchase agreements	117,275	-	-	117,275
Loans	488,009	1,874	103	489,986
Available-for-sale financial assets	76,676	522	-	77,198
Held-to-maturity investments	53,719	1,604	38	55,361
Loans and receivables investments	18,622	-	-	18,622
Other financial assets	5,313	93	94	5,500
Total financial assets	992,752	16,633	2,760	1,012,145
Financial liabilities:				
Due to and placements from banks and other financial institutions	190,204	3,809	1,619	195,632
Financial liabilities at fair value through profit and loss	644	-	-	644
Derivative financial liabilities	3,153	770	18	3,941
Repurchase agreements	58,296	-	-	58,296
Customer deposits	625,675	4,573	2,178	632,426
Bonds issued	64,941	-	-	64,941
Other liabilities	15,792	123	31	15,946
Total financial liabilities	958,705	9,275	3,846	971,826
Net position	34,047	7,358	(1,086)	40,319
Foreign exchange derivative financial instruments	5,070	(6,473)	1,347	(56)
Loan commitments	128,580	5,447	1,182	135,209

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(3) Market risk *continued*

(a) Currency risk *continued*

The Company adopts sensitivity analysis to assess the possible impact on profit of the Company due to exchange rate changes. The following table shows the result of exchange rate sensitivity analysis of assets and liabilities on 31 December 2009 and 31 December 2008 respectively:

	31-12-2009 Change in exchange rate (%)		31-12-2008 Change in exchange rate (%)	
	(1)	1	(1)	1
(RMB million)				
Effect on profit	(30)	30	(12)	12
Effect on equity	-	-	-	-

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are shown below: (1) the exchange rate sensitivity represents the exchange gains or losses arisen from a 1% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date; (2) the exchange rate change of the different foreign currencies against RMB moves in the same direction simultaneously; (3) the foreign currency position has included both spot positions, forward positions and options. Based on the above-mentioned assumptions, the actual effect on the Company's foreign exchange differences due to changes in exchange rates may be different as compared with the result of the sensitivity analysis.

(b) Interest rate risk

The interest rate risk of the Company includes repricing risk, yield curve risk, benchmark rate risk, and option risk, for which the repricing risk is the main risk. It is the risk caused by the mismatch between the contractual maturity date and the repricing date of the interest bearing assets and interest bearing liabilities. At present, the Company has fully adopted internal transfer pricing for foreign currencies, and gradually adopted internal transfer pricing for mid-term and long-term RMB funding and utilisation. Through the internal transfer pricing arrangement by products and by terms, the Company gradually centralised the interest rate risk management at the head office in order to enhance the effectiveness and efficiency of managing the interest rate risk positions.

As for the interest rate risk management of the banking book, the Company mainly evaluates the interest rate risk of the balance sheet through gap analysis. The Company monitors and controls the gap of the interest rate sensitive assets and liabilities through information systems like asset and liability management system. Based on the gap analysis, the Company can simply calculate the interest rate sensitivity of income and economic value due to changes in interest rates. The income analysis focuses on the effect of the interest rate change to the short-term income while the economic value analysis focuses on the effect of the interest rate change to the net present value of the Company's future cash flow.

For the interest rate risk management of the trading book, the Company manages the interest rate risk position through the authorization limit control. The Company real time monitors its interest rate risk exposures of the trading book by introducing the Capital Transaction and Analysis System. The Company has enhanced the management of measurement model, standardized the development process, tested and implemented the measurement model, set up regularly post-evaluation mechanism to measure and ensure the interest rate risk exposure of the Company is accurately assessed. The introduction of the Capital Transaction and Analysis System has provided a real time measurement and effective technical support to monitor the interest rate risk of trading book.

The following table summarises the contractual repricing or maturity date, whichever is earlier, of the Company's financial assets and liabilities as at 31 December 2009:

	31-12-2009 (RMB million)							
	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Overdue/ non-interest-bearing	Total
Financial assets:								
Cash and balances with the Central Bank	150,820	16,094	1,168	699	219	-	2,904	171,904
Due from and placements with banks and other financial institutions	49,235	6,178	334	302	-	-	-	56,049
Financial assets at fair value through profit and loss	205	859	963	591	513	232	-	3,363
Derivative financial assets	-	-	-	-	-	-	1,399	1,399
Reverse repurchase agreements	156,633	26,451	4,900	7,200	400	300	-	195,884
Loans	402,774	267,645	4,620	4,215	1,708	2,643	8,358	691,963
Available-for-sale financial assets	11,943	31,572	10,489	33,243	13,443	10,373	161	111,224
Held-to-maturity investments	3,915	12,790	8,577	6,728	5,948	4,267	-	42,225
Loans and advances investments	9,065	19,211	3,191	2,224	5,189	1,906	-	40,786
Other financial assets	-	135	-	-	-	-	7,576	7,711
Total financial assets	784,590	380,935	34,242	55,202	27,420	19,721	20,398	1,322,508
Financial liabilities:								
Borrowing from Central Bank	16	24	-	-	-	-	-	40
Due to and placements from banks and other financial institutions	219,179	18,597	-	1,000	-	-	-	238,776
Derivative financial liabilities	-	-	-	-	-	-	1,602	1,602
Repurchase agreements	45,270	640	-	-	-	-	-	45,910
Customer deposits	736,212	145,683	10,577	6,427	1,984	1	-	900,884
Bonds issued	11,994	10,330	18,647	6,991	1,998	18,968	-	68,928
Other financial liabilities	-	-	-	-	-	-	16,413	16,413
Total financial liabilities	1,012,671	175,274	29,224	14,418	3,982	18,969	18,015	1,272,553
Interest rate risk exposure	(228,081)	205,661	5,018	40,784	23,438	752	2,383	49,955

42. FINANCIAL INSTRUMENTS RISK POSITION *continued*

(3) Market risk *continued*

(b) Interest rate risk *continued*

The following table summarises the contractual repricing or maturity date, whichever is earlier, of the Company's financial assets and liabilities as at 31 December 2008:

	31-12-2008 (RMB million)							
	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Overdue/ non-interest-bearing	Total
Financial assets:								
Cash and balances with the Central Bank	108,969	14,137	981	573	857	-	2,307	127,824
Due from and placements with banks and other financial institutions	49,277	57,596	3,050	-	-	-	-	109,923
Financial assets at fair value through profit and loss	304	2,068	396	2,424	660	839	-	6,691
Derivative financial assets	-	-	-	-	-	-	3,765	3,765
Reverse repurchase agreements	93,431	22,394	450	-	300	700	-	117,275
Loans	301,750	174,353	4,984	629	1,661	1,668	4,941	489,986
Available-for-sale financial assets	7,726	53,276	2,370	5,999	3,821	3,841	165	77,198
Held-to-maturity investments	1,125	17,805	12,078	8,631	8,326	7,396	-	55,361
Loans and advances investments	1,156	1,367	14,087	29	1,575	408	-	18,622
Other assets	-	185	-	-	-	-	5,315	5,500
Total financial assets	563,738	343,181	38,396	18,285	17,200	14,852	16,493	1,012,145
Liabilities:								
Due to and placements from banks and other financial institutions	168,460	27,092	80	-	-	-	-	195,632
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-	644	644
Derivative financial liabilities	-	-	-	-	-	-	3,941	3,941
Repurchase agreements	56,296	1,360	640	-	-	-	-	58,296
Customer deposits	473,750	135,561	9,402	5,496	8,217	-	-	632,426
Bonds issued	7,992	13,325	6,993	18,643	6,988	11,000	-	64,941
Other liabilities	-	-	-	-	-	-	15,946	15,946
Total financial liabilities:	706,498	177,338	17,115	24,139	15,205	11,000	20,531	971,826
Interest rate risk exposure	(142,760)	165,843	21,281	(5,854)	1,995	3,852	(4,038)	40,319

The Company adopts a sensitivity analysis to assess the possible effect of interest rate changes to the net interest income. The following table shows the result of the interest rate sensitivity analysis of the assets and liabilities as at 31 December 2009 and 31 December 2008:

	31-12-2009		31-12-2008	
	Interest rate change (basis point)		Interest rate change (basis point)	
	(100)	100	(100)	100
(RMB million)				
Effect on net interest income	1,224	(1,224)	627	(627)
Effect on equity	1,931	(1,931)	922	(922)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static interest rate risk structure. The analysis measures the interest rate change in one year and reflects the effect on the profit of the Company due to repricing of the assets and liabilities. The relevant assumptions are shown below: firstly, all assets and liabilities repriced again at the middle of the period for within 3 months and 3-12 months. Secondly, the yield curve moves parallel with the change of interest rate. Thirdly, the portfolio of assets and liabilities has no other change. Based on the above-mentioned assumptions, the actual effect on the Company's profit due to changes in interest rates may be different as compared with the result of the sensitivity analysis.

Based on the assumption of parallel movement of the yield curve with interest rate change, the sensitivity analysis of the equity is derived by reevaluating the ending balance of the available-for-sale financial assets as a result of interest rate's certain percentage changes.

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Financial Instruments measured at fair value

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for identical financial instruments

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

For the fair value determined by level 2 and level 3, those assumptions and approaches provide a consistent basis for the Company's financial instruments fair value determination. However, since other financial institutions may use different assumptions and approaches, therefore, the fair value disclosed by different financial institutions may be not comparable.

43. FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

(1) Financial Instruments measured at fair value *continued*

The following table summarizes the analysis for financial instruments using the 3 level fair value hierarchy determination.

(In RMB million)

2009-12-31	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial assets	-	1,399	-	1,399
Financial assets at fair value through profit or loss	-	3,363	-	3,363
Available-for-sale financial assets	933	110,163	-	111,096
	933	114,925	-	115,858
Financial liabilities:				
Derivative financial liabilities	-	1,602	-	1,602
	-	1,602	-	1,602

2008-12-31	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative financial assets	-	3,765	-	3,765
Financial assets at fair value through profit or loss	-	6,691	-	6,691
Available-for-sale financial assets	73	76,963	-	77,036
	73	87,419	-	87,492
Financial Liabilities				
Derivative financial liabilities	-	3,941	-	3,941
Financial liabilities at fair value through profit or loss	-	644	-	644
	-	4,585	-	4,585

In 2009, there was neither significant transfer from level 1 and level 2 to level 3, nor significant transfer between level 1 and level 2 in the fair value hierarchy.

(2) Financial Instruments measured at Cost

Financial assets

The Company's financial assets mainly include cash, due from Central Bank, due from and placement with banks and other financial institutions, loans and investments.

Due from the Central Bank, due from and placements with banks and other financial institutions

These are mainly priced at market interest rates and mainly mature within one year. Accordingly, their carrying values approximate their fair values.

Loans

Loans are mostly priced at floating rates close to the PBOC benchmark rates. Accordingly, their carrying values approximate their fair values.

Investments and derivative financial instruments

Available-for-sale investments, investments at fair value through profit and loss and derivative instruments are stated at fair value in the financial statements. Available-for-sale equity investments, that do not have a quoted market price in an active market and whose fair value cannot be measured, are measured at cost.

Financial liabilities

The Company's financial liabilities mainly include due to and placement from banks and other financial institutions, customer deposits, subordinated bonds issued and long-term debt securities issued.

Due to and placements from banks and other financial institutions

These are mainly priced at market interest rates and mainly due within one year. Accordingly, their carrying values approximate their fair values.

Customer deposits

Customer deposits mainly represent deposits with repricing dates or maturity dates less than one year. Accordingly, their carrying values approximate their fair values.

The following table discloses the carrying values and the fair values of held-to-maturity investments, loans and receivables investments, and bonds issued, all of which are not stated at fair value:

	Carrying value	Fair value
31 December 2009		
Held-to-maturity investments	42,224,611	42,484,603
Loans and receivables bond investments	18,830,423	18,828,452
Bonds issued	68,927,864	68,137,517
31 December 2008		
Held-to-maturity investments	55,360,769	55,804,548
Loans and receivables bond investments	16,779,276	16,787,598
Bonds issued	64,941,389	64,543,664

(In RMB'000)

44. CAPITAL MANAGEMENT

During 2009, the Company has established the "Capital Management Plan of 2009 to 2012"(the "Plan"). In accordance to the business strategy, risk situation of the Company and regulatory requirement. The Company analyses, based on the internal and external situation, and prepare a forecast for the business growth for the next three years by clearly indicating the assets growth, capital requirement and capital supplementary sources. The Plan also demonstrated the necessity and feasibility for capital supplement, and indicated the level of capital adequacy ratio and core capital adequacy ratio to be maintained in order to achieve the healthy, continuous and rapid business development.

The ultimate objective of the Company's capital management is to maximise the shareholders' value. In order to achieve the objective, the Company has planned to (i) ensure the available capital coped with the current and future business development plan and meet the set capital adequacy ratio. (ii) raise and manage capital through appropriate combination of capital instruments. (iii) maximise return of shareholders by an appropriate investment plan.

The Company has set a minimum target requirement of capital adequacy ratio maintained at 10% and core capital adequacy ratio at 7% in order to keep a higher capital quality and adequate capital level for stability, enhancement and risk resistance consideration. On top of regulatory requirement and the minimum target set above, the Company plans to maintain adequate capital reserve to achieve a CAR of 12% and core CAR at 8% which is on competitive level of other banks and built up a good image in the market.

Items	31-12-2009	31-12-2008
Core capital	56,662,635	46,218,497
Supplementary capital	20,364,760	11,750,658

Core capital includes share capital shares, capital surplus, surplus reserves and retained earnings. Supplementary capital includes general reserve of loans, subordinated bonds issued and hybrid bonds issued.

45. SIGNIFICANT EVENTS

(1) Disposal of the equity investment of Industrial Securities Co., Ltd.

Pursuant to the resolution passed in the 18th Session of the 6th Board of Directors meeting held on 30 October 2009, the equity investment of Industrial Securities Co., Ltd. held by the Company was disposed to Fujian Finance Bureau at RMB6.67 per share.

The Fuzhou and Xiamen Branch of the Company have entered contracts with Fujian Finance Bureau on 5 November 2009 to dispose their respective shareholding of 74 million and 47 million in Industrial Securities Co., Ltd. Fujian Finance Bureau should settle within 10 days the consideration of RMB148 million and RMB94 million to Fuzhou and Xiamen Branch respectively.

The Company has recognized a gain on disposal of available-for-sale equity investment of RMB753 million in 2009.

(2) Issuance of subordinated bonds

On September 2009, the Company has issued RMB2,005 million 09 Xing Ye 01 ("5+5 fixed rate") subordinated bond and RMB 7,995million 09 Xing Ye 02 ("10+5 fixed rate") subordinated bond pursuant the approval obtained from PBoC and CBRC via "Yin Shi Chang Xu Zhun Yu Zi [2009] No. 54" and "Yin Jian Fu [2009] No. 260" respectively.

The fund raised from the issuance will be utilized for capital enhancement, increase the supplementary capital and CAR ratio in accordance to the related laws and approvals by regulator, in order to strengthen the operation capability, risk resistance and stable growth of the Company.

(3) Rights Issue

Pursuant to the resolution passed in the 1st extraordinary general meeting of shareholders held on 8 December 2009, the Company has planned to offer rights issue to all the shareholders with allotment of not more than 2.5 shares for every 10 shares. The right issuance price is determined based on market price discounting method, with condition should not be lower than the value of net asset per share according to the latest statutory financial statements issued. The resolution passed would be valid within 18 months from the date of approval of extraordinary general meetings of shareholders.

46. POST BALANCE SHEET EVENTS

As at the approval date of these financial statements, there is no material post balance sheet event which is required to be disclosed.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 2 March 2010.

GREEN HOPE

Dreaming big with best efforts. The Industrial Bank is dedicated to fulfilling its social responsibilities and planting promising seeds while spreading the Equator Principle everywhere to make the Earth an ideal place for living.

/ Promoting green finance and seeding green hope together with the general public

/ Depicting the corporate mission of sustainable development through concerted efforts

/ Realizing the beautiful dream of all people living a happy life

The Board of Directors (the "Board") and all the directors (the "directors") of the Company hereby confirm that the information contained in this report does not contain any false representations, misleading statements or material omissions. The directors jointly and severally accept full responsibilities for the authenticity, accuracy and completeness of the information contained in this report.

Pursuant to provisions of the Company Law of the PRC and the Securities Law of the PRC as well as the requirements of China Securities Regulatory Commission ("CSRC"), China Banking Regulatory Commission ("CBRC") and Shanghai Stock Exchange, and under the principle of "Comprehensiveness, Prudence, Effectiveness and Independence", with reference to the internal control framework of COSO and in accordance with the rules and regulations such as the Internal Control Guidance for Commercial Banks, the Internal Control Guidance for Companies Listed on Shanghai Stock Exchange and the Basic Practice on Internal Control for Enterprises, Industrial Bank Co., Ltd. (the "Company") has been constantly reinforcing its internal control measures and improving its internal control system in such aspects as internal control environment, risk identification and assessment, internal control activities, information exchange & feedback, evaluation and correction on supervision, through which a rational internal control regulatory system has been established and an internal control mechanism featuring pre-risk prevention, intra-risk control and post-risk supervision and correction has been developed, and internal control requirements have been successfully carried out in those essential aspects.

I. OVERVIEW OF INTERNAL CONTROL STATUS

It is the responsibility of the Board of Directors and management of the Company to establish and effectively implement internal control. The internal control of the Company aims at: effective implementation of laws and regulations of the State, regulatory requirements of the external supervisory authorities and the internal rules and guidelines; assurance on overall implementation and realization of the development strategies and operating targets of the Company; assurance on effectiveness of the Company's risk management system; and assurance on the timeliness, truthfulness and completeness of the business records, financial information and other management information.

Subject to the inherent limitation of internal control, the Company can only provide a reasonable assurance on the abovementioned targets, and moreover, the effectiveness of internal control may vary with the changes in the internal and external environments and operating conditions of the Company. The Company also has an inspection and supervision mechanism in place, which enables the Company to take correction measures once a deficiency is spotted.

When establishing and implementing the internal control system, the Company has taken into account the following five elements, namely the internal control environment, risk identification and assessment, internal control activities, information exchange & feedback and supervision evaluation and correction.

i. Internal control environment

1. Corporate governance structure

In respect of corporate governance, the Company has, pursuant to the relevant laws and regulations and the Articles of Association, established a corporate governance structure and standardized meeting rules and procedures with the general shareholders' meeting, the Board of Directors, the Board of Supervisors and the senior management as the mainstay, and developed a well-balanced, organically-linked and smoothly running corporate governance mechanism with a clear description of responsibilities. As for the infrastructure for corporate governance, the Company has established a complete and efficient management system to ensure the Company has guidelines to refer to and laws to obey in the performance of duties, so as to achieve consistency of management and controllability of risks. Meanwhile, the Company has established a series of information exchange and communication mechanism to ensure smoothness and effectiveness in information transmission and feedback in all organizations.

As at December 31, 2009, the Board of Directors of the Company consisted of 13 directors[1], including 5 equity-holding directors (2 foreign equity-holding directors), 5 independent directors and 3 senior management directors. The Board has under it 5 committees, namely the Executive Committee, Risk Management Committee, Audit and Related-Party Transaction Control Committee, Nomination Committee and Remuneration & Evaluation Committee. The Board of Supervisors of the Company consists of 9 supervisors, including 4 equity-holding supervisors, 3 employee supervisors and 2 external supervisors. The Board of Supervisors has under it two special committees, namely the Supervisory Committee and the Nomination, Remuneration & Evaluation Committee.

During the reporting period, the Company further improved its infrastructure and basic regulatory system for corporate governance, revised and completed the Articles of Association of Industrial Bank Co., Ltd. (July 2009 Revision), Management Methods on External Equity Investment of Industrial Bank Co., Ltd., Handbook for Working Procedures for Departments at Head Office (4th Revision in September 2009), Guidelines on Working Procedures and Rules of Meetings for General Managers of Departments at Head Office of Industrial Bank Co., Ltd. Through holding special meetings regularly, listening to the operating risks reports and conducting market risks survey, the Directors of the Company further strengthened their efforts on supervision and guidance on corporate operating risks.

2. Business authorization system

In order to reinforce unified management on legal persons, the Company exercised business authorization under the principle of "controlling risks without sacrificing efficiency", and implemented a management system of separation approval from loan-granting with level-by-level examination, and set different approval authorities for the Credit Approval Committee of Head Office, the Credit Control Department, Regional Approval Centre and other authorized persons, so as to regulate authorization behaviours. During the reporting period, the Company took into consideration the business development plans, changes in internal and external situations and the authorization practices of the other banks when issuing the power of business authorization, so as to exercise authorization in accordance with the business development status, asset quality, operating management expertise, risk control ability, regional risk status of each branch, and meanwhile, made favourable decisions towards energy efficiency loans and small enterprises loans in accordance with the State's policies and guidance. In addition, the Company paid more attention to the communications and feedback on the exercise of business authorization, whereby the Head Office could instantly handle and reply the feedback from the branches on their business authorization and re-authorization exercise, and collect typical problems and suggestions for circulation within the whole company, which proved to be helpful in regulating the operation of the Company's business authorization system.

[1] In 2009, Mr. Patrick K W Chen, a director of the Company, resigned for alternative appointment, effective on November 21, 2009. On December 8, 2009, a resolution on electing Mr. Andrew H C Feng as the Director of the Company was passed at the 2009 first extraordinary general meeting of the Company, subject to verification and approval on his qualification by CBRC. On January 13, 2010, the qualification of Mr. Andrew H C Feng to be a director of the Company was approved by CBRC, and as at the date of the report, the Board consisted of 14 directors.

I. OVERVIEW OF INTERNAL CONTROL STATUS *continued*

i. Internal control environment *continued*

3. Human resources management mechanism

The Company's human resources management has consistently implemented the strategic guiding principle of "professional management", adhered to the "people-oriented" concept and continuously improved the human resources management, incentive and restrictive mechanism. In response to the strategic development needs, the Company has proactively introduced advanced concepts, methods and tools for modern human resources management, with a view to improve the efficiency of management team at all levels and to ensure a balanced development of the Company's businesses. During the reporting period, the Company promulgated the "Administrative Rules for Human Resources at Head Office (February 2009 Revision)" to further regulate human resources management. In addition, the Company formulated the "2009 Annual Assessment Program for Departments at Head Office" to strengthen effective management of all departments and to improve appraisal system. In respect of personnel management, the Company attached great importance to talent recruitment and staffing management. In 2009, two new professional sequences, being information technology professional sequence and treasury operation professional sequence, were added to the existing credit review and approval professional sequences for the purpose of further broadening professional development channels for experts and enhancing incentive mechanism. In respect of training management, the Company launched differentiated training programs of different levels tailor-made for the management team, the marketing team, the professional and technical team and the operating team of middle and high levels according to their respective professional characteristics, paying special attention to the breadth and depth of the training contents and the effectiveness of the training program, with a view to enhance professional competencies of staff.

4. Comprehensive compliance management system

The Company is always adhering to the development principle of rule compliant operations, and has steadily promoted the building of the Bank's compliance management system. During the reporting period, relying on its well-established comprehensive compliance management system platform, coupled with the promotion of comprehensive compliance management system in the previous periods, the Company focused on the experimental work of compliance observation, including the recording of compliance monitoring events, re-assessment of risk exposures and reporting of compliance issues, so as to build a normalized working mechanism of compliant risk management, enhance the effectiveness of compliant risk management and ensure the comprehensive, coordinated and sustainable development of the Company. In addition, the Company continuously enhanced the internal and external information exchange and improved the feedback mechanism, and established a communication platform between the compliance department and trial branches as well as a platform between the internal audit department and external regulatory bodies, thereby the Company gradually enhanced the scientific and professional level of the Company's compliance management, ensured and promoted the building of its comprehensive compliance management system in an orderly manner. In respect of the promotion of our compliance culture, to ensure employees' full understanding and proper implementation of the new loan regulatory policies and to foster compliance culture, the Company invited experts from the compliance department to attend compliance risk management training programs, promoting our principle of rule compliant operation by increasing efforts in such training programs.

5.Further construction of our internal control assessment system

In accordance with the "Basic Standards for Enterprise Internal Control" jointly promulgated by the Ministry of Finance, Securities and Futures Commission, the Audit Commission, CBRC and CIRC, the Company forwarded the "Proposal on Commencement of Formulation of the Internal Control Assessment System" at the 16th meeting of the 6th Board of Directors on April 25, 2009. Such proposal was considered and passed by the Board of Directors and subsequently became effective on May 12, 2009. For the purpose of facilitating the achievement of the relevant construction objectives, the Company appointed an experienced external professional intermediary Institution to participate in the whole formulation process of such internal control assessment system. Experimental work of the internal control assessment system was conducted in the Head Office and two branches (being Shanghai Branch and Shenzhen Branch). With the effective organizational structure in position and using the implementation methods specified in the mentioned proposal, the experimental internal control assessment work was carried out on the enterprise level, the procedure level and the IT level respectively. On the enterprise level, the daily management operations of the Board of Directors, the management team and the internal audit department were assessed in respect of environment control, risk assessment, activity control, information and communication and internal monitoring. On the process level, work involving process analysis, risk identification and control testing was conducted on 25 processes (including 54 sub-processes) of the relevant management departments of Shanghai Branch, Shenzhen Branch, the Financial Markets, the Credit Card Center and Head Office. While on the IT level, experimental work was carried out primarily in testing of application control and general control as well as in control assessment on the IT enterprise level. In the future, the Company will gradually improve the internal control evaluation system, establish a continuously running internal control evaluation system, and constantly enhance the internal control of the Company.

ii. Risk identification and assessment

The Company aggressively promoted and deepened the reform of risk management system, gradually improved the framework and functions of risk management, and speeded up the innovation and application of risk management tools, aiming at strengthening the identification and monitoring of and quickening the response to various risks, so as to steadily enhance comprehensive risk management capabilities. To achieve internal control objectives, the Company exercised effective control over various businesses and issues by implementing comprehensive control measures and engaging the dual control methods of manual control and automatic control as well as prevention-oriented control and identification-oriented control, taking into consideration of the risk responding strategies and risk assessment results.

During the reporting period, for the purpose of defining the middle and long-term objectives of risk management, improving risk countermeasures, fostering advanced concepts and culture of risk management and ensuring a stable, healthy, sustainable growth of the Company's businesses, the Company formulated and issued the "Risk Management Strategy of Industrial Bank" as our guideline to the continuous promotion of the "five goals" for improvement, i.e. "building a defined risk management framework, a sound risk management system, a scientific risk management process, a dedicated risk management team and an advanced risk management approach", and handled the relations between risk and revenue according to the principle of "Prudent, Rational and Steady".

In addition, based on the continuous improvement in the risk management structure, the Company further increased risk identification and assessment efforts in key areas including related party transaction risk, operational risk and non-credit asset risk by regulating the management mechanism, improving operational rules, defining risk toleration range and improving assessment methods.

1. As for related party transaction risk: in order to meet the changing legal environment and regulatory requirements after its listing, the Company further clarified the definition and scope of connected transactions and improved the relevant management procedures. Furthermore, the Company revised the original "Administrative Rules for Related Party Transactions between Industrial Bank and Insiders and Shareholders" and the "Implementation Rules for the Management of Related Party Transactions between Industrial Bank and Its Insiders and Shareholders", and promulgated the "Administrative Rules for Related Party Transactions of Industrial Bank Co., Ltd." and the "Implementation Rules for the Management of Related Party Transactions of Industrial Bank Co., Ltd.".

I. OVERVIEW OF INTERNAL CONTROL STATUS *continued*

ii. Risk identification and assessment *continued*

2. As for operational risk: by capitalizing on the launch of construction of operational risk management system, the Company was committed to the establishment and improvement of its operational risk management organizational structure system, institutional system, processes system as well as management tools and methods. In addition, the Company formulated and promulgated the "Notice on Further Strengthening the Management of Operational Risk in Relation to Grant of Credit to Non-local Governments and Large Sized Enterprises", and revised a number of rules and regulations including the "Administrative Rules on Approval Procedures of Extending Corporate Loans and Flows of Credit Funds Financed by Industrial Bank Co., Ltd. (November 2009 Revision)" and the "Administrative Rules for Mobile Phone Banking Business of Industrial Bank Co., Ltd. (December 2009 Revision)", thereby the Company further strengthened the effective identification and management of operational risk in the credit business, accounting and settlement, e-banking services and so on.

3. As for non-credit asset risk: for the purpose of regulating the classification of non-credit asset risk, strengthening non-credit asset management and improving the internal control system, the Company formulated the "Industrial Bank's Administrative Rules for Classification of Non-credit Asset Risk" and the "Working Rules of Audit Team at Head Office of Industrial Bank for the Classification of Non-credit Asset Risk", with a view to strengthen the risk identification and classification management of non-credit assets.

iii. Internal control

1. Internal control of credit-granting business

In the credit-granting process, the Company regarded safety of credit funds as an overriding factor, and granted its credit facilities under the principle of "unified credit approval procedures, differential treatment, stringent credit limit, rational approval and timely adjustment". In addition, the Company conducted a comprehensive assessment on customers' solvency and risk level, and reasonably determined the customers' total credit limit depending on their respective operational and managerial capabilities, financial position, operating cash flow, credit conditions and market environment. Under the principle of prudent management, the Company guided its operating arms to keep abreast of the credit investment trends of the industry, rationally allocate credit funds, monitor and control credit concentration risk, and optimize the lending portfolio to financial institutions, aiming at achieving strategic allocation of resources in an orderly manner to sustain the continuous growth in its businesses.

During the reporting period, the Company fine-tuned the management of its credit-granting business, standardized and improved its approach of early warning against risk faced by corporate customers, and amended various rules and regulations including the "Industrial Bank's Administrative Rules for Early Warning against Risks Faced by Corporate Customer", the "Industrial Bank's Administrative Rules for Investigation on Corporate Customers Prior to Credit Granting", "Industrial Bank's Administrative Rules for Credit Examination of Corporate Customers", the "Industrial Bank's Administrative Rules for Appraisal Subsequent to Credit Examination and Granting", the "Industrial Bank's Administrative Rules for Extension of Loans regarding Corporate Credit Business" and the "Industrial Bank's Administrative Rules for Due Diligence Investigation of Corporate Customers Subsequent to Credit Granting".

Furthermore, the Company established the Small Enterprises Department. Based on the characteristics of the small enterprise customer group, the Company formulated and promulgated a series of rules and regulations including the "Operation Mode of Small Enterprise Business of Industrial Bank", the "Industrial Bank's Administrative Rules for Small Enterprise Credit-granting Business", the "Implementation Practice of Industrial Bank for Classification of Credit Asset Risk of Small Enterprises" and the "Industrial Bank's Administrative Rules for Credit Grading of Small Enterprise Customers". In addition, the Company improved the institutional customer credit-granting mechanism by formulating and promulgating the "Industrial Bank's Administrative Rules for Due Diligence Investigation of Credit Granting to Institutional Customers (December 2009 Revision)", and the Company further regulated the retail credit business operations by introducing the “Operation Manual of Industrial Bank for Retail Credit Business (2009 Version)”. Furthermore, the Company formulated various rules and regulations including the “Industrial Bank’s Administrative Rules for Camcorder System of Retail Credit Business Operations” and the “Notice of Industrial Bank on Adjustments to Monitoring Indicators of Personal Loan Risk” in accordance with the business development needs.

During the reporting period, the Company raised the threshold of its credit granting. To this end, the Company formulated and promulgated the “Industrial Bank’s Rules for Access to Credit Business for 2009”, the “Industrial Bank’s Rules for Access to Credit Business for 2nd Half of 2009”, “Industrial Bank’s Rules for Threshold of Energy Conservation and Emission Reduction Projects for 2009” and “Industrial Bank’s Implementation Plan for the Management of Credit Limit for Industry Customers for 2009” based on the macro-economic conditions, industry risk, gains on assets, asset size and credit structure. In addition, for the purpose of further clarifying the orientation and responsibilities of the risk management division of branches, strengthening the risk management and regulating the risk management mode of non-local sub-branches, the Company formulated and promulgated various rules and regulations including the “Guiding Opinion on the Work of Risk Management Division of Branches” and the “Guiding Opinion on Risk Management of Non-local Sub-branches”. At the same time, in order to standardize the operational procedures and safeguard the legitimate rights and interests, the Company introduced the corresponding operational procedures and a series of model practices, including the “Industrial Bank’s Operation Rules for Loans Granted for Low-cost Affordable House Development (June 2009 Revision)”, “Industrial Bank’s Operation Rules for Loans Granted for Commercial Properties (June 2009 Revision) “ and “Industrial Bank’s Operation Rules for Loans Granted for Energy Conservation and Emission Reduction Projects (Phase II) (June 2009 Revision)” which were promulgated during the reporting period, to supplement the relevant administrative rules. Based on the sample texts given in existing model contracts, the Company revised various other sample texts including the limits of entrusted loans, limits of personal credit loans, standard warehouse warrant pledge loans and the project financing business compliant with the Equator Principle.

2. Internal control of treasury operation business

In regard to treasury operation business management, the Company has been dedicated to the policy of separating the front office, middle office and back office, and established the authorization management system for treasury operations, formulated and continuously improved various rules and regulations and managerial procedures related to the internal control of treasury operation business. By consistently implementing the relevant national policies and laws and regulations, operating businesses in strict compliance with relevant business rules and regulations, management practices and operating procedures, and tightening the internal control of back office, the operational risk in treasury operations can be prevented.

During the reporting period, the Company further enhanced overall risk control capability in treasury operation business by amending the duties and responsibilities designated by the Head Office to risk management middle office of the Financial Markets Department. In regard to construction of corporate enterprise system, we formulated the “Industrial Bank’s Working Rules for the Financial Markets Department at Head Office” and the “Rules and Procedures for holding Meetings Presided by General Manager of the Financial Markets Department at Head Office of Industrial Bank” with a view to further standardize treasury operations and improve the efficiency of operation and management. In addition, for the purpose of strengthening operation management, the Company also formulated and issued various rules and regulations such as the “Industrial Bank’s Administrative Rules for Treasury Operation Business at Back Office (April 2009 Revision)”, the “Industrial Bank’s Administrative Rules for Precious Metal Trading Business for Institutional Customers (as Agent)”, the “Industrial Bank’s Administrative Rules for Precious Metal Trading Business for Personal Customers (as Agent)”, the “Industrial Bank’s Administrative Rules for Renminbi Interest Rate Swap and Forward Interest Rate Agreement Business (as Vendor)”, the “Industrial Bank’s Administrative Rules for Foreign Currency Interest Rate Swap and Forward Interest Rate Agreement Business (as Vendor)”, the “Industrial Bank’s Administrative Rules for Renminbi and Foreign Currency Forward Swap Business (as Vendor)”, the “Industrial Bank’s Administrative Rules for Interest Rate (Between Foreign Currencies) Trading Business (September 2009 Revision)”, the “Industrial Bank’s Operation Rules for Wealth Management Asset Pool of the Financial Markets Department”, the “Industrial Bank’s Administrative Rules for Investment in and Operation of Wealth Management Business” and “Industrial Bank’s Guidance on Credit Risk Policies of Trust Wealth Management Business (Financing Category) for 2009”.

I. OVERVIEW OF INTERNAL CONTROL STATUS *continued*

iii. Internal control *continued*

3. Internal control of deposit and counter business

In regard to deposit and counter business, the Company was committed to the principle of separating incompatible posts on the basis of defined regulations, strict operation specifications and effective risk prevention measures. The Company assigned counter staff with different ranks and granted different authorization levels according to type of business, type of transaction and transaction amount. During the reporting period, the Company launched SMS alert services to corporate customers whose balances were not settled promptly in core system, thereby counter operational risk were effectively prevented. In regard to deposit business, the Company strictly implemented the regulations of the regulatory departments, consistently rejected deposits exceeding our authority or in violation of laws and regulations, and increased efforts in account management, with a view to effectively prevent account reconciliation risk, standardize account verification procedures and ensure the safety of funds belonging to the Bank and customers.

The Company attached great importance to anti-money laundering. The Company established an anti-money laundering internal control mechanism and an anti-money laundering working committee, and formulated the administrative rules for anti-money laundering, pursuant to which the Company practically fulfilled the anti-money laundering obligations including, but not limited to, customer identification, reporting of large-value and suspicious funds and preservation of transaction records. During the reporting period, in order to enhance the managerial level of anti-money laundering, the Company effectively pushed forward the anti-money laundering campaign across the Bank by making effort in management structure, human resources, IT system building, incentive and commitment mechanisms, and taking into account the current practical conditions of the Company. Furthermore, the Company formulated and issued various rules and regulations such as the "Industrial Bank's Administrative Rules for Classification of Customers' Money Laundering Risk" to enhance internal control of anti-money laundering.

4. Internal control of intermediary business

The Company constantly maintained a strict threshold system for access to its intermediary business. At present, the Company has established a relatively complete product line of intermediary business that covers payment and settlement, bank cards, agency, guarantee, undertakings, transactions, trust and advisory services. Meanwhile, the Company rationally controlled the market risk according to situation of domestic and foreign capital markets and financial derivatives market, improved and carefully implements the threshold system for access to creative products and the whole process workflow management system. On the other hand, it continued to optimize the measurement and evaluation models for calculating the risks of all kinds of products, so as to improve its risk assessment, product design and development and pricing capacity. In respect of the R&D of creative products, the Company has constantly followed the guideline of "system in first place, process under control and cultivation of people" and carefully controlled the transaction risks by means of monitoring market risk and credit risk. During the reporting period, the Company dedicated itself to the fine management of intermediary business. It consistently systematized and improved the income items of intermediary business according to requirements for business development, budget control and resource allocation, and thus further improved the establishment and use of relevant items.

5. Internal control of finance

The Head Office formulated the financial system and financial plans for the whole Bank, allocated financial resources, disclosed financial information to the public and issued integrated business plans to both branches and departments. In regard to financial authorization, the Company practiced classified authorization management based on the type of management. Each branch and sub-branch managed the financial affairs in its area of operations within the boundaries of the financial management authority granted to it by the Head Office or a superior branch, and directly reported to its superior branch. Within its financial management authority, each branch practiced the centralized management of its internal financial accounting, set up a financial accounting center in the branch and staffed it with a sufficient number and quality of financial accountants according to the requirements of internal control management and business volume. Branches conducted relatively independent accounting on the economic activities within the scope of the city in question, objectively reflected financial results and properly implemented financial supervision. On the basis of value promotion, the Company evaluated the business management performance of each branch and sub-branch.

With regard to financial management, the Company strived to avoid financial risks, improve management standards, ensure the constant, rapid and healthy development of business and implement a financial management mechanism characterized by "uniform management, classified authorization, centralized accounting and integrated evaluation". During the reporting period, based on the original system, the Company supplemented and improved the related financial regulations and successively formulated the "Administrative Rules for Expenses of Each Department at Head Office of Industrial Bank", the "Administrative Rules for Expenses Incurred by Outbound Operating Departments Delegated by Branches and Head Office of Industrial Bank" and the "Administrative Rules for Decoration of Office Buildings of Industrial Bank". Based on the conclusion drawn from previous experience in implementation of the original rules for traveling expenses and conference expenses, the Company revised and implemented standards and administrative rules for traveling expenses and conference expenses.

6. Internal control of accounting

The Company organized and carried out its accounting in line with the principles of "uniform leadership and hierarchical management". The Company conducted comprehensive monitoring of the operation of each business according to applicable laws, regulations and systems, endeavored to assure the legality and compliance of accounting business and the authenticity of accounting information and performed accounting of accounting factors such as the Company's assets, liabilities, ownership interests, income, expense and profits and other financial business in an authentic, complete, prompt and accurate manner. The use of accounting data and information helped to reflect changes in the status of capital and finance, and provides relevant, reliable and accurate accounting information to the users of accounting information. The Company carried out a system of appointing accounting supervisors at the grass roots, clarified the responsibilities and authorities of accounting departments and accountants and forbade the simultaneous occupation of incompatible posts. Trace management by means of business system authorization and written authorization was adopted for accounting business authorization. A record of authorized business must be kept in the business system or on the relevant documentation. The Company strengthened accounting internal control mechanisms, followed accounting internal control principles, implemented a job post responsibility system, divided administrative rights and financial rights, enhanced accounting inspection and guidance, conducted post-supervision of accounting, developed a complete, systematic, efficient and standard accounting internal control management system, avoided and eliminated financial risks and guaranteed safe and steady operation of business. During the reporting period, according to changes in the internal and external business environment, the Company formulated and updated a series of rules and regulations. The Company formulated the "Administrative Rules for Transaction Accounts and Accounts Classification of Industrial Bank", the "Accounting Procedures for Standard Warehouse Warrant Pledge Loan of Industrial Bank" and revised the "Administrative Rules for Cashier of Industrial Bank", the "Administrative Rules for Basic Accounting Hierarchy of Industrial Bank", the "Standards for Scoring and Evaluation of Basic Accounting Hierarchy of Industrial Bank", the "Basic Requirements for Accounting for Transfer of Financial Assets of Industrial Bank (Revised in November 2009)", the "Administrative Rules for Account Reconciliation of Industrial Bank (Revised in December 2009)" and the "Accounting Procedures for Forfeiting Business of Industrial Bank", and further enhanced the effectiveness of internal control on accounting practices.

I. OVERVIEW OF INTERNAL CONTROL STATUS *continued*

iii. Internal control *continued*

7. Internal control of computer information system

The Company aimed to "gradually establish a multi-faceted and pro-active information security protection system". Adhering to the basic guidelines of "active defense and integrated protection" and the principles of "quantitative management, standard operation and due liability", it focused on improving the safeguard mechanisms of science & technology risk management, evaluation and pre-warning mechanisms of information technology risks, emergency response mechanisms of information technology risks and ceaseless improvement mechanisms of information technology security and control so as to practically guarantee the sound operation of each business. During the reporting period, following the strategy of "Three-year Planning for Information Technology Risk Management", the Company promoted the construction of enterprise-level information technology risk management system and established an "enterprise-level information technology risk detection and evaluation system" that mainly relied on "regular comprehensive risk evaluation" and supported by "evaluation mechanism for operating failure Analysis and implementation mechanism for audit trail" by reference to "evaluation mechanism for embedded research and development risk identification". The Company strengthened the implementation of a corporate-wide scientific strategy, promoted integration of science and technology between Head Office and branches and improved the IT management capability of its branches. In accordance with the "Commercial Bank IT Risk Management Guidelines" promulgated by CBRC, the Company issued the "Administrative Rules for Management and Assessment for Information Technology at Branches of Industrial Bank", and implemented step by step the IT management and assessment of its branches. The Company also continued to strengthen the management of general structure, requirements, quality and test of software projects, conducted a review on software projects and formulated the "Administrative Rules for Test of Software Used at Head Office of Industrial Bank" so as to effectively improve the quality of R&D of software, reduced risks arising during the process of R&D. Furthermore, the Company continued the construction of its IT infrastructure and information safety, tried to promote greater use of the desktop security management system and enhanced the ability to guard against network virus and penetration attacks. The Company conducted emergency drills on a regular basis, strengthened emergency treatment mechanism of IT risk management, carried out penetration test and vulnerability scanning, enhanced the strength and reliability of its information system and strengthened the management of operation and maintenance so as to ensure the safety and stable operation of its information system.

iv. Information exchange and communication

1. Constructing an overall information exchange and communication mechanism

During the reporting period, the Company formulated and issued the "Information Reporting System between the Board of Directors and its Committees and the Senior Management", which further enhanced effective communication and exchange between the Board of Directors and its committees and the senior management, clarified the type, content, time and format of information the senior management and relevant departments of Head Office should report to the Board of Directors and its committees, to ensure the Board of Directors could get access to accurate and comprehensive information related to the operation and management of the Company on time, and thus enhancing its decision-making capability and operational efficiency to promote effective communication of corporate governance.

The Company further implemented the overall risk management reporting system, while the relevant departments at Head Office also enhanced the analysis and review of the overall risk management reports from branches, and regularly submitted the results to the Risk Management Committee and the Board of Directors for further review. Meanwhile, the Company issued brief reports regarding the reporting of risk management on time, promoted the outstanding measures and typical cases contained in the reports from branches, gave feedback on the opinion and advice given by Head Office regarding the reports from branches, and improved the communication mechanism between Head Office and branches on risk management.

The Company enhanced the management of corporate credit information database. During the reporting period, the Company issued the "Notice on Further Strengthening the Management of Corporate Credit Information Database", continuously increased the importance of information in preventing and reducing corporate credit risk, and promoted the healthy development of corporate credit business.

Through the regular release of the “Weekly Report on Third-party Depository Operation” and the “Weekly Report on Construction, Operation and Maintenance of Information System”, the Company reported in a timely manner the system operational conditions and problems encountered therein, so as to enhance the reliability and service quality of system operation and maintenance.

2. Improving the information exchange and communication platform

The Company established a totally comprehensive office automation system (OA system) and an intrabank e-mail system, fully advancing the real-time digitalization of external and internal documents, promoting the efficiency of document operation and level of information sharing, ensuring that each department of Head Office and organizations at each level could transmit the strategies, policies, systems and relevant regulations of the decision-making level to employees rapidly and simultaneously helping employees to report issues in respect of business operation and internal control to management at each level.

The Company established an information sharing platform for credit review, which was used for releases of industrial indicator data and dynamic information, credit policies and relevant systems for credit approval, and answering doubtful and difficult questions encountered in the credit review process. The Company also improved the “Information Releasing System for Credit Review and Approval”, which released the reviewed and approved credit items every month, thereby strengthened the information sharing on credit review and approval between organizations at each level.

The Company utilized the OA system to promote values such as anti-corruption and compliance, and publish electronic periodicals. It reinforced the information exchanges between employees through electronic forums in the system and completely assured the fluidity and high efficiency of information exchange.

The Company continuously improved its daily communication platform through compiling and distribution of “Weekly Report”, “Brief Report”, “Situation Report”, “Management Information” and its in-house journal “People of Industrial Bank”, to strengthen the timeliness and effectiveness of information exchange in daily operational management.

3. Strengthening information disclosure

During the reporting period, the Company revised the “Administrative Measures on Information Disclosure of Industrial Bank (May 2009 Revision)” and the “Internal Reporting System of Information Disclosure of Industrial Bank (May 2009 Revision)” and drafted the “Administrative Measures on Information Disclosure Affairs of Industrial Bank” in accordance with the latest regulatory requirements. Through the implementation of these regulations, the Company defined the standard of disclosable information, identified the respective information disclosure responsibilities of each main party and related external party, formulated internal circulation and review procedures for information disclosure, and defined the responsibility, time frame and procedure of each unit according to information type to ensure the quality of information disclosure.

Meanwhile, the Company released the “Special Report on Information Disclosure Affair” periodically and distributed to various departments at Head Office and branches, which reported information disclosure affairs of the Company, analyzed important regulations and operational procedures for information disclosure, and served as a guideline for organizations at each level to carry out works related to information disclosure.

I. OVERVIEW OF INTERNAL CONTROL STATUS *continued*

iv. Information exchange and communication *continued*

4. Emphasizing on advertising

The Company emphasized on advertising, and took initiative to strengthen brand marketing and communication with the media to enhance brand image. During the reporting period, the Company formulated and released the "Opinion on advertising of Industrial Bank in 2009" to strengthen the advertising and standard management of the Bank; revised and issued the "Administrative Measures for Information Disclosure on Website of Industrial Bank (October 2009 Revision)" to further improve the information organization, publishing and updating on the Company's website, fully utilize the internet to advertise, ensure the effectiveness and authority of information disclosed by the Company, and enhance information security; formulated and issued the "Administrative Measures to Monitor Public Opinion and Appropriate Response", to further improve the public opinion monitoring and responding system and fully utilize the pre-warning function to survive a media crisis.

v. Supervision and evaluation

The Company implemented a supervision & correction management system characterized by "uniform leadership, vertical management, hierarchical authorization and independent responsibility" and continuously increased the intensity of supervision, inspection and problem correction. It developed an all-faceted supervision and evaluation system by using multiple supervisory means from multiple perspectives, levels and dimensions, and consistently improved the management standard of the whole bank through business management internal controls, audit supervision & evaluation of organizations at each level and enhanced the intensity of problem correction.

1. Carrying out on-site audit projects and strengthening audit supervision and inspection

During the reporting period, the internal audit department of the Company closely monitored the changes in current economic cycle that might put the Company in various risks and the important issues that were of particular concern to external regulatory authorities, and thereby strengthened the traditional risk auditing. Jobs were done by following methods: (1) base on the authenticity of assets, liabilities and losses and profits of business, and soundness and effectiveness of internal control, to conduct comprehensive audit in branch organizations; (2) concerning on the management and prevention of systematic risks, and taking into account of different level of organizational development and business characteristics of various regions, the Company carried out a number of investigations and special audits to enhance the comprehensive management and service quality of the whole bank; (3) continuously strengthened the functions of IT audit and enhanced the supervision and control of IT risks by conducting special audit and audit investigation projects.

2. Promoting daily regulatory measures

The internal audit department of the Company implemented various regulatory measures on organizations at each level, including on-site investigations and internal control evaluation. In respect of on-site investigations, the supervisors of internal audit department of the Company carried out on-site interviews and verifications to further enhance the understanding and control of the operation and management of branches. Meanwhile, the internal audit supervisors strengthened the communication and exchange with external regulatory authorities to promote positive interaction between internal and external units. In respect of internal control evaluations, the internal audit supervisors consolidated the information collected from various channels, to comprehensively evaluate the capabilities of branches in terms of risk management, process control, duty performance and continuous improvement. In respect of subsequent tracking, the Company strengthened the rectification of problems found in the internal audit and under supervision and followed up with the subsequent implementation; for key issues and essential issues that were not rectified, the internal audit department of the Company would issue notice of subsequent rectifications to relevant organizations, urge these organizations to formulate rectification plan, identify corresponding rectification measures and persons responsible for the job, and make better control over rectification process.

3. Fully advancing the supervision and examination of internal control

As the business of the Company grew bigger and bigger, aiming in particular at some important and high-risk business segments, the Company paid full attention to the construction of infrastructural facilities, including process management, duty constraints, supervision and inspection, so as to ensure that management departments at each level could establish a sound and effective mechanism for control, management, counseling, supervision and inspection. During the reporting period, the Company formulated and issued the “Administrative Approaches of Rolling Inspection for Deposit Risk of Industrial Bank” to further improve the internal control system of the Company, strengthen deposit risk management, and prevent fraud, theft and misappropriation of customer deposits. Meanwhile, the management department of the Company strengthened its supervision, inspection and counseling, carried out inspection on credit and settlement of key businesses for the whole bank, inspection on post-loan management of branches, inspection on retail credit business in the second half of 2009, bank-wide inspection and verification on RMB settlement accounts and foreign currency accounts, security inspection on ATM software outsourcing, confidentiality check on Head Office, special investigation on anti-money laundering and security check, etc, so as to further improve the internal control of the whole bank.

II. CONCLUSION FOR THE SELF-EVALUATION OF INTERNAL CONTROL

The Company’s Board of Directors conducted a self-evaluation of the internal control in all the aspects mentioned above from January 1, 2009 to December 31, 2009, and found that during the period from January 1, 2009 to December 31, 2009, there were no material defects in terms of the completeness and rationality of the Company’s internal control mechanisms and internal control systems. No material deviances had been identified in actual implementation and no material defects found in their effectiveness. As the national legal system was gradually improved, the Company would further enhance the internal control system and give effective implementation thereof to adapt to changes in the internal and external environment and the requirements for maintaining the rapid growth of the Company.

This report was considered and approved at the 21st meeting of the Sixth Board of Directors on March 2, 2010. The Company and the members of the Board of Directors hereby individually and jointly accept responsibility for the truthfulness, accuracy and completeness of the information contained in this report.

The Company appointed Fujian Huaxing Certified Public Accountants Co., Ltd. to verify and evaluate the internal control of the Company.

The Board of Directors of Industrial Bank Co., Ltd.

March 2, 2010

兴业银行股份有限公司
董事会

福建华兴会计师事务所有限公司
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INTERNAL CONTROL APPRAISAL REPORT

FJHXCPA (2010) SH NO. G-002

To the Board of Directors of Industrial Bank Co., Ltd.

We accepted the appointment to examine the establishment and implication of internal control of Industrial Bank Co., Ltd. (The Company) over financial reporting as of December 31, 2009 described in the attached document "The board of directors' annual self-assessment report on internal control of Industrial Bank Co., Ltd.". The self-assessment of internal control over financial reporting as of December 31, 2009 has been made by the Company in accordance with the relevant normative standards regulated in "The basic norms of internal controls of enterprise".

It is the responsibility of the management of the Company to establish, improve and maintain the effectiveness of the internal control, to ensure that the establishment, implement and to maintain the effectiveness of the internal control over financial reporting described in the above mentioned self-assessment report, and to ensure the authenticity and integrity of the above mentioned self-assessment report. Our responsibility is to express an auditor's opinion on the implementation of the internal control over financial reporting described in the above mentioned self-assessment report.

We conducted the examination in accordance with the "Guidance on internal control examination" issued by the Chinese Institute of Certified Public Accountants. In the process of examination, we implemented the understanding, testing, evaluating and appraising of the establishment and implementation of the internal control, and performing such other procedures as we considered necessary. We believe that our examination provides a reasonable basis for our opinion.

Because of the inherent limitations of internal control, including the possibility of material misstatements due to error or fraud may not be prevented or detected. Also, projections of any evaluation of the effectiveness of the internal control to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, effective internal controls in the current period cannot be guaranteed to be valid in future period.

In our opinion, as of 31 March 2009, the Company maintained, in all material respects, effective internal control over financial reporting described in the self-assessment report based on the criteria established in "The basic norms of internal controls of enterprise".

Fujian Huaxing Certified Public Accountants Co., Ltd.

Certified Public Accountant:

Fuzhou, People's Republic of China

Certified Public Accountant:

March 2, 2010

Green Finance, Better Tomorrow

兴业银行股份有限公司
INDUSTRIAL BANK CO.,LTD.

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