



兴业银行股份有限公司  
INDUSTRIAL BANK CO.,LTD.



# 2010

Annual Sustainability Report

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# About this Report

## ■ Assurance notice

The Board of Directors and all directors of the Company 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.

## ■ Title of report

"Sustainability Report" is the title of the Annual Corporate Social Responsibility Report of Industrial Bank. Adopting this title is a manifestation of the integration of the corporate governance concept on sustainable development and corporate social responsibility (CSR) by Industrial Bank.

## ■ Time covered by this report

The Reporting Period is from January 1, 2010 to December 31, 2010. Some contents are beyond this time frame.

## ■ Interval

This is an annual report.

## ■ Coverage

The entire Company.

## ■ References used in this report

In this report, otherwise described in the content, references to "Industrial Bank", "IB", "the Company", "We", "our" and "the Bank" shall mean Industrial Bank Co., Ltd.

## ■ Basis of preparation

This report is prepared in accordance with the requirements under the "Opinions on Strengthening the Social Responsibility of Banking Financial Institutions" [Yin Jian Ban Fa (2007) No. 52] promulgated by the China Banking Regulatory Commission(CBRC), the "Guidelines for Corporate Social Responsibility of China's Banking Financial Institutions" promulgated by the China Banking Association(CBA) and the "Guidelines for Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange" and other regulations.

## ■ Release of previous reports

The Bank first released the "IB Social Responsibility Report (1988-2008)" and the "IB 2008 Annual Social Responsibility Report" to the public in April 2009. It released the "IB 2009 Sustainability Report" to the public in March 2010.

## ■ Note on the data used

Financial data used in this report was extracted from the 2010 Annual Report and certain data from the previous year was also used. Unless otherwise stated, the monetary amounts stated in this report were denominated in RMB.

## ■ Availability of this report

This report is released in printed and electronic forms. The electronic version is available at the Company's website ([www.cib.com.cn](http://www.cib.com.cn)) for inspection.

## ■ Priority

This report is prepared in both Chinese and English. In case of discrepancy, the Chinese version shall prevail.

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# About Industrial Bank

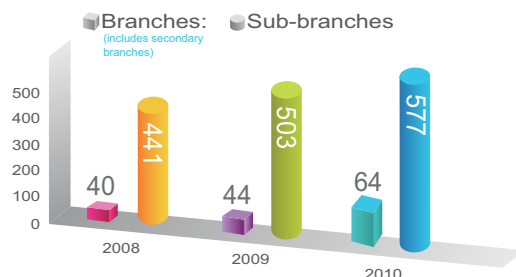
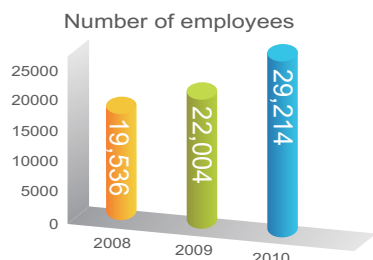
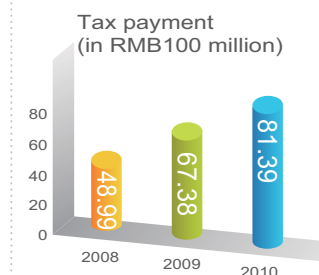
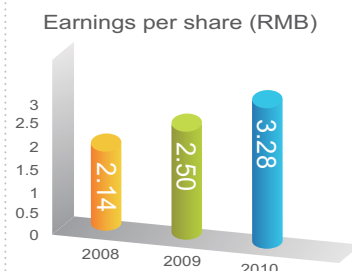
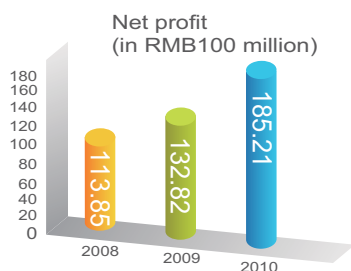
Founded in August 1988, headquartered in Fuzhou City, Fujian Province, Industrial Bank is among the first batch of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, Industrial Bank was listed on Shanghai Stock Exchange (Stock Code: 601166) with total registered capital amount **RMB5,992 million**.

For the past 23 years, the Bank has endeavored all the while to offer comprehensive, top-quality, and high-efficient financial service for clients on the base of managerial ideas that stress "Developing Together, Growing Together" and "Service Starts with Sincerity". As at December 31, 2010, the Bank's total assets reached **RMB1,849,673 million**, shareholders' equity amounted to **RMB91,995 million**, its NPL ratio was **0.42%**, and after-tax profit for the year was **RMB18,521 million**. According to the "Top 1,000 World Banks" list released by the British magazine The Banker in July 2010, the Bank ranked **93rd** in terms of total assets and **97th** in terms of Tier I capital. According to the ranking of the top 2,000 listed companies in the Forbes Global 2000 list for the year 2010, the Bank ranked **245th** in terms of comprehensive ranking, boasting a **14th** position among the **113** Chinese mainland enterprises that made it to the list.

The Bank follows the concept of scientific development and the State's macro-control policies, endeavors to improve its mechanisms of modern corporate governance, conscientiously fulfills its CSR, strives for innovation, accelerates its drive for strategic transformation internally, and seeks sustainable development from innovations in its business model, so as to lay a sound foundation for "Building a First-Class Bank, Creating Centuries of Prosperity".

## Important Data

Three-year comparison



## Contribution of Social and Economic Value

Total tax payment by the Bank in 2010 was **RMB8,139 million**, an increase of **13.43%** compared to the previous year, of which, corporate income tax increased by **2.09% YoY to RMB4,515 million**; business tax and surcharges increased by **33.14% YoY to RMB2.7 billion**; other taxes increased by **27.53% to RMB925 million**; total charitable donations amounted to **RMB64 million**; social contribution value per share was **RMB11.20**, up **17.40% YoY**, lending strong support to the country's economic development, as well as fulfilling its promise of good returns to its corporate shareholders and employees.

The Direct Levy Bureau of the Fujian Local Taxation Administration, the Fuzhou State Administration Bureau and the Fuzhou Local Taxation Administration jointly rated the Bank as a Class A tax-paying enterprise in 2008-2009.

Social contribution value per share in this report is in reference to the relevant requirements in the "Notice on Strengthening Social Responsibility in Listed Companies and Issuing Guidelines to Listed Companies in the Shanghai Stock Exchange on the Disclosure of Environmental Information" released by the Shanghai Stock Exchange on May 14, 2008, and the recommended calculation method for social contribution value per share that takes into account the characteristics of the banking industry, i.e. social contribution value per share = EPS + (tax payment + staff costs + interest expense + total public investment)/total equity at closing.

### Top Honors



February 2, 2010

The Bank was awarded the China Baosteel Environment Outstanding Award in the sixth China Baosteel Environment Prize, becoming the only financial institution to be given the award to date.

April 2010

The Bank was nominated for "Emerging Markets Sustainable Bank of the Year (Asia)" in the selection activity of "FT Sustainable Banking Award 2010" jointly held by the Financial Times (UK) and International Finance Corporation (IFC) again. The Bank is the only bank in China to have been nominated in the Sustainable Banking Awards for four consecutive years and to have been successful on two occasions, "Asian Sustainable Bank of the Year Award" and "Emerging Markets Sustainable Bank of the Year (Asia)".

May 19, 2010

The Bank was ranked fourth in the Corporate Governance Assessment for the Top 100 Chinese Listed Companies for 2010 coreleased by the global risk management consultancy Protiviti and the Center for Corporate Governance of the Institute of World Economics and Politics (IWEP), Chinese Academy of Social Sciences (CASS). It was the second consecutive year that the Bank was ranked among the top ten.



July 2010

IB's low-carbon credit card was awarded the Credit Card with the Greatest Contribution at the 2010 China Credit Card Summit Forum and Tencent Credit Card Appraisal Release Ceremony held by Tencent and the Chinese Banking Research Center of the Central University of Finance and Economics.

June 20, 2010

The Bank was ranked the Most Socially Responsible Listed Company in the fifth Top Ten Most Competitive and Credible Listed Chinese Companies award organized by Chinese Securities, and Mr. Tang Bin, the Bank's Director and Board Secretary, won the gold award for directors/board secretaries.

July 15, 2010

Hang Seng Indexes Company announced "Hang Seng Corporate Sustainability Index Series". Through its consistent efforts and outstanding performance, the Bank was included in two indexes – the "Hang Seng (China A) Corporate Sustainability Index" and the "Hang Seng (Mainland and Hk) Corporate Sustainability Index".

September 2010

The Bank won the 2009 Environmental Information Disclosure Award through the independent selection by 9 non-governmental organizations in China.

November 2010

The Awards Ceremony of the 5th Appraisal of China's Investor Relations sponsored by the China Listed Company Investor Relations Management Research Center was held in Nanjing. Industrial Bank was the "Runner-up in the Top 100 Chinese A Share Listed Companies for Investor Relations" for a second time, and Mr. Gao Jianping, Chairman of the Bank was awarded with the "Best Chairman", while Mr. Tang Bin, the Bank's Director and Board Secretary, was awarded with the "Best Execution". During the appraisal, the Bank was also honored with other awards such as "Social Responsibility Contribution" and "Innovation in Investor Relations".

September 2010

The Bank was named the "Chinese Bank with the Best Application of Technology in 2009" in the Best Chinese Banks Awards organized by the Economic Observer.



September 16, 2010

The Bank won the "Best Social Responsibility Award in the Banking and Insurance Industry" co-sponsored by Rankins CSR Ratings, Hexun and DNV.

January 2011

The Bank's customer service center won the Best Service Award in the 2010 Outstanding Customer Service Centers in the Chinese Banking Industry organized by the CBA.

January 2011

The Bank won the award for Collective Organizations in the Chinese Banking Industry with Advanced Financial Services at the World Expo.

December 2010

The Bank was conferred with the title of "Low-carbon Pioneer Enterprise in 2010" in the appraisal held jointly by the Institute for Urban and Environmental Studies of the Chinese Academy of Social Sciences and 21st Century Business Herald, and the Bank was also covered in the Report on Low-carbon Development of Chinese Enterprises.



December 2010

The Bank was named the Most Profitable Bank in Asia and ranked among the top ten Asian commercial banks in terms of overall competitiveness at the fifth 21st Century Asian Financial Annual Conference cum Release of the 2010 Asian Banks Competitiveness Ranking Research Report held.

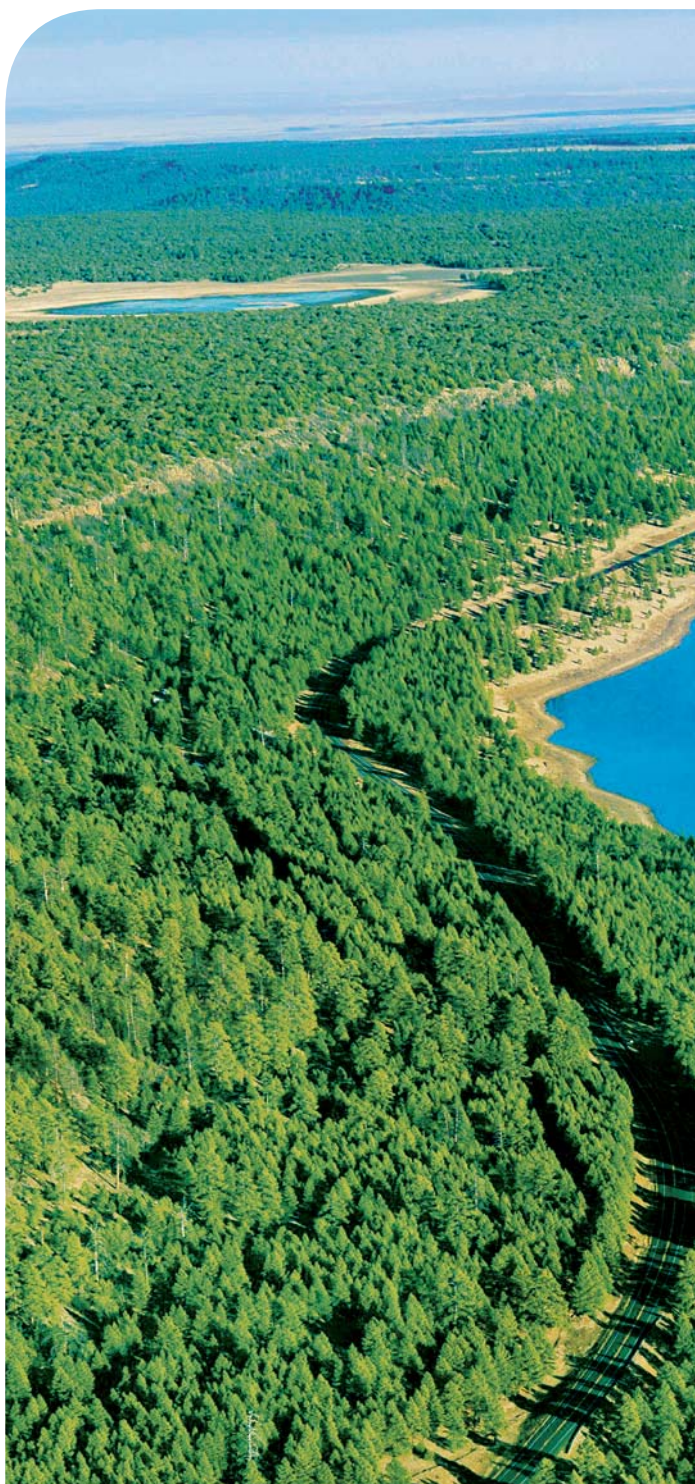


December 2010

With its comprehensive features and the superior user experience that it provides, the Bank's online banking platform was granted the 2010 China Best Online Banking Features award in, in the 2010 Annual Publicity Campaign for the Assured and Secure Use of Online Banking' organized by the China Financial Certification Authority (CFCA).

# Overview

- ◎ Message from the Chairman
- ◎ Report from the President
- ◎ Sustainable Development and Corporate Governance







Chairman:  
Gao Jianping

## Message from the Chairman

The Bank made much progress in 2010, which marked a successful ending to our 2006-2010 development plans.

In the past five years, we endeavored to perfect our corporate governance, conscientiously fulfilled our social responsibilities and put forward a new concept in corporate governance, which is "proactively exploring multiple approaches to fulfill our social responsibility, and cultivate harmonious relationships among the human, nature, environment and society", thereby laying a solid foundation for our sustainable development. Guided by the concept of sustainable development, we incorporated social responsibility and sustainable development into our development strategy and implemented a differentiation strategy in our operations.

In the past five years, we have been looking at the big picture and setting long-term focus. We seize any opportunity that is beneficial and explore innovations. We are constantly seeking to improve ourselves and take pro-active measures. We work in unity and through cooperation to achieve win-win situations. We take great efforts to promote a value concept of sustainable development – firstly, the Bank has to be responsible by seeking stable returns for its shareholders and carefully manage their investments, so as to meet the shareholders' requirements in terms of their fundamental interests. Secondly, the objective of the Bank is to serve its customers and it needs to accurately understand the customers' needs and changes thereto and spare no efforts in helping them achieve value growth, thereby helping them attain sustainable development. Thirdly, the Bank needs to see growth in its employees as its own responsibilities and respect them and the contributions they make. It shall endeavour to enhance their sense of achievement and help them grow. Fourthly, the Bank needs to establish good competition and cooperation concepts with its peers in the industry and achieve win-win or even multi-win situations on the basis of competition and cooperation. Lastly, the Bank shall comply with laws and regulations and follow the strictest business ethics, be concerned about the social welfare, and promote social harmony.

In the past five years, we have put in great efforts to innovate our business model so as to achieve sustainable development in terms of the economy, environment and society. By integrating corporate governance, our risk control systems and products and services, we created a new business ecosystem and our unique characteristic of differentiation and our competitive advantage gradually took shape. These include the country's first low-carbon loan product, and the fact that we are the first bank in the country to adopt the Equator Principles and to set up a bank-to-bank platform. This gives us continuous momentum for seeking sustainable development.

We learn from many years of practice that it is impossible for a bank to exist and develop independently of the society. We can only grow for centuries to come and achieve our long-term goal of sustainable development by closely binding our interests with that of the society and work towards sustained development in the economy, environment and society.

We have great responsibilities to shoulder for the next five years to come. We shall fulfill our duties and obligations as a corporate citizen with even greater determination and repay to society for its support and trust with our actions.

Chairman





Director and President:  
Li Renjie

## Report from the President

2010 is the year with the most “complicated” macroeconomic situations since the beginning of this century. Guided by the concept of scientific development, the Bank undertook in-depth implementation of national macroeconomic policies and financial regulatory requirements and adhered to the strategy of the sustainable development. We followed our core ideas and values of social responsibility and sustainable finance and promoted the sustainability of faster and better development in all aspects of our work, thereby achieving a successful ending for our 2006-2010 development plans.

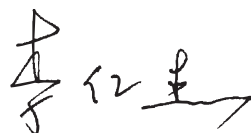
Exploring the sustainable development path of “differentiated management”: in the past five years, the Bank has been constantly exploring and seeking innovations in modes of financial services that support the sustainable development. We were the first in the country to launch energy efficiency financing in 2006 and we created the country's first inter-bank cooperation business service—bank-to-bank platform” in 2007. We were the first in the country to adopt the Equator Principles in 2008 and we created an environmental and social risk management system in the following year under the guidance of the Equator Principles. We offered the country's first low-carbon credit card and innovative cash management services in 2010. It has been an extraordinary five-year journey in our search for sustainable finance. We promoted strategic changes in our business development and profit models and implemented the strategic layout of “differentiated management” so as to continually drive sustainable development of the Bank.

Exploring sustainable finance: we expanded our strategic layout for sustainable financial operations in 2010, following the new trends of green and low-carbon economy, and opened up new financial domains and opportunities, forming our own operating characteristics and business brands, enhancing our risk management capacity and establishing our advantage in competitive differentiation in specific areas, thereby creating new business areas, quality assets and new sources of income.

Participating in global sustainable development: in 2010, the Bank actively engaged in multilevel exchanges with the government, participated in the exploration of sustainable development in the Chinese banking industry, broadened the channels of communication with our counterparts in the industry, reinforced the consensus on global sustainable finance, participated in the formulation of international standards and maintained good dialogues with non-governmental organizations, as we jointly work towards global sustainable development.

Looking to the future, sustainable development has become a focus in the world today and the Bank will continue to strengthen our confidence in achieving development, seek innovations in our development and endeavor to maintain rapid, coordinated and healthy development in all our businesses, so as to have a smooth beginning for our plans for the next five years and lay a strong and solid foundation.

President



# Sustainable Development and Corporate Governance

## The Concept of Sustainable Development

IB's corporate governance philosophy of sustainable development:

We consistently follow the Scientific Outlook on Development to deepen our understanding of the linkages between corporate social responsibility and our own sustainable development, proactively explore multiple approaches to fulfill our social responsibility, and cultivate harmonious relationships among the human, nature, environment and society.

—Gao Jianping, Chairman of Industrial Bank

The Bank recognizes that the connotations of CSR are closely linked to the principles of sustainable development. Both jointly expand the domains of traditional business ethics and enrich the contents of corporate governance. The responsibilities of commercial bank managers in terms of managing such banks as corporations are no longer just to maximize profits. They also need to coordinate all stakeholders at the same time. As special public enterprises, commercial banks rely on investments from shareholders and also benefit from the support from customers, employees and other stakeholders. In this sense, commercial banks should set social responsibility and sustainable development as their core strategy and value orientation, and protect the environment, conserve resources and benefit the society through the provision of products and services. They will find new business opportunities and profit sources in the process and expand their businesses, thereby achieving sustainable development.

Key stakeholders	Expectations and needs of stakeholders	IB's response
Regulatory authorities	Compliance in management and responsiveness to control policies.	Business integrity in compliance with the law; To support and cooperate with regulatory requirements; To support national economic development.
Shareholders	Stable returns; growth in value.	To conduct sound operation, and improve profitability; To maintain a strong ability to accumulate profits; To conduct active communication to enhance relationships with investors.
Customers	Service-oriented; create value; growing together.	To improve service standards and create brand quality; To provide differentiated services to meet diverse needs; To continue to seek financial innovation and promote sustainable financial products; To take the initiative to strengthen communication and enhance customer awareness of sustainable development.
Employees	Creation of a development platform to develop lifelong employability.	To improve our human resource system; To create employment opportunities; To safeguard the rights and interests of employees; To enhance staff capacity; To promote the corporate culture.
Partners	To complement each other's advantages for a win-win situation.	To vigorously develop a bank-to-bank platform to promote sharing of financial resources; To deepen cooperation with counterparts in the industry and spread the concept of sustainable development.
The environment and resources	To give play to its financial leverage effectively and promote harmonious coexistence between man and nature, the environment and society.	To promote all-round development of green credit; To explore green operation unremittingly.
The society	To hold the courage to take social responsibility, abide by and comply with laws and regulations, observe the highest business ethics and promote social harmony.	To make efforts in livelihood finance; To support education; To engage in charity work; To bring modern finance to the community.

## The Process of Exploring the Concept of Sustainable Development in Corporate Governance

Looking back at the Bank's development process, there were three evolution and enhancements in general in its business philosophy. From seeing the interests of the shareholders as the first and foremost priority, to incorporating the interests of all stakeholders, and subsequently to promoting harmony between the environment, society and economy and sustainable development of the Bank, it was essentially a process of a bank gaining an awareness in the creation of value at different stages of its growth.

### STAGE 1

From its establishment in 1988 to the mid- and late 1990s, to accommodate the needs of the country for economic and financial reform and development, the Bank kept expanding its capital through investments from its founders and attracting new investors, thereby laying the foundation for its early development. At this stage, the main objective of the corporate governance was optimizing shareholder value.

### STAGE 2

In the past decade, particularly since introducing strategic investors in 2003, the Bank gradually realized through practice that as special public enterprises, commercial banks benefit from the support from their shareholders, customers, employees and various members of the society in their day-to-day operations, and at the same time, their operating results are also linked to the interests of all these stakeholders. Hence, the objective of corporate governance of the Bank cannot focus solely on its shareholders. It should also take into consideration the common interests of all stakeholders.

### STAGE 3

Since its public listing, the ownership structure of the Bank has become more diversified. The Bank has greater room for development and it also shoulders greater responsibilities. Against the backdrop of increasingly prominent environmental issues such as global warming, the Bank embarked on further reflections on the relationship between its social responsibility and sustainable development. It explored fulfilling its social responsibilities through innovations in its business model and creating a harmonious co-existence between man and nature and the society, as well as established a governance concept of sustainable development, thereby laying the foundation for its sustainable development at the source.

May 2006

The Bank cooperated with the IFC and creatively introduced the loan principal sharing mechanism, offering the first energy saving and emission reduction loan in China.

June 2007

With its pioneering practice in energy saving and emission reduction, the Bank was nominated for the "Sustainable Bank in Emerging Markets" and "Sustainable Deal of the Year" awards in the 2007 Sustainable Banks award jointly organized by the Financial Times (UK) and IFC in London, and it won the second prize for "Sustainable Deal of the Year", becoming the only Chinese financial institution to win the honor to date. The award presentation ceremony in London was a global stage with sustainable finance as its core. Financial institutions from all over the world gathered and exchanged good practices and advanced experiences in sustainable finance, including the Equator Principles. After the ceremony, leaders of the Bank visited the HSBC headquarters and conducted in-depth exchanges of key issues such as the concepts, scope and adoption of the Equator Principles.

November 27, 2007

Mr. Li Renjie, President of the Bank, met Ms. Rachel Kyte, IFC's Director for Environmental and Social Development, and Mr. Richard Ranken, IFC's Director for East Asia and the Pacific, and conducted meaningful discussions on exploring sustainable finance and adopting the Equator Principles.

December 14, 2007

Mr. Gao Jianping, Chairman of the Bank, met Mr. Robert B. Zoellick, President of the World Bank, in Guangzhou and conducted another high-level dialogue on the significance and feasibility of Industrial Bank adopting the Equator Principles.

April 2008

Mr. Gao Jianping, Chairman of the Bank, summarized at a shareholders' meeting the practice and exploration of sustainable finance at the Bank, and put forward the guiding principles for the Bank's concept of governance, i.e. "to thoroughly apply the scientific outlook on development, deepen the understanding of the relation between the Bank's social responsibility and its own sustainable development, actively explore ways to promote the practice of social responsibility at the Bank, and create a harmonious relationship between man, nature, the environment and the society."

October 31, 2008

The Bank officially announced to the public its commitment to the Equator Principles, thereby becoming the first financial institution in China to adopt them. With that, it made the great leap forward in its development as it became the first Equator Principles Financial Institution in China that provides energy effective financing and with that as a foundation, it continued to deepen its exploration for sustainable development in its practices.

May 2010

In an exclusive interview with Modern Bankers, Mr. Gao Jianping, Chairman of Industrial Bank, talked about the origin, evolution and elevation of the Bank's "green" concept of governance and shared the Bank's development history in its practice of the concept.



## The CSR Implementation Featuring with Fulfilling Obligations When Making Profits

There are three types of fulfilling social responsibilities by enterprise, i.e. the classical type, response type and strategic type. The classical type believes that the enterprise should place top priority on its shareholders and its sole responsibility is to generate legal profits for its shareholders. The response type passively sets codes for responsibility due to social pressures or responds to the needs of different interest groups through environmental, occupational health, social responsibility certification, etc. The strategic type adopts a positive, proactive approach to fulfill their social responsibility, i.e. they ensure that their own business interests are consistent with the interests of the society by implementing product or service innovations, technological innovations, process innovations and other value chain innovations, and they also seek business opportunities while committing themselves to operations that are environmentally and socially sustainable, and in turn driving themselves towards sustainable development. These three types are a gradual development process.



The Bank recognizes that only by gaining an understanding of CSR from a strategic perspective and organically combining CSR, corporate development strategies and business model through proactive management, can it exert greatest positive social impact and achieve sustainable development at the same time. Based on this understanding, the Bank's Board and senior management incorporated social responsibility and sustainable development into the Bank's development strategies and actively carried out sustainable financial innovation, such as launching the country's first low-carbon loan product, becoming the first bank in the country to adopt the Equator Principles, establishing the first professional sustainable financial operator, etc, thereby making the great leap forward from providing energy efficiency financing to becoming an Equator Principles Financial Institution. It also put forward the approach of fulfilling social responsibility which advocates emphasis on both compassion and profits. In other words, it promotes "combining social responsibility with the Bank's businesses, making sure that this is implemented in specific areas of its management and that it seeks business opportunities when fulfilling its social responsibility, thereby exploring a business model and a model for fulfilling social responsibilities that ensure a win-win situation for both the Bank and the society that is can be sustained and developed".

The Bank now has a sound governance structure in which responsibilities are clearly defined at all levels of internal governance, with effective checks and balances in place and operations are coordinated. Under the strategic guidance of the Board and its motivation, the corporate governance concept of sustainable development has been incorporated into the Bank's philosophy and implemented in its management systems, business processes, financial tools, product innovations, reporting system, and many other innovative activities.

#### Sustainable development in business expansion

Focusing on social and environmental risk considerations when making major decisions on investment and loan decisions, thereby enhancing the quality of the Bank's assets portfolio. Exploring new business opportunities in financial innovations and actively developing financial products and services that promote social progress and are environmental-friendly.

#### Implementing sustainable finance through social innovations

Giving full play to its advantages as a financial institution and promoting financial knowledge through "Modern Finance in the Community" and other activities; supporting education by establishing learning sites for undergraduates, establishing charitable grants, offering student loans, etc.; supporting charitable cause in the form of intellectual, material and financial support to medical, educational, cultural and other public services.

Fulfilling social responsibility by abiding by the three principles of "moderation", "development" and giving consideration to the "profit incentive" simultaneously, defining the standards gradually and promote deepening of the same to suit local circumstances

Continuing to establish market advantages in energy efficiency financing, carbon finance, SME lending, bank-bank cooperation and other innovations in products and services, based on business development plans and the progress in realizing such plans; introducing environmental and social risk management into the system with the Equation Principles as the entry point; combining China's national conditions and the Bank's capacity in the process of promoting of financing for energy saving and emission reduction projects and in implementing the Equator Principles, and gradually exploring and promoting the sustainable financial model in all operations.

2011 marks the beginning of the Bank's 2011-2015 development plans. The Bank's goals for its development in the next five years will be to build a first-class bank and create centuries of prosperity; actively respond to developments and changes in the business environment; undertake comprehensive, systematic and deepened promotion of strategic change in business development model and profit model; maintain sustained and rapid development of its businesses while promoting a general enhancement in its professional competence and core competitiveness as well as comprehensive value and returns; establish a mainstream banking group that has a solid foundation, is structurally coordinated and professionally outstanding, distinctive, financially strong and responsible. It will continue to give full play to its distinguishing features in key areas such as green finance and sustainable finance.

## CSR Management System

### Attaching Great Importance to Fulfilling CSR from the Strategic Perspective

In 2010, the Bank's articles of association stated that one of the duties of the executive committee of the Board of Directors was to "study and draft the Bank's strategies and policies with regards to social responsibility and sustainable development, and supervise, inspect and evaluate how the Bank fulfills its social responsibility". This affirmed that social responsibility and sustainable development are the Bank's core philosophy and value orientation, and they are used to guide its management and business activities, giving full consideration to the needs of multiple stakeholders, establishing its longterm goal of "building a first-class bank and creating centuries of prosperity", and endeavoring to become a comprehensive bank with "sound operation, standardized management, rapid growth, leading services, distinctive features, and outstanding returns".

### Ensuring CSR is Fulfilled through Organizational Structure

The Bank set up a steering group for social responsibility that is headed by Mr. Gao Jianping, Chairman of its Board of Directors. Mr. Li Renjie, President of the Bank, and Ms. Bi Zhonghua, Chairwoman of the Supervisory Board, are the deputy heads. The group further strengthens organizational leadership in fulfilling the Bank's social responsibility. It establishes a sound working system for fulfilling such responsibility, enhances the organization, coordination and promotion of sustainable finance, and systematically drives the Bank's effort in fulfilling its social responsibility.

In terms of organizational structure, the Bank specially set up a sustainable finance bureau at its headquarters to oversee the full implementation of environmental and social risk management and the Equator Principles, assist owners of projects by the Bank to which the Equator Principles apply so as to enhance their environmental and social risk management capacity, and explore how the concept of environmental and social risk management can be effectively passed on to the Bank's customers and their supply chain. At the same time, the Bank specially set up a sustainable finance center to focus on the development and market promotion of energy efficiency financing, environmental and carbon financial products, as well as to seize market opportunities and focus its resources on strengthening financial product innovation, so as to customize integrated service platforms for different types of customers.



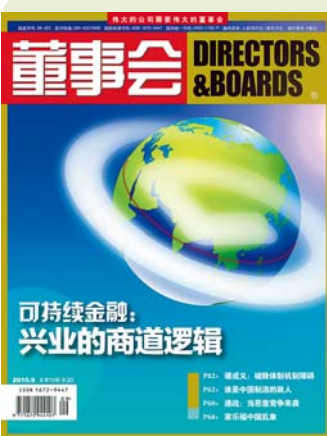
## Promoting the Fulfilling of CSR through Operational Management

The Bank incorporates the concepts of social responsibility and sustainable development into all aspects of business management, continues to promote changes in business philosophy and business practices, prompting the entire industry to change from paying attention to immediate goals to paying attention to both immediate and long-term goals, from placing greater emphasis on results to placing greater emphasis on both results and the process, and from placing greater emphasis on business goals to placing greater emphasis on business goals as well as customer and product goals; prompting the entire industry to seek to improve customer marketing and product service standards according to the directions of competitive differentiation, refined marketing, professional operation and intensive management, seeking to increase comprehensive income, returns from the investment of resources, establish a professional image and gain recognition from the market and its peers, through effective products and services.

## Promoting the Concept of CSR in Corporate Culture

The Bank's culture system that focuses on social responsibility and the establishment of mission, vision, core values, operational concept and spirit of enterprise creates a corporate culture that effectively carries the concept of CSR, thereby fostering a culture concept of sustainable development in the industry.

In 2010, the Bank's governance efforts gained the recognition from various parties, winning it major awards such as being ranked fourth in the Corporate Governance Assessment for the Top 100 Chinese Listed Companies for 2010, Financial Institution with the Best Corporate Governance, second place in the Investor Relationship for Top 100 Chinese A-Share Companies, Contribution to Social Responsibility, Innovation in Investor Relationship, etc.



In September 2010, the Bank and the magazine Directors & Boards jointly planned the cover story "Sustainable Finance: the Business Rationale of the Industrial Bank" which systematically introduced the Bank's concept of sustainable development and introduced business model innovation under the guidance of such a concept.





# Management

- ◎ Consolidating Foundation of Internal Control and Compliance Management
- ◎ Improving Comprehensive Risk Management System
- ◎ Leading Environmental and Social Risk Management Practices
- ◎ Raising Emergency Management Capability

# Consolidating Foundation of Internal Control and Compliance Management

Legally compliance management shall ultimately be the foundation and premise for the Bank to fulfill its social responsibility and realize sustainable development. In 2010, with system management as the starting point and utilizing opportunities presented by the advocating of the internal control and compliance system and the “year of internal control and case prevention system implementation” activity, the Bank persisted in the comprehensive build-up of its compliance management system, and through various types of channels, opinions and advice were provided with respect to the Bank’s major management decisions and various business activities, thus promoting constant improvements to the internal control and compliance management standards.

## Business Development and Advanced Internal Control

In 2010, the Bank continued to build up and improve its internal control system, so as to ensure the safe and stable operation of its business management system, and thereby promoting the realization of the Bank’s sustainable development strategy.

### Continuing System Clean-up Work and Strengthening the Internal Regulatory Coordination and System

In 2010, with the opportunities presented by the advocating of the internal control and compliance system and the “year of internal control and case prevention system implementation” activity, further steps were made to strengthen various system types at the headquarters and branches, continue with the clean-up and consolidation of normative documents, gradually advance the standardization and regulation of the day-to-day system management work, strengthen the compliance, operation, regulation and effective review of newly introduced systems, promote the ability to effectively dock and form a positive cycle for at various working stages within the system, including project approval, review, post-evaluation and feedback, horizontally strengthen the management linkup between the headquarter and branches and vertically build up an information transmission mechanism with the branches, so as to allow the Bank’s internal system to better conform itself to external regulatory changes and service the Bank’s business development.

### Further developing the responsibilities of internal control committee, strengthening communication and exchanging of internal control information, push for the tracking and addressing of internal control issues

The rectification of identified issues is one of the more direct objectives in the operation of the internal control system, and also forms the core of the internal control management’s ability to continue improving. Through the effective operation of its internal control committee work mechanism, the Bank further expands the existing internal control information collection channels, actively transmitting results of headquarters and branch checks and internal control assessments, providing high-quality internal control reports to the management in a rapid, comprehensive and complete manner, identifying, preventing and resolving business risks in a timely manner; and through measures such as periodic follow-up and tracking, actively promote the rectification of internal control issues, thus further improving the Bank’s internal control reports and corrective mechanism.

### Actively Promoting the Pilot Implementation of the Internal Control and Compliance Management System Project, and Improving the Internal Control Self-assessment Mechanism

Since April 2010, the Bank has carried out pilot trials at its Nanjing and Chongqing branches, further refining and improving the results of the buildup of a compliance management system, enhancing business processes, raising the Bank’s business management standards, and gradually building up an internal control self-assessment mechanism that fulfills the requirements of the “Notes on Basic Criteria of Enterprise Internal Control”, through scientific internal control selfassessment methods that may be sustainably utilized, major pitfalls in internal control are identified in a timely manner, and feasible corrective measures may be adopted to reduce risks. Currently, the pilot branches have completed assessments at the enterprise level, as well as the recording and relevant testing work concerning major business and management process documents at the process level.



The Bank launches the “year of internal control and case prevention system implementation activity”.

On June 21 2010, the Bank held the “2010 year of internal control and case prevention system implementation activity” mobilization meeting in Fuzhou City, Fujian Province. In accordance with the activity program, the activity shall carry out system refining, lecture and learning, self-check and self-correction, situational report, supervision of checks, improving the orderly advancement of seven stages in total, so as to further raise the internal control and case prevention awareness of the Bank’s staff members, improve the Bank’s internal control and case prevention system and operational process, continue strengthening execution powers, and effectively building a long-term and effective mechanism for internal control governance and case prevention. In the mobilization speech by Mr. Kang Yukun (first from the right) the Bank’s Vice President, he emphasized the conscientious implementation of the mobilization conference’s spirit and development of specific measures by institutions and functional departments at each level, thereby achieving “solid understanding, solid organization and solid execution”, while preventing “perfunctory actions and bias” and pursuing effective results.

## Consolidating the Compliance Management Foundation and Building a Comprehensive Compliance Management System

In 2010, the Bank continued to strengthen its compliance foundational management work and raise the effectiveness of compliance management, so as to lay a solid foundation for the comprehensive fulfillment of its social responsibility, improve the operating mechanism of a comprehensive compliance management system, explore the best compliance and risk management practices that suit the Bank’s characteristics, and through innovation in management methods, promote a tighter link between compliance management work and business development, thus demonstrating that compliance creates value and ensuring the Bank’s health and sustainable development.

### Actively Cultivating a Compliance Culture and Strongly Promoting Compliance Training and Education

The Bank believes that the cultivation of a compliance culture is an ongoing and dynamic process, instead of a one-time effort, under the premise that a considerably stable set of compliance core values must be maintained, improvements are constantly being made, especially constant adjustments which incorporate the actual circumstances faced by the Bank, thus forming a dynamic safety net that guards against various irregularities. A bank’s compliance management would be most effective only when the corporate culture for the entire bank emphasizes strict adherence to high moral standards. During the reporting period, the headquarter alone organized more than 40 training sessions, with their content covering legal matters, compliance management, system management, phase II compliance systems, compliance monitoring, internal control assessment pilot and many other areas.

### Improving and Perfecting Compliance Management Structure and Defining Responsibilities

To further define the job scope of the compliance management functional departments at the branches, better realize the related responsibilities, and promote the orderly implementation of compliance management work, the Bank has issued guidelines for the legal and compliance management functional departments of its branches, which carry out further standardization of matters concerning the compliance management functional departments, including requirements, division of responsibilities and staffing.

### Actively Promoting the Realization of Compliance Assessment and Accountability

## Mechanism, and Improving the Compliance Management System

To actively promote the realization of compliance assessment and accountability mechanism, the Bank has, during the reporting period, further refined and defined the assessment content of compliance management work directed at operators, periodically conducting compliance assessments on operators and including these assessment results in the consolidated management evaluation categories for branches. With respect to irregularities uncovered during onsite and offsite compliance monitoring processes, an accountability system will be strictly implemented and the execution power of the system will be strengthened.

## Consolidating the Results of Previous Activities and Ensuring the Effective Realization of a Comprehensive Compliance Management System

In 2010, the Bank continued to consolidate the results of the buildup and promotion of a comprehensive compliance management system, introducing supporting systems to further refine and define the compliance management responsibilities for the headquarter and branches. A headquarter contact person system was established, with the contact being responsible for communicating and guiding the branches, this assisted the branches to focus on implementation of daily updating and maintenance work for internal & external regulations and system documents. To continue the inculcation of compliance concepts, the Bank paid great attention to the establishment of a continuing system of training and retraining, with specialized training having been implemented in seven branches for 2010.

## Further Implementing Compliance Monitoring Pilot and Enhancing the Compliance Monitoring Normalization System

With a focus on raising the scientific, refinement and professional level of compliance monitoring, the Bank has adopted various specific measures to enhance the compliance monitoring normalization work system. In 2010, upon the foundation of the experience garnered from the compliance monitoring pilot work previously conducted and completed in the Shanghai, Shenzhen and Chongqing branches, the Jinan and Xi'an branches have been added as compliance monitoring pilot branches, thus continuing to expand the demonstration effect of the pilot work.

### Operation mode and specific measures of compliance monitoring

Operation mode	Specific measures
Strengthen accumulation of basic compliance risk data	Establish a compliance risk database, providing data accumulation and support for compliance risk identification, monitoring and early warning.
Establishment of key compliance risk indicator system	Explore the establishment of a key indicator system for compliance risk management, and with internal and external checks as the basis, and focus on the various aspects of risk issues, including self-check identification rates, rectification rates, problem identification effectiveness, compliance risk matrix layout, design flaws and implementation defect distribution.
Implement risk point reidentification and reassessment	Combine regular assessment and key assessment, organize and implement risk point reidentification and reassessment in a targeted manner.
Pay attention to establishment of compliance check mechanism	Utilize the opportunity presented by the standardizing of various business checks for the branches to explore the establishment of a compliance check mechanism and fully bring out the functions of the first and second defense line for compliance management.
Enhance compliance risk reporting mechanism	Distinguish focal points of compliance and risk management, constantly perfecting the matrix-style compliance and risk reporting mechanism; to raise the quality of compliance reporting, supporting compliance reporting guidelines have been issued, which collects and compiles the compliance reporting template.
Strengthen capability buildup of compliance management team	Implement specialized training for branch compliance managers to improve the capability to interpret the work background, work requirements, work process and responsibilities for the compliance monitoring pilot.
Strengthen effective interaction with local regulatory authorities	Give full play to the role of external monitoring and external pressure is fully brought out, through the regulatory authorities' assessment of the adequacy and effectiveness of the buildup of the Bank's comprehensive compliance management system, creating a more appropriate external regulatory environment for the Bank's compliance management.

## Complete Upgrading and Replacement of the Compliance Management Information Platform and Continue Strengthening the Compatibility between the Information System and Compliance Management

In 2010, the Bank completed the upgrading and development of the compliance management Phase II IT system, which covered functions such as system management, legal affairs management, system document management, internal control management, compliance risk management, environmental and social risk management. At the same time, the Bank emphasized the raising of the scientific and operational aspects of the system functions, continuing the perfecting and enhancing of system functions, strengthening the system's utilization efficiency with respect to the information and data, so as to better identify and prevent compliance risk, and provide a solid foundation and guarantee for the sustainable development of the Bank.

## Conscientious Performance of Anti-money

### Laundering Obligations

Anti-money laundering is an important part of creating a financial ecological environment and achieves sustainable economic and financial development.



In 2010, the Bank persisted in the due diligence performance of its anti-money laundering.

Strengthened buildup of anti-money laundering internal control system, formulated and issued "Industrial Bank Management Rules for Customer Identification and Customer Identification Information & Transaction Record Preservation", "Industrial Bank Working Guidelines for Analysis and Screening of Suspicious Transactions" and "Industrial Bank Operating Procedures for Anti-Money Laundering Monitoring Data Submission System", consolidated working foundation for anti-money laundering.

Accelerated stock inventory cleanup and verification work, carried out batch verification and matching of customer information in stock inventory, verified number of stock customers as 7.6 million and control accounts as 930,000.

Speeded up informatization process of anti-money laundering work, successfully completed upgrading work for anti-money laundering monitoring data submission system, successfully activated blacklist management module of foreign currency payment and settlement platform, and significantly raised efficiency of anti-money laundering monitoring and reporting work.

Increased training and promotion level for anti-money laundering, more than 33,000 relevant personnel were trained in anti-money laundering work in 2010, at the same time, anti-money laundering promotional activities were actively conducted at the enterprise and community level to an audience number in excess of 170,000.



The Bank sponsored the 2010 Fujian Province Financial Institution Anti-money Laundering Knowledge Competition. Branches within the province were active in preparing for and participating in the competition, and obtained excellent results: the Ningde branch, Putian branch, Quanzhou branch, Longyan branch and Sanming branch received the first class award for their local division's professional group category; the Fuzhou Branch, Ningde Branch and Putian Branch received the individual first grade award; the Quanzhou Branch, Zhangzhou Branch and Sanming Branch received the individual second grade award.

## Improving Comprehensive Risk Management System

### Risk Management Policy

The Bank is constantly improving its risk management system, raising its overall risk management capability, and ensuring the sustainable development of its various businesses. In 2010, upon the foundations of the Bank's existing credit risk management policy, market risk management policy and operational risk management policy, it added risk management policies and systems in the area of environmental and social risks, compliance management, IT risk, reputational risk and outsourcing risk, and continued to improve and enrich the comprehensive risk management strategy system. At the same time, upon the foundations of the "Risk Management Strategy" issued by the Bank, it formulated the "2010 Risk Management Strategic Implementation Work Plan", which covered 40 specific tasks which covered the organizational structure, institution building, management procedure, system building, risk culture and team building, and promoted the effective implementation of risk management strategy through periodic follow-up and feedback.

### Risk Management Guiding Principles

Adhering to the core philosophy that "risk management creates value", the strategy for risk management, quality adherence, efficiency, scaled coordinated development, and equal emphasis on the realization of business development and risk control, was strengthened from an overall perspective of development; adhering to a "healthy" risk appetite, actual risks are mastered with the constant raising of risk management standards, controlling various types of risks at a tolerable level and creating value for the society, shareholders, customers and staff members.

## Risk Management Milestones

The Bank's risk management shall satisfy the requirements of business development strategies, and promote healthy and sustainable development for all lines of business.

The Bank shall establish a risk management platform with a sound system, advanced technology, highly effective process and excellent service, thus realizing the three key transformations including the transformation from the initial stages of comprehensive risk management to a more complete comprehensive risk management, the transformation from post-incident risk control to active management and risk management, as well as the transformation from experienced qualitative management to quantitative management that combines quantitative and qualitative elements.

By 2015, the Bank will be a leader in risk management within the domestic banking industry through its efforts to further improve its comprehensive risk management system, effectively control various types of risks, and become a commercial bank that complies with the New Capital Accord.

## Risk Management Organizational Structure

Based on the Basel II Accord, the Bank established and improved its comprehensive risk management organizational structure which includes the Board of Directors, senior management, business departments, risk management functional departments and internal audit departments.

- The Board is the highest decisionmaking body with respect to the Bank's risk management, undertaking the ultimate responsibility for the supervision of the Bank's risk management system. The senior management is responsible for executing the risk management strategies, policies and specific requirements as approved by the Board;
- The business units and operating divisions specifically serve as the first line of defense in credit risk, market risk and operational risk management, undertaking direct responsibilities for risk management, performing advance risk prevention and control functions, and through a risk management process which combines self-assessment, self-check, self-monitoring, self-rectification and self-training, realize the organic fusion of business operations and risk management;
- The risk management functional departments serve as the second line of defense, carrying out overall planning for the entire bank's internal risk control checks, performing supervision, inspection and assessment function on the first line of defense, and guiding the active strengthening of risk prevention by business units and operating divisions at each level;
- The internal audit department will serve as the third line of defense, providing independent and objective monitoring, assessment and advisory services with respect to the Bank's risk management.

## Quality of Credit Assets

Fiscal year	2008	2009	2010
Loans (in RMB100 million)	4,993.86	7,015.97	8,543.39
Non-performing loans (in RMB100 million)	41.49	37.79	36.16
Non-performing loan ratio	0.83%	0.54%	0.42%
Provision coverage ratio	226.58%	254.93%	325.51%

## Risk Management Status and Specific Objectives

Key risks management	Management status and measures	Management objectives
Credit risk management	Strengthen credit flow management and guide branches in their credit structure adjustments; strictly uphold customer entry standards, strengthen review of enterprise entities; strengthen industry quota management and control loan concentration risk; implement credit risk research and checks to understand and prevent credit risks; strengthen overall process management of credit business; implement reform of credit approval system, raise professional standards of credit approval; strengthen risk classification work, ensure adequate provisions.	Improve credit risk management system, raise professional standards and precision level of credit risk management, continue strengthening overall process management of credit business, realize the favorable scenario of "reasonable growth in scale, steady rise in quality, continued structural enhancement, adequate provision for impairment".
Market risk management	Strengthen asset-liability management, raise accuracy of cash flow management; improve identification, measurement, monitoring and control methods for market risk; strengthen interest rate risk management and capital cost management.	Establish a market risk management system that is compatible with the Bank's risk management strategy; improve market risk management structure, policy, process and methods, thus fulfilling requirements of the New Capital Accord and regulatory requirements for market risk management; realize economic capital calculation and distribution for market risk, and realize optimal risk-adjusted rate of return.
Operational risk management	Strengthen buildup of operational risk governance; establish operational risk management model that matches operational risk attributes and combines concentration and diversification; improve operational risk management system; actively explore practical application of operational risk methods and tools, improve advance warning and monitoring system; strengthen operational risk accountability and performance assessment; prevent potential operational risks at each business line; raise concentrated management of operational risk, promote professional and concentration level of operations.	Establish operational risk management system that is compatible with the nature, scale and product complexity level of the Bank's businesses; continue raising operational risk culture awareness and technical level of all staff members.
Emerging business risk management	Improve emerging business risk management planning, improve risk management mechanism; carry out forward-looking overall planning with respect to risk resource allocation, risk management control objectives and risk control measures at various business development stages; improve management method, continue raising emerging business risk management standards. Perfect buildup of system, standardize business operations and strengthen internal control for emerging businesses.	Improve triggering mechanism for emerging business risk management, thus ensuring development in new business fields on the premise of controllable risk; strengthen risk control for all aspects of emerging businesses, including its approval, development, sales and operations; select comparatively matured risk management tools and methods in the market; incorporate emerging businesses into the Bank's comprehensive risk management system.
Subsidiary risk management	Subsidiaries combine their industry operating characteristics and the actual conditions of their own businesses to establish their risk management system and internal control system, as well as their management process and management tools; periodically conduct follow-up monitoring and assessment analysis of various types of risks faced in business operations; formulate a complete management system for related transactions and strictly enforce it.	Incorporate subsidiaries into the Bank's comprehensive risk management system; strengthen consolidated management between the Bank and its subsidiaries, including the management of capital adequacy ratio, substantial risk exposure, internal transaction, as well as other risks such as liquidity risks, market risks, operational risks, legal risks and reputational risks.

## New Capital Accord Project

In 2010, the Bank formulated IRB-related (internal-rating based) systems, such as the “Industrial Bank Non-retail Customer Internal-Rating Based Management Regulations”, thus establishing a Foundation IRB implementation system; IRB system implementation plans were formulated for five areas including risk exposure classification, contract breach recognition, rating process, identification of risk mitigation and loss data collection, thus realizing the preliminary establishment of IRB system between the Company and its customers within the industry; the Bank promoted the development of an IRB system, successfully implemented system development and overall testing, and fundamentally realized the main functions of the system modules.

The first stage non-retail IRB component of the Bank’s IRB (Foundation) project is expected to be formally launched in April 2011. After launching the system, IRB will become an important risk management tool and measure for the Bank’s credit risk management, according to the specific upgrade path for risk management standards that emphasizes “customer rating first, business credit second, actual utilization later”, the Bank will promote the separation of customer rating and review & approval, and establish a rating-first approval-later mechanism for its credit business. The promotion and implementation of the IRB approach marks an important step in the implementation of the New Capital Accord, which will assist in raising the Bank’s risk management standards.



In 2010, the Jinan Branch gradually established a risk management framework for remote branches according to the requirements of provincial governing bank. The effectiveness of risk management for the entire year was significant, with the nonperforming loan ratio achieving new lows. On May 28 2010, the Jinan branch was awarded the “Excellent branch – Risk control award” by the “Modern Bankers Magazine”.

# Leading Environmental and Social Risk Management Practices

The Bank believes that environmental and social risk management will be of key importance in ensuring sustainable financial development, and will also be a powerful measure to improve the management model and raise management capability. In 2010, the Bank persisted in the implementation of environmental and social risk management systems, and continued to expand its management model, especially by bringing in IT-based process management through technological innovation, thus continuing its efforts to brand itself as a "Green Bank".

## Environmental and Social Risk Management System

### Environmental and Social Risk Management Policy

The Bank's environmental and social risk management policy states that: the Bank shall continue to pay attention to environmental and social issues in the credit business, striving to develop its financing business in a manner which will be beneficial to the environment and society, expanding its business according to the sustainable development concept, and persisting in the pursuit of an equal emphasis on economic efficiency and performance of the enterprise's social responsibilities.

#### The Bank's commitment to environmental and social responsibilities :

Strictly adhere to our country's environment-related and society-related legal standards, and ensure the business's compliance with the law.

Strive to direct funding towards sustainable projects which will benefit the identification and resolving of economic, environmental and social risks, actively advocate ecological protection, ecological development and green industry financing, and continue to perfect financial tools.

Actively assist business partners, which carry identical viewpoints and commitments with respect to sustainable development, to resolve problems relating to the environment and society, and provide related financial products and services, including assistance to corporate customers to improve their environmental and social management systems and the providing of environment-related financial investment products to retail customers.

Strive to build a conservation-based bank, promoting energy-saving emission-reducing behavior within internal management, and advocating environmental and social risk awareness in the corporate culture.

Continue to pay attention to and constantly improve environmental and social risk management measures, conduct periodic reviews and revision in response to constantly changing external conditions and information, so as to ensure the full applicability of the Bank's environmental and social management system.

### Standards Applicable to the Bank's Environmental and Social Risk Management Policy

**External standards:** Our country's legal standards concerning the environment, health, safety, as well as other standards relating to bank credit, this mainly includes laws, regulations, rules and other regulatory documents.

**Internal standards:** The Bank's credit guidelines, risk management systems, operational procedures and internal management standards that relate to environmental, health and safety issues.

**Special standards:** "Equator Principles", as well as International Financial Corporation's "Performance Standards on Social & Environmental Sustainability" and "Environmental, Health and Safety Guidelines".

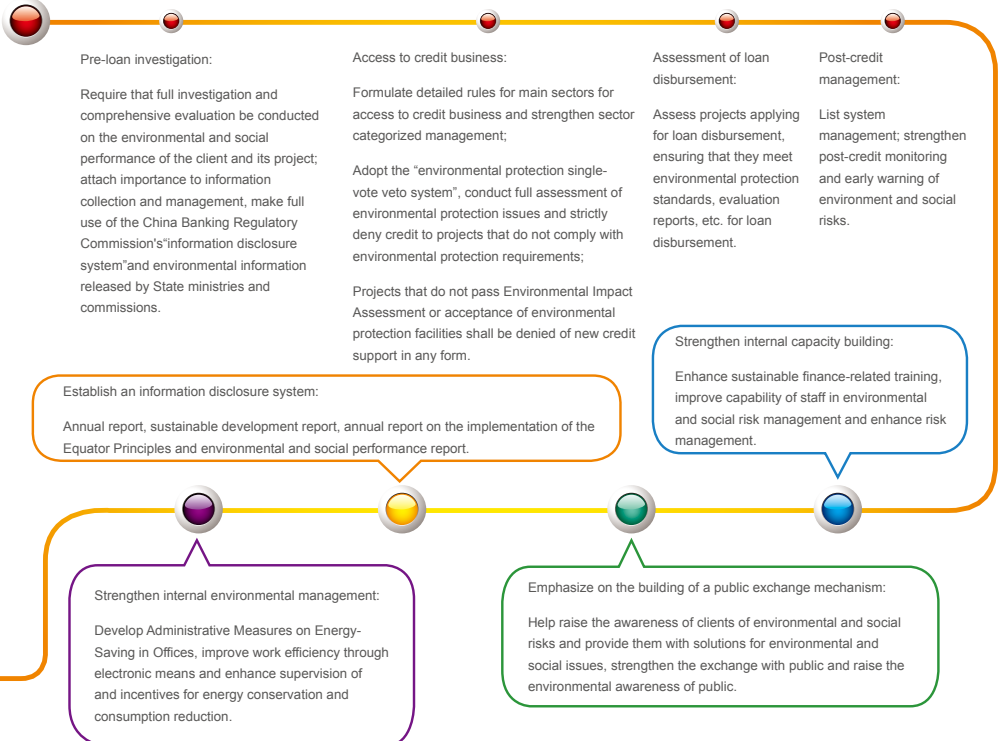
## Environmental and Social Risk Management Organizational Structure



## Environmental and Social Risk Management Measures and Operations

Strengthen full of monitoring of the credit process:

Adopt the "environmental protection single-vote veto system" for projects that fail to meet the requirements; strictly regulate the industry access standards; strengthen post-loan monitoring of environmental and social risks.





In 2010, the Bank formulated the “Industrial Bank Key Information System Emergency Procedures”, building a key information system emergency management mechanism, striving to raise its early warning and contingency capabilities and ensuring the safe and stable operations of its information system; a comprehensive total of 135 disaster recovery exercises were conducted involving areas such as its information system, network, venue, power and fire control, with the exercises leading the local industry in terms of scope and coverage; it organized and implemented the EXPO and Asian Games technology protection, core business system disaster recovery exercise, contingency work for major items such as core business system data clean-up and restructuring, thus effectively promoting the raising of the Bank's integrated information technology emergency management standard and contingency handling capability.

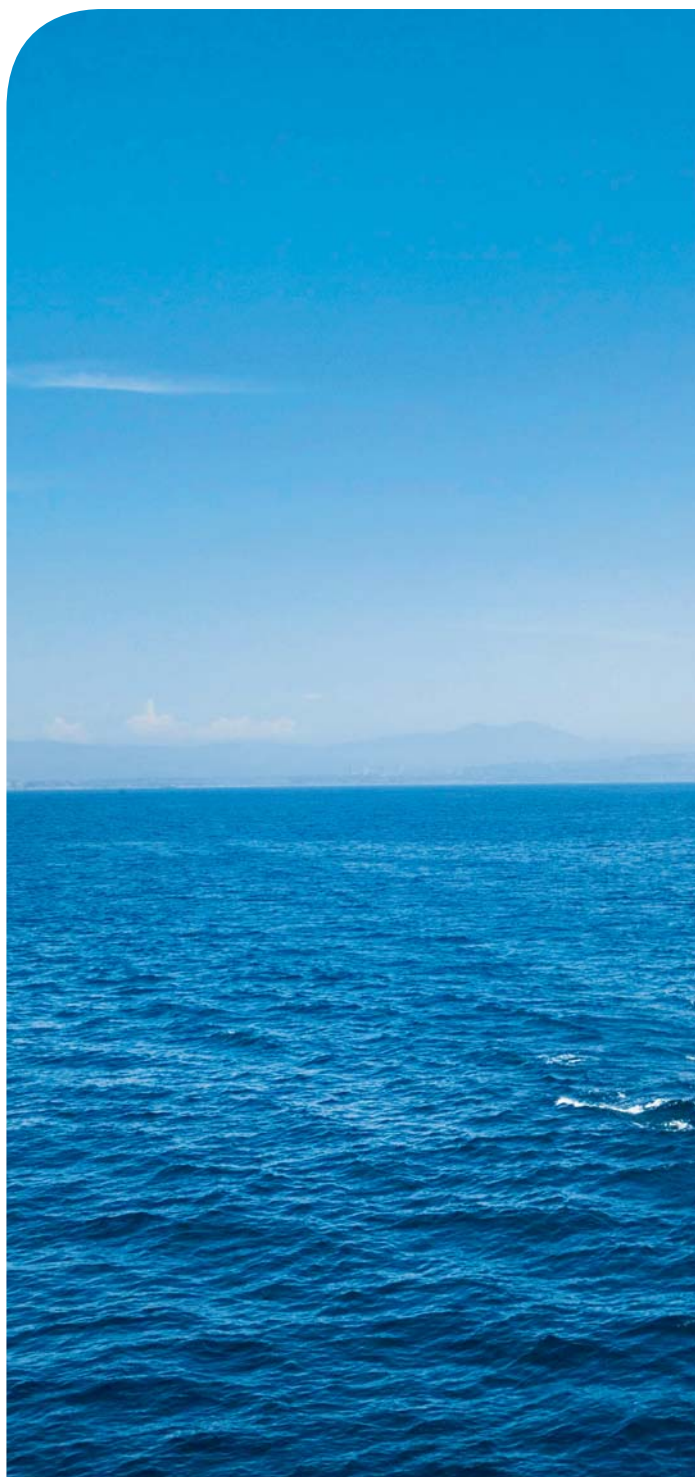


To usher in the convening of the Asian Games, the Guangzhou Branch, upon the foundation of its existing payment system emergency plan, reintroduced the “Industrial Bank Guangzhou Branch Payment Settlement System Crisis Management Plan”, “Industrial Bank Guangzhou Branch Accounting Settlement Major and Abnormal Items Emergency Management Plan”, thus ensuring the safe and stable operation of the payment settlement system through improvements to the large & small payment system, check imaging system, E-commerce draft system, internal bank system emergency plan; the Bank established the Asian Games green channel service to facilitate the opening of accounts, usage and fund payment by foreign institutions and individuals, provide convenient and fast personal foreign currency exchange services, which particularly configured small sorters, that specifically recorded renminbi numbers, at network points located in the vicinity of Asian Games venues, thus further preventing counterfeit risk; during the Asian Games period, the Bank also appropriately raised the cash inventory level at each business network point, thus ensuring a sufficient supply of cash and change.

2010 was the year of the Shanghai World Expo, during Expo which lasted 184 days, the Shanghai Branch, under the backdrop of 48 operational failures within the financial industry, successfully completed its Expo information system security work and achieved the stellar results of zero failures and zero emergencies, earning the recognition of related institutions such as the People's Bank Shanghai Headquarters, People's Bank Shanghai Branch, Shanghai Expo Financial Services Office and Shanghai City Economic and Information Technology Committee, Shanghai Science and Technology Commission, Shanghai State-owned Assets Supervision and Administration Commission.

# Development

- ◎ Promoting Development of National and Local Economies
- ◎ Returns to Shareholders
- ◎ Sincere Customer Service
- ◎ Pursuing Win-win through Partnership with Peers
- ◎ Being Committed to Livelihood Finance





# Promoting Development of National and Local Economies

2010 remains as the year for cope with the international financial crisis, maintaining steady and rapid economic development and accelerating the transformation of the mode of economic development. The Bank gave full play to the financial sector's role in the economy, fully supported the revitalization of local economies according to the country's economic development policies, and made great efforts to unify its own value and social values.

## Aiding Economic Development in the Country

### Supporting the Construction of Large-scale National Projects

The Bank continued to support national economic construction in 2010, embarking on a broad range of business cooperation with many large state-owned enterprises and providing them with enormous credit support, thereby making due contributions to the recovery and development of the Chinese economy.

The Bank entered into bank-enterprise cooperation agreements in 2010 with many large enterprises, such as Minmetals, China Aviation Oil, China Logistics, China Railway Modern Logistics and State Grid. It entered into new credit collaborations with a number of large corporate customers such as China Aviation Oil, China Coal, Minmetals, Sinolight and National Machinery Industry. As of end December 2010, its total loan to the top 50 enterprises was RMB467.6 billion, at more than RMB9 billion per customer on the average. This provided strong support to China's economic construction.

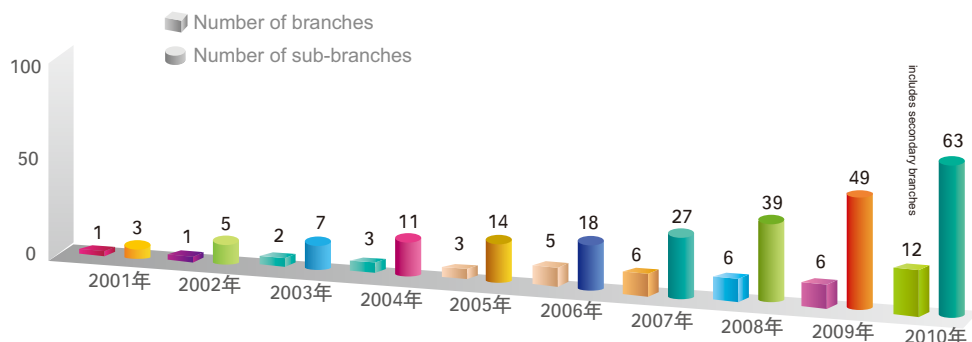
After it became eligible at end of 2009 to be entrusted with insurance funds, the Bank established a closer business relationship with insurance asset management companies in the exploration and discussion of projects such as Water Diversion from South to North, Beijing Land Reserve and China Railway Southwest, and they jointly promoted debt investments for insurance projects and real estate investments, thereby providing financial security for the national strategic planning and infrastructure construction.

### Supporting the Development of Key Regions

#### Strengthening the Establishment of Branches in Western China

To improve its fulfilling of social responsibility, the Bank conducted active layout at western regions in the country that enjoyed special state support (such as Xinjiang, Inner Mongolia and Guangxi), emerging economic zones and urban clusters, key industry clusters, national industrial bases and energy bases, while it accelerated its layout of branches in key strategic regions, increasing the pace in which it set up branches at target cities that meet its standards, thereby supporting economic development in the western regions.

#### IB's network in western China

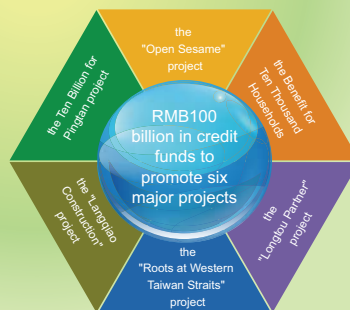


## Providing a Full Range of Financial Services for the Construction of the Western Taiwan Straits Economic Zone

With the strategic vision of constructing the Western Taiwan Straits Economic Zone being elevated to a central decision and national strategy, the strategic importance of the Western Taiwan Straits Economic Zone has become even more prominent in the national development of China. To complement the strategic planning for the construction of the Western Taiwan Straits Economic Zone and give full play to its impact as a main force, the Bank fully integrates itself into the construction and serves such construction by relying on its advantages of national management.

### RMB100 billion in credit funds to promote six major projects

The Bank embarked on implementing the Western Taiwan Straits Economic Zone "Hundred Billion Plan", investing no less than **RMB100 billion** in credit funds to promote six major projects, namely the "Ten Billion for Pingtan" that sees full participation in the construction of the Pingtan island comprehensive experimental zone; the "Longtou Partner" project that serves key projects and important enterprises in the Western Taiwan Straits Economic Zone; the "Langqiao Construction" project that fully complements and promotes the linking of Fujian construction funds and central enterprises funds; the "Open Sesame" project that supports rapid development of small enterprises in the Western Taiwan Straits Economic Zone; the "Benefit for Ten Thousand Households" that takes the initiative for livelihood construction; and the "Roots at Western Taiwan Straits" that helps Taiwanese enterprises take root in the Zone.



In 2010, the Bank cumulatively provided **RMB4,056 million** in credit to the Pingtan comprehensive experimental zone; new credit of **RMB21,842 million** for the Fuzhou-Xiamen railway, the main power grid, highways and other key construction projects, with **RMB10,360 million** disbursed; it helped key projects and key enterprises in the province issue **4** short-term financing bills and medium-term notes, amounting to **RMB1,833 million**; it embarked in business collaborations with **7** construction companies under central enterprises, providing new credit of **RMB12.3 billion** in 2010; it actively supported the development of small enterprises in Fujian, with outstanding credit to small enterprises at **RMB62,989 million** as at end of December 2010, increasing by **RMB17,262 million** compared to the beginning of the year, as the Bank continued to lead its counterparts in the financial industry in new loans and outstanding loans to small enterprises in the province; it increases credit support to livelihood construction, with new credit of **RMB5.02 billion** in 2010, an increase of **RMB1.18 billion**; it increased credit to Taiwanese enterprises, with new credit of **RMB2.72 billion** in 2010, an increase of **RMB2.22 billion**.

To lend greater support to the provision of financial services to Taiwanese enterprises, further expand the areas and levels of its participation in economic and trade cooperation between Fujian and Taiwan, and better serve the construction of the Western Taiwan Straits Economic Zone, the Bank jointly held the contract signing ceremony with Taiwan business associations. Mr. Gao Jianping, Chairman of the Bank (back row, fourth from the left), Mr. Li Renjie, President of the Bank (back row, second from the right) and Mr. Lin Zhangyi, Vice President of the Bank, attended the signing ceremony. The Bank entered into a contract with Taiwan business associations and become the first national bank headquarters in China to enter into full business cooperation with Taiwanese associations in the province and this is yet another important move to provide financial service for the construction of two "Pioneer Areas" in the Western Taiwan Straits Economic Zone.



# Promoting Local Economic Construction

## Helping Local Development with its Financial Might

### Northern China:

In 2010, the Taiyuan Branch launched the "Tiger Program", lending full support to traditionally advantageous industries in Shanxi province, such as coal, equipment manufacturing, transportation, electric power and metallurgy, as well as leading enterprises such as Taigang, Taizhong, Shanxi Province Coal Transportation and Haixin. In the course of doing so, emphasis was paid to adaptability of products on the market and the Bank vigorously embarked on investment banking, notes, cash management, financial leasing, trade finance, supply chain and other emerging businesses, meet customer needs in a timely manner. The Shanxi communications department granted the Taiyuan Branch of the Bank with the contribution award for "Supporting the Construction of Key Highways" on June 17, 2010.

### Southwestern China:

In January 2010, the Chengdu Branch signed a strategic cooperation agreement with the economic and information technology commission of Sichuan province for energy saving and emission reduction loan, whereby the commission will select and recommend to the Bank enterprises and business organizations that need energy saving and emission reduction financing and technology upgrading projects for energy saving and emission reduction, thereby providing support and assistance to the Bank on its financial services for energy saving and emission reduction projects. In cooperation with the government, the Chengdu Branch extensive promotes its energy saving and emission reduction business in Sichuan, providing close to RMB2 billion in energy saving and emission reduction loans for enterprises in Sichuan. The types of projects that took out such loans include cement waste residual heat power generation projects, urban sewage treatment projects, paper recycling projects and waste recycling projects, and they will reduce carbon dioxide emission by more than one million tonnes.

### Central and Southern China:

The Bank was selected for the "Exhibition on 30 Years of Reform and Development Achievements in the Financial Industry in Shenzhen".



## Northeastern China:

The Dalian Branch actively supports the construction of key government projects, such as the Shengli Road widening project, construction of the new sports center, infrastructure construction for the international business center for Xiaoyaowan at the development district, infrastructure construction at the Lushun motorcycle industry park, transformation of the Sanbali village in Lushun, and the road network construction project in the harbor industrial zone at the Changxing island in Dalian, thereby promoting Liaoning coastal economic zone development and urban construction projects.

The Shenyang Branch was named as one of the Top 100 tax-paying entity in Shenyang and it is rated as a Grade 3A tax-paying entity by the Shenyang state and local taxation bureaus.

## Eastern China:

The Jinan Branch actively follows up on construction by the central and provincial governments for the Bohai Economic Rim and the Blue Economic Zone of Shandong Peninsula, increasing its investments to the Yantai Branch and Weifang sub-branch in those area and adopting tilted credit policies; it supported industrial structure adjustments by the local governments and provided RMB7.2 billion in direct and indirect credit to the restructuring of the Shandong Iron and Steel Group and reverse its structural backwardness; in 2010, it provided a total of RMB143.5 million in loans for strategic technology projects, and received the maximum incentive and compensation for technology from the provincial government to local joint-stock banks, lending strong support to the implementation of policies by local governments on the development of high-technology enterprises.

The Bank actively supports construction of the Wanjiang demonstration zone for industrial transfer and it set up its Wuhu Branch and Anqing Branch in 2010, thereby providing full support to the said construction and main economic constructions such as key industries and major projects, promoting good and rapid economic development at Wuhu and Anqing.

## Central and Southern China:

The Zhengzhou Branch greatly supports the expansion of the Luoyang-Sanmenxia section (Henan and Shaanxi boundary) at the Lianhuo national expressway, and in the major projects of merger and reorganization of large coal enterprises in Henan, it provided close to RMB10 billion in loans to group enterprises such as Henan Coal Chemical Industry Group Co., Ltd, Zhengzhou Coal Industry (Group) Limited Liability Company and Zhong Ping Energy Chemical Group, thereby supporting the rapid economic development in the central plains economic region.

## Eastern China:

To provide full support to the economic and social development and construction in Fujian, the Bank increased key support and continued credit to regional landmark projects such as the Fujian high-speed, power, Fuzhou-Xiamen railway, the Straits International Convention and Exhibition Center, the central business district at the north bank of Minjiang, Fuzhou wholesale agricultural logistics center, Gushan Bridge and Lianban sewage treatment plant.

Mr .Lin Zhangyi, Vice President of the Bank (first row, first from the left), represented the Bank to sign a cooperation agreement with the Fujian Provincial Department of Science and Technology on December 2, 2010 to jointly build a new platform for financial services technology and its industrial development so as to promote the integration of financial innovation and technological innovation in support of SME development in the province. According to the agreement, relying on small enterprise business franchisees set up by 9 municipalities and districts in Fujian, the Bank will provide priority support to science and technology parks, science and technology enterprises, "Three High-Tech and Six New" SMEs and project construction recommended by the Fujian Science and Technology Department, through a range of integrated financial solutions such as group financing, credit, and "IB Open Sesame" growth and list plans, and actively promote scientific and technological achievements and patent transformation, so as to promote the sustainable development of high-tech industries.

As at end 2010, the Bank's Fuzhou Branch had supported 20 key construction projects in Fujian, amounting to credit of RMB16,169 million and outstanding loan of RMB8,946 billion.



## Cooperation between Governments, Banks and Enterprises in Promoting Green Finance

As the first bank in China to launch green credit products in support of energy saving and emission reduction efforts in the country, the Bank created green financial services and promotes green finance, working actively with governments and enterprises to promote energy saving, emission reduction and environmental protection.

In June 2010, the Shenzhen Branch and the Shenzhen Technology, Trade and Industry Commission, Finance Office and Recycling Economy Association jointly held a forum on low carbon economy and green finance, inviting a hundred outstanding enterprises in the recycling economy industry and promoting the Bank's green finance products.



On its opening day, the Changchun Branch jointly held with the Jilin development and reform commission and the provincial finance office the Jilin Low Carbon Finance Forum and signed framework cooperation agreements on energy saving and emission reduction with 7 enterprises that include Tonghua Iron & Steel Group Co., Ltd and Jilin Yatai (Group) Co., Ltd.

On January 6, 2010, the Shijiazhuang Branch jointly held the "First Joint Conference by the Hebei SASAC-sponsored Enterprises and the Shijiazhuang branch of Industrial Bank cum Special Report on Energy Saving, Emission Reduction and Corporate Financing" in conjunction with the Hebei SASAC with the theme of "Green Collaboration", for the purpose of promoting and implementing the cooperation agreement entered into between both parties that involves RMB20 billion in comprehensive credit.



The Hefei Branch and Anhui Win-Win Recycling Resources Group, the largest recycling resources group in Anhui province, signed a comprehensive cooperation agreement to promote the combined strengths of the groups, achieve optimal allocation of resources and promote the recycling economy.



In May 2010, the Hangzhou Branch and the Zhejiang economy and information technology commission jointly held the "Green Zhejiang, Ecological Economy" Zhejiang energy saving and emission reduction government-bank-enterprise strategic cooperation signing ceremony, for the active development of energy saving and emission reduction financing business, so as to assume the social responsibility of protecting the environment through actions, thereby achieving harmonious coexistence between man and the society and nature.



## Increasing Support to Agriculture, Rural Areas and Farmers

### Increasing Credit Supply to Agriculture, Rural areas and Farmers

With the gradual expansion in its network and the continued strengthening of its service capacity, the Bank provided active credit support to agriculture-related enterprises with its foundation of effective risk control.

The Jinan Branch provided two agricultural fertilizer enterprises - Weifang Aobao and Jinan Agri-Star New Fertilizer - RMB43.5 million in credit support and it increased credit to agricultural product processing company Linyi Jinluo by RMB120 million. As its number of branches increases, the Bank will gradually increase its investment in agriculture, positive responding to the government's preferential agricultural policies.

Given that Jilin is a major agricultural province in China with a higher proportion of primary industry than secondary and tertiary industries, the IB Changchun branch actively carry out cooperation with agricultural business enterprises in Jilin and in 2010, it provided a total of RMB533 million in credit support to agriculture and forestry enterprises in Jilin, including Jilin Grain Group, Jilin Forest Industry and Jilin Yuntianhua Agricultural Development, effectively supporting the development of agriculture and forestry in the province.

### Working with Rural Banks to Serve Agriculture, Rural Areas and Farmers

The Bank actively responds to and supports reform of the rural financial system and strengthens division of labor with banks that it has stake holdings in. It supports the setting up of rural banks by these banks and makes use of such a platform and operating mode of these banks to support the development of urban banks through management and technical transfers, bank-to-bank cooperation, etc., and jointly promote the establishment of rural financial institutions.

In 2010, the Bank viewed the large number of rural banks as a focus for bank-to-bank platform efforts and launched the rural bank financial growth solution that set agent access payment systems, technology output, etc. as focus products for cooperation, which were popular with customers. As at the end of 2010, the Bank signed the cooperative agreements for the agent access payment system with 25 rural banks, among them, 15 rural banks including the Dongguan Changan Rural Bank are in the network; the Bank embarked on technology output cooperation with 7 rural banks that include the Zhejiang Longyou Rural Bank, and all of them have successfully joined the network.

### The Road of Promoting Rural Area by Chengdu Branch

Using the innovative model of "contributions to poverty reduction + small loans to farmers + production assistance", the Chengdu Branch opened the "Road to IB" for local farmers that helped them out of poverty.



### Turning "blood transfusion" into "hematopoiesis"

In Jinxing township, Dayi county in Sichuan province, the Chengdu Branch donated more than RMB200,000 to the construction of the "IB Elementary School of Hope" to solve the issue of insufficient schools for school-age children within a 10 km radius of the township. With donation for education as a starting point, the Chengdu Branch expanded the scope of its assistance and embarked on a "Project of Six", i.e. it seeks to build a hope elementary school, an IB avenue, an IB agricultural base, an IB health center, an IB nursing home and an IB library.

### "Industry nurturing agriculture"

Realizing that the Road of promoting rural areas cannot be separated from the industrialization of agriculture, the Chengdu Branch established a collaborative relationship with Chengdu Modern Agriculture Guarantee Co., Ltd. and actively provides financial services to agribusinesses through the collaboration method of offering a guarantee platform. The Chengdu Branch has to date disbursed RMB200 million to modern agricultural enterprises in various places such as Dujiangyan and Niitsu, and has provided credit support in excess of RMB200 million to enterprises at the upstream and downstream of the agriculture industry, providing true financial support to local leading enterprises in the field of agricultural industrialization.

### The "first pot of gold" for comprehensive improvement of land

As a national comprehensive reform pilot area for urban and rural areas, comprehensive treatment of rural land is a focus of the rural works in Chengdu. As such, the Chengdu Branch innovatively launched loans for rural land management projects, i.e. it disburses 3 to 5-year loans to land reserve centers or other qualified entities for use on the transformation of rural farmland, wasteland reclamation, reclamation of abandoned mining land, irrigation facilities, rural infrastructure and other comprehensive treatments. In February 2010, the Chengdu Branch successfully disbursed its first loan in support of the land remediation projects of the Jintang county land remediation center, for the amount of RMB300 million.

## Supporting SMEs

### Increasing Financial and Credit Support to SMEs

In 2010, with the overall scale of new credit limit subjected to strict regulatory supervision, the Bank focused on the lending needs of small enterprises. It specially arranged **RMB20 billion** of such loans for small enterprises in 2010 and implemented a system of supervision by specialists on loan uses so as to safeguard the needs of small enterprises. As at end of December 2010, the Bank's outstanding small business loans that meet national standards was **RMB358,183 million**, accounting for **60.94%** of all its business loans to enterprises, representing an increase of **30.43%** compared to the amount of **RMB83,569 million** at the beginning of the year.

The "Contract Signing Ceremony for Bank-Enterprise Cooperation cum Presentation of Financial Services for Growth Enterprises"

On November 11, 2010, the Hangzhou Jiaxing Branch held in conjunction with the Nanhu district government the "Contract Signing Ceremony for Bank-Enterprise Cooperation cum Presentation of Financial Services for Growth Enterprises", signing with the representatives of 12 enterprises in the Nanhu district agreements for SME special credit loans, energy saving and emission reduction projects and investment banking cooperation, thereby supporting innovation enterprises, start-ups and growth SMEs with diversified financial services.



### Improving the System of Managing Financial Services for SMEs

While increasing its support to SMEs in terms of financial services, the Bank fully promotes the establishment of small business franchisees, pushing for downward extension when establishing such franchise so as to establish a SME operating mechanism with the Bank's characteristics. As at December 2010, the Bank had established small business center and franchisee at **24** branches in the country, thereby implementing management systems, working mechanisms and operational procedures that allow its small enterprise business to be fully professionalized. It appointed its small enterprise business with a professional credit team that has more than a hundred members, fully reformed its credit process, enhanced its credit approval efficiency, gradually improved its incentive and constraint mechanism, established its mechanism for long-term professional training and ensured that its establishment of franchises is close to and meets the needs of small businesses.

### Innovatively Launching Specialty Products – Making the Efforts to Break Through the Financing Bottleneck for SMEs

Launching the "IB Open Sesame" SME Growth IPO Program



Focusing on the different financing needs of its SME customers, the Bank broke the traditional limitations of credit settlement and introduced corporate finance, financial consultancy and other innovative investment banking services on the foundation of integrating a number of traditional credit and settlement operations, thereby launching the “IB Open Sesame” SME Growth IPO Program. At the same time, the Bank conducted in-depth studies of the financing needs of its small enterprise customers and officially launched many innovative products for small enterprises such as joint loans and joint guarantees, mortgages for self-built industrial buildings, mortgages for equipment and liquidity loan extensions.

### The “Open Sesame” SME Growth IPO Program has three notable features.

#### 1 It is the content-rich services.

With its advantage of having many years of serving SMEs and on the foundation of integrating many of its traditional credit and settlement operations, it introduced many innovative investment banking services such as corporate finance management and financial consultancy, helping SMEs resolve financing, settlement and management issues and supporting them in the enhancement of their overall management capabilities.

#### 2 Its service programs are highly professional.

It creates on the basis of existing product application solutions a diverse portfolio of products and tailor-made service solutions for its customers, by looking at their stage of growth, the customer type, demand characteristics, etc. and through close coordination with its customer and product managers and professional services.

#### 3 It offers one-stop solutions.

By accurately grasping the financial needs of SME Growth IPO, it offers a range of solutions and matches it with one-stop financial services so as to provide speedy and comprehensive solutions to the urgent needs of SMEs, allowing them to grow rapidly and healthily.

### Embarking on Commodity Trading Financing Business

Taking into account the difficulties that SMEs in China faced in obtaining financing and the limited scope of financing that was available to them, the Bank embarked on the commodity trading financing business in 2010 by actively making use of its professional advantages and the products it offers include standard warehouse receipt pledge financing and precious metals pledge financing. Through the rational integration of its traditional loan business and the commodity trading market, it enriches the types of financial products offered, enhances its professional service capabilities, as well as solves the difficulties faced by SMEs that could not seek financing when their funds are tied down due to their holdings of standard warehouse receipts. It helps to accelerate the liquidity of these SMEs and promote their development.

After opening the way for the registration of standard warehouse receipts and the exercise of pledge at the Zhengzhou Commodity Exchange and the opening of special accounts for standard warehouse receipt pledge at the Shanghai Futures Exchange, the Bank opened the way for way for the registration of standard warehouse receipts and the exercise of pledge at the Dalian Commodity Exchange in 2010, making it the first commercial bank in China that can simultaneously handle all types of standard ware-house receipt collateral loan business at three Exchanges. Following that, it successfully launched its precious metals pledge financing business at the Shanghai Gold Exchange.

# Returns to Shareholders

## Rewarding Shareholders with Outstanding Results

### Results of Operations

As of December 31, 2010, the Bank's total assets totaled RMB1,849,673 million, and its full-year accumulated profit after tax was RMB18,521 million, representing a year-on-year growth of RMB5,239 million or 39.44%. Earnings per share reached RMB3.28, representing a year-on-year growth of RMB0.78. At the same time, the Bank's corporate income tax and business tax totaled RMB8,139 million, up 13.43% over the previous year.

The Bank was named the Most Profitable Bank in Asia and ranked among the top ten Asian commercial banks in terms of overall competitiveness at the 21st Century Asian Financial Annual Conference cum Release of the 2010 Asian Banks Competitiveness Ranking Research Report jointly held by 21st Century Business Herald, 21st Century Institute Financial Research Center, the Chinese University of Hong Kong and a number of authoritative research institutes in 2010. In the previous rankings, the Bank was awarded the honorary title of "Best Cooperative Bank in Asia". Winning the 2010 "Most Profitable Bank in Asia" prize illustrates the Bank's strong development momentum and comprehensive competitive strength.

"Over the last four years, IB's weighted average return on net assets exceeded 24%. Whether in the midst of the financial crisis or riding the grand scheme for economic rejuvenation, its profitability maintained a high degree of stability," the judges said. The organizers thought highly of the Bank's sustainable profitability and spoke of "high capital return" as the impression that the Bank left on the market.

## Successful Completion of Refinancing Through Share Allotment

The Bank announced the resolution of its Board on November 23, 2009, which stated that it had decided to raise core capital through a share allotment. After careful preparations, the Bank released the results of the allotment on June 1, 2010. The allotment was a success and the Bank shall continue to promote changes in its business and profit models and enhance its profitability and results. It shall also formulate a policy of stable cash dividends, maintain a strong ability to accumulate profits, supplement its capital through various channel in a scientific and rational manner, and repay shareholders with coordinated growth in endogenous capital and risk assets.



## Active Communication to Enhance Investor Relationship

### Fulfilling Information Disclosure Obligations and Helping Investors Gain a Better Understanding of the Bank

The Bank successfully completed the preparation and disclosure of four periodic reports in 2010, of which, it took the

initiative to explain popular topics such as real estate and the financing platform of local governments in its annual report to satisfy the needs of the investors for information and to enhance the readability of the annual report. It also disclosed all interim reports in full, in compliance with regulations and in a timely manner. It released a bulletin on its 2009 results in a timely manner to avoid volatility in its share prices due to any leaks in earnings results and to safeguard the equitable right of investors to have access to such information. It also initiated research on credit ratings and communicated with international rating agencies such as Standard & Poor, Fitch and Moody's so as to gain an understanding and improve the objectivity of its ratings.

## Taking the Initiative to Communicate with Investors and Gain their Recognition

To strengthening communication with institutional investors and allow them to have an objective understanding of the Bank's investment value, the Bank convened **four** conferences that were tied to the release of its periodic report and **seven** conferences that included shareholder forums, press conferences, etc. It invited industry analysts and fund managers to conduct studies on the transformation of shantytowns and on cash management, capital operation, credit cards and other services, so as to communicate the Bank's business strategy of diversification. It conducted **41** one-to-one and one-to-many communications with institutional investors so as to enhance communication efficiency. For the whole year, it received more than **50** analysts in more than **20** visits. It participated in more than **30** conference calls with analysts and replied **160** letters. It sent by mail more than **20** sets of materials and answered more than **600** calls from investors at its hotline.

On March 3, 2010, Mr. Gao Jianping, Chairman of the Bank (first row, third from right) led the 2009 results presentation and communicated the investment value of the Bank objectively. They took in opinions and suggestions from investors on the Bank and maintain the image of the Bank in the capital market that is one of transparency and accountability.



As it has established good relationships with its investors, the Bank was named "Investors' Favorite Listed Company in China's Securities Market in the Past 20 Years" and "Listed Bank with the Greatest Investment Value in 2009" in 2010. It was ranked second in the "100 Top Listed A-Share Company in China in terms of Investors Relationship" twice and Mr. Gao Jianping, the Bank's Chairman, was named "Best Chairman", while Mr. Tang Bin, the Bank's Director and Board Secretary was named "Best Executor", "New Fortune Golden Board Secretary", etc. The Bank also received numerous awards, including "Social Responsibility Contribution Award" and "Innovations in Investor Relationship".



## Coordinating Foreign Investors to Promote In-depth Cooperation

The Bank and the top levels of foreign investors exchanged more than **10** visits in 2010 and it greatly deepened mutual trust between the Bank and its foreign investors in various aspects such as supplementary capital, equity and business partnership, thereby promoting continuous deepening of business collaboration. The Bank also actively conducted exchanges and cooperation with Hang Seng Bank and IFC on gold trading on behalf of customers, financial management, trade financing, energy saving and emission reduction, Equator Principles, etc.

# Sincere Customer Service

## Improving Service Standards and Ensure Brand Quality

### Improving Institution-building to Meet Customer Demands

To enhance the financial service capacity of its network of branches and effectively meet the demands of its business developments and customer service, the Bank had established 64 branches (consisting of 37 primary branches and 27 secondary branches) across 81 key economic cities in the country and 577 sub-branches as at end 2010. While expediting the establishment of new branches, the Bank also strengthened professional management and post-evaluation, established standardized management of regional financial market feasibility analysis, institutional planning, preparation, opening inspection, counseling, etc., and promoted the integration of new branches into the local economy as soon as possible.

### Steadily Promoting the Construction of a New Generation of Core System and Supporting the Enhancement of Customer Service Standards

To enhance its integrated services capabilities that are customer-oriented, the Bank vigorously carried out upgrading of its core system and built more flexible and effective product configuration, parametric management and fees management module, thereby providing stronger support for transformation of its business development and profit models.

In June 2010, the Bank completed the antecedent project for the construction of its new generation of core system - new generation online support and trading platform migration, thereby enabling its core system to have greater stability, reliability, scalability and business processing capabilities. Research and development of its new generation of core system is progressing smoothly.

### Improving Service Quality and Safeguarding Customer Rights and Interests

#### Embarking on Training Competition and Creating the Service Climate of Seeking to Be to First to Excel

To promote service team building and enhance professional training on service caliber, the Bank embarked on management of service supervisor, training of new lobby managers and teller service circuit training in 2010. Taking teller service circuit training for example, the Bank has conducted such training 97 times, covering the entire Bank and the total number of participants was 5,179, which is close to 100% of the total number of tellers in the Bank's network.

Training via completion, carrying out staff quality assessment and improving the quality of counter service staff and service capabilities. In 2010, the Bank conducted competitions on counter business skills and service specification, thereby creating a positive climate of service culture in the entire Bank and effectively enhancing its service standards. It also organized appraisals on star branches in terms of service and star service personnel, so as to elect outstanding branches and staff such as Star IB Branch in 2009 and IB Service Star 2009. The Bank also actively participated in related service appraisals conducted by the CBA. In 2010, 23 outlets of the Bank's 19 branches were chose as Good Models of Civilized Service in the Chinese Banking Industry. The Bank was awarded as the Financial Service Organization in the World Expo in China's Banking Industry by the CBA.





The Bank's service specification and etiquette contest 2010.

To fully reflect the human touch in its concern for its customers, the Shanghai Branch made detailed deployment to ensure obstruction-free financial service and improved the accessibility of its facilities to suit local conditions. It announced an obstruction-free phone service that is answered by specialists, thereby providing convenience for the disabled to smoothly conduct their transactions; it established a "five-in-one" multi-level obstruction-free language service system: foreign or special users can choose quality on-site service when they enter the Branch from specialists who speak English or uses sign language. The "Bank Multi-lingual Service Terminology" brochures are neatly displayed at the Branch and contact cards for World Expo volunteers who provide different language services can attend to guests from 12 different countries. During the World Expo period, this "five-in-one" service system served foreign guests from many countries such as UK, US, Germany, France, Saudi Arabia, Japan, South Korea and Kyrgyzstan.

#### Emphasizing on the Customer's Right to Know and Enhancing Service Quality

Ensuring the customers' right to know is an important means to safeguard their rights and interests, and to supervise and promote better service quality at the Bank. The Bank clearly and fully discloses its product risks to customers when marketing its wealth management products through the use of product manuals and sales agreement. It also demonstrates the best and worst possible returns of its wealth management products in different scenarios through the use of case studies. It also conducts customer risk assessments to ensure that "the suitable product is sold to suitable customers".

Before embarking on precious metals business, the Bank has already thought of how it should ensure the customers' right to know. It issued letters to all in the Bank on the various risks and ensured through the provision of training that all of its customer service centers and sales managers at its branches are fully aware of the risks of its various businesses, so that the customers' rights and benefits are protected at the point of marketing. Also, to satisfy the different investment needs of different customers, and ensure that they have a correct understanding of the features of innovative financial products and enhance their autonomy, the Bank conducted largescale business presentations in 2010. It held more than 100 large-scale investment presentations in the entire year, with more than 10,000 customers participating.

Timely and highly effective handling of customer complaints is an important part of protecting customer rights and interests and maintaining the Bank's reputation. As such, the Bank adopts an active approach in its handling of customer complaints and establishing an analysis and handling mechanism for customer complaints. Compared to 2009, the total number of customer complaints the Bank received in 2010 decreased by 48.75%.

#### Optimize Service Processes and Enhancing Service Capabilities

Reengineering its counter process was one of the important measures taken by the Bank to enhancing the overall service capacity of its business lobbies. Efforts to reengineer the counter process were officially launched in April 2010 throughout the Bank and by end of December, all branches had fully completed the job of promoting the reengineering of counter process and the efficiency of counter services at all outlets improved noticeably. Customer service improved significantly and this won the Bank much recognition and praise from its employees and customers.

Also, to accommodate its need for “changes in two models”, the Bank implemented reform of its lobby management model, strengthened lobby operations and management and marketing service organization and management, promoted the shift in its lobbies from the traditional “settlement at counters” to “sales service”, thereby enhancing the comprehensive service capacities of its lobbies.



Picture about the environment of the counter flow at Bank's Licheng branch in Jinan after reconstitution.

The Bank continued to improve its credit card services and created an overall service system for its credit cards, providing its platinum and gold card holders special rights and benefits. Internally, the Bank's credit card center set up a service quality oversight committee as well as a service quality office and appointed service quality supervisors for all departments to be in charge of service quality management, thereby ensuring that service quality improvement efforts are in place at all parts of the credit card service process and effectively safeguarding the increasing improvement in its credit card service quality from mechanisms and system. “To be customer-oriented” and continually improve on the service process, enhance service skills enhancement training and improve the customer experience by seeing customer complaints as opportunities.

## Giving Full Play of the Advantages of Various Channels and Optimizing Channel Service Capabilities

### Launching the Five-star Navigation System for Electronic Banking

In the course of business development, the Bank launched its e-banking service brand – “five-star navigation” based on the service philosophy of customer-orientation and according to the changes in customer demand for e-banking services under new circumstances. The “five-star navigation” consists of the “service platform star”, an integrated service platform; the “service team star”, a professional service team; the “service process star”, a set of standard service process; the “service commitment star”, a commitment of attentive service; and the “service security star”, assuring service security that allows the customer to have peace of mind from beginning to end. In so doing, the Bank created the brand image of e-banking with leading services in the industry.

### Improving E-banking Functions

In 2010, as one of the 27 banks to become the first batch of banks to be linked to the People's Bank of China's interbank settlement system for online payment (super online banking system), the Bank rolled out in a timely manner services such as real-time inter-bank funds transfer through personal internet banking, inquiries on account information at other banks, signed certification gateway for account information inquiry, interbank credit card cash advance and interbank account management in enterprise network. The Bank added e-notes function that is interconnected with the e-commerce bank draft system of the People's Bank of China, providing the corporate e-banking customer of the Bank with e-notes services that meet the requirements of that system. As of December 31, 2010, the total number of valid e-banking customers was 3,001,500, an increase of 55.13% compared to early 2010; the total number of transactions was 68,389,500, up by 51.77% compared to 2009; total amount of transaction was RMB15.96 trillion, an increase of 36.92% compared to 2009; counter replacement rate through corporate e-banking transactions was 51.98% and that through personal e-banking was 52.70%.

### Improving Phone Banking Service

The Bank successfully embarked on the expansion and optimization of its customer service system in 2010 as it further improved on the overall support capacity of its customer service system and transformed phone banking into a full-function integrated service platform that integrates business consulting and care, product marketing and trading, investment and wealth management, personal loan collection, VIP value-added services and other functions. As of December 31, 2010, it had a total of 6,057,200 valid phone banking customers, up 45.60% compared to early 2010; the total number of transactions in the year was 1,760,600, up 63.99% YoY; total transaction amount was RMB86,496 million, up 121.52% YoY; counter replacement rate through phone banking transactions was 1.82%.

## Innovating Mobile Banking

With the launch of its mobile banking service "Wireless IB", the Bank became one of the few commercial banks in China to offer comprehensive mobile financial services capabilities. The Bank set up its mobile banking center in 2010 so as to accelerate its strategic development of its mobile banking business and enhance the standards of professional management of its mobile banking business. As of December 31, 2010, it has a total of 2,640,900 valid mobile banking customers, up 50.78% compared to early 2010; a total of 1,927,900 mobile banking transactions were conducted in the whole year, up 190.92% YoY; total transaction was RMB23,492 million, up 236.75% YoY; counter replacement rate through mobile banking transactions was 2.00%.

### The four main functions of mobile phone banking

The Bank offers silver trading through its mobile banking service "Wireless IB", making it the first bank in the industry to offer gold and silver trading services via mobile banking;

The Bank offers "Mobile Phone Number Account Transfer" which has channel characteristics as well as real-time interbank transfer function in mobile banking, with the Mobile Phone Number Account Transfer allowing contracted customers to conduct account transfers with ease by entering the mobile phone number of the other party;

It further enriches its investment banking services under mobile banking and added mobile banking services such as convenient and intelligent deposit notification, electronic bonds and debt and equity financing;

It full realized customer identification and authentication based on the mobile phone number of any operator, and it supports services that require the use of linked mobile phone number, such as random account transfer using phone banking and mobile phone number account transfer, thereby enhancing the experience of the customer.



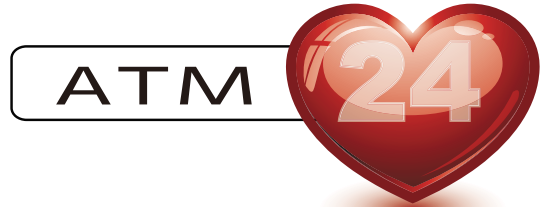
In 2010, the Bank's online banking service was awarded "the Best Online Banking Services", "the Best Mobile Banking Services" and "the Best Online Banking Functions in China" by Securities Times, Money Management Weekly and China Financial Certification Center, respectively. Its customer service center won the "Best Service Award" at the "2010 Award for Outstanding Customer Service Centers in the Banking Industry" sponsored by the CBA.



In 2010, a strategic partnership agreement signing ceremony was held jointly by the Bank and China Unicom. Mr. Li Renjie, President of the Bank (back row, seventh from the left), Mr. Chen Dekang (first row, first from the left) and Mr. Lin Zhangyi (back row, sixth from the left), Vice Presidents of the Bank, Mr. Lu Yimin, President of China Unicom and Mr. Jiang Zhengxin, Vice President of China Unicom attended this ceremony. This agreement will further strengthen the cooperation in areas such as basic telecom services, financial services, wireless Internet applications and sales/marketing. The two parties are working together to promote innovations that drive continuous improvement in the quality of mobile financial services (e.g. mobile payment, mobile banking, mobile commerce and other value-added services).

### Strengthening the Channels Building of Automated Machines

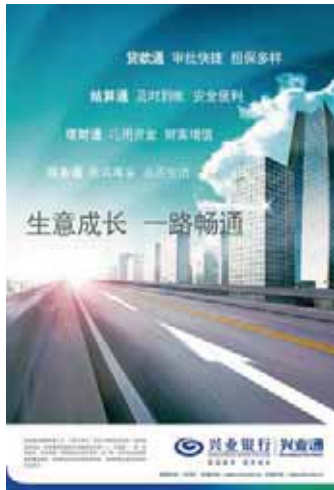
As of the end of December 2010, the Bank had 4,140 automated machines operating nationwide, among which 2,178 were withdraw-only machines and 1,962 were full-function automated machines. At the same time, the transaction volume of automated machines continued to grow rapidly – in 2010, the Bank recorded 75.4 million ATM transactions (excluding account inquiries) through automated machines, with an increase of 30.33% YoY. The total transaction value reached RMB111.455 billion, jumping 27.65% YoY. The ATMs have become the third largest service channel for the Bank, following branches and online banking. In the mean time, automated machines have also become the largest channel for credit card repayment (accounting for 31.3% of the total transaction value), effectively relieving the branches' pressure and enhancing the Bank's efficiency.



### Continuing to Push Financial Innovation by Designing and Promoting Sustainable Financial Products

#### Tailored "Xing Ye Tong" Solution for Growing Enterprises

In 2010, the Bank introduced the "Xing Ye Tong" solution, which was the first comprehensive financial solution in China tailor-designed for self-employed business owners, proprietary businesses, partnership companies and other private "growing enterprises". With corporate financing as its entry point, the solution covered a comprehensive set of financial solutions for growing enterprises, including loans, payment settlement, personal asset management and VIP services.



Mr. Chen Dekang, Vice President of the Bank (second from the left) launched the "EasyTrade" brand in Shenzhen.

## Main services in the "Xing Ye Tong" solution

### Loan services

Speedy loan application processing – approval is done within 5 working days and loans under the credit revolving arrangement can be issued within the same day; various forms of collateral – traditional collateral, pledges, joint guarantee, mutual guarantee, etc.; simplified application paperwork, together with long and revolving credit terms (up to 10 years) to help growing enterprises expand.

### Payment settlement services

The comprehensive settlement network provides nationwide coverage and safe/efficient capital flow via 6 major channels (branches, automated machines, online banking, phone banking, mobile banking and interbank channels). Businesses receive timely payment settlement for their account receivables and when they use "Xing Ye Tong" cards, they will also enjoy special discounts for services such as payment, transfer and cash withdrawal.

### Value-added services for VIPs

For black gold and platinum-level "Xing Ye Tong" customers, the Bank assigns "one-on-one" designated account managers and provides special window/service area at its branches. These customers also enjoy priority services and significant discount/waiver of transaction fees. To further enhance their quality of life, the Bank also provides certain value-added services, such as healthcare, airport lounges, free books and golf activities, etc.

### Family-oriented asset management services

The Bank custom designs personalized financial plans for its customers. It also provides a variety of cash management tools and diversified investment channels to help customers maintain and grow their financial assets. It also provide protection-oriented products (e.g. life and accident insurance, etc.) to make customers focus on their business without other worries.

### Special identity services

The Bank designs special "Xing Ye Tong" cards for its "Xing Ye Tong" customers as the platform to execute all of their transactions at the Bank. The black gold and platinum customers can also receive all VIP services by using their "Xing Ye Tong" cards.

## Strategic value of the "Xing Ye Tong" business

The positioning of the "Xing Ye Tong" business is to help growth companies meet their financing challenges. It is consistent with the government policy of supporting the development of SMEs and private companies, and it serves to support the overall economic development.

The "Xing Ye Tong" solution incorporates "loan financing, payment settlement, personal asset management and VIP services" to strengthen the synergy among various business lines targeting the same customers via cross-selling and deepening client relationship by offering comprehensive services. The solution not only helps companies grow their business, but also enables them to establish a scientific financial plan.

From potential profitability perspectives, the size of the target customer group is extremely large and their demand for financial services is very strong. They are the "blue ocean" of the banking industry and targeting them will help optimize the Bank's business and client structure.

By the end of December 2010, the outstanding "Xing Ye Tong" personal loan for business operations reached RMB26.271 billion, an increase of RMB19.666 billion YoY. The Bank will continue to promote the sustainable growth of the "Xing Ye Tong" personal loan business and the Bank expects the total outstanding balance to exceed RMB60 billion by the end of 2011.

## Well- received "Golden Cube" Cash Management Solution

To help companies improve capital management efficiency, lower financial cost and enhance management capabilities, in 2009, the Bank introduced the cash management service brand "Golden Cube" to design tailored and comprehensive cash management solution for companies, covering their capital operations, risk management, technical support and growth support needs. This service was timely in that many companies were having issues/challenges with their cash flow after the global financial crisis, and many of the Bank's customers were fast growing in size and business complexity (e.g. "4-crosses": cross-region, cross-industry, cross-ownership structure and cross-border). This service has since helped companies and their industries to achieve further development. The "Golden Cube" cash management solution successfully met companies' practical needs – it not only improved the company-bank relationship to promote sustainable economic and social development, but also created a "blue ocean" for the Bank to further enhance its core competitiveness. The solution is consistent with its principle of sustainable development by focusing on both economic profitability and social responsibility.

After over a year of promotion, the "Golden Cube" service has been well received by the Bank's customers. Thanks to the outstanding solution, the Bank won the "best cash management innovation award" at the 2010 CFO Magazine's "Most trustworthy bank in China" event. The success case of the Harbin Pharmaceutical Group also won the "best cash management case award" at the "2010 financial service rankings by banking institutions" event sponsored by www.zj198.com and supported by the China Banking Industry Association, CBRC and the Financial Research Institute of the China Academy of Social Sciences.



The cash management solution is both a product and a mutually beneficial cooperation model between banks and companies. It incorporates some products (e.g. some new interest rate calculation methods and new settlement tools (electronic settlement) to create a new market; in the mean time, it also leverages technology to create a new market, as it has close ties with IT and settlement technologies. Obviously, it also leverages services to create a market as it is a very high-end service. In summary, the cash management business is a comprehensive platform to upgrade banks' existing business models and achieve joint development between banks and companies – companies need the cash management service as they grow and the service in turn helps companies achieve better growth via stronger capabilities.

A SOE holding group has two listed companies and several wholly-owned, controlled or partially-owned subsidiaries. The over 100 entities in the Group generate over RMB10 billion annual revenue. However, the existing cash management system was not able to manage various subsidiaries in a tiered fashion, resulting in inaccurate information, inefficient budget monitoring/decision-making process, and low capital productivity at the Group level. To deal with the situation, the Bank setup a dedicated service team consisting of cash management experts from both HQs and local branches as well as IT support staffs to optimize the service plan design from multiple perspectives, such as cash management functional implementation and technology system hardware/software/operational support etc. The Bank provided a customized and comprehensive cash management solution using the "Golden Cube" product concept. After the new system was implemented, the Group's capital productivity was substantially improved (total savings reached RMB34 million). In the mean time, the Groups HQs and related settlement centers can have timely visibility into various subsidiaries' cash receipt/outlay activities, thereby enhancing capital and budget management capabilities.

## Enhancing Customers' awareness of Sustainable Development

### Advocating for "Green Finance" by Promoting Online Banking

The Bank advocated for "green finance, equator bank – helping you save paper, gas and other 'carbon trails' by using online banking and enjoying the 'colorful e life! ". The Bank used various means (point rewards, Q&A rewards and transaction rewards) to help customers save resources and increase their frequency of online banking.

### Aggressively Promoting the Concept of Sustainable Finance

The Bank positioned "green finance and working together towards a beautiful life" as the central theme for its brand building campaigns. Through TV, published media and the Internet, it aggressively advocated and promoted the concept of green finance. In order to help the public better understand "green finance", it redesigned its ad campaigns to highlight "green finance" case studies of low-carbon credit cards and successful loans for emission reduction and energy conservation projects. Through these practices, it showed its commitment to energy conservation/emission reduction/sustainable finance and attracted the public to join the "low-carbon life".

- Joint project with www.sina.com to attract public attention to global warming issues, reaching over 27 million people;
- Sponsored the Low-Carbon Weekly published by the 21st Century Business Herald, which focuses on low-carbon economy and reaches over 10 million audience;
- Co-organized the "Second Pearl River Delta Business Leader Summit and the SME Service Day Green Economy Seminar", and introduced the Bank's green loan business to over 500 participating companies;
- Jointly organized the "Green Competitiveness Sales and Marketing Seminar" with www.sohu.com Green Channel and attracted over 10 million visits.

In May 2010, the Bank's Wulin Branch in Hangzhou organized a series of events promoting lowcarbon lifestyle in Hangzhou's Xia Cheng District. Through seminars, exhibitions, recycled product demos, broadcasting related video clips and organizing knowledge contests, the local awareness of lowcarbon lifestyle was significantly improved.

## Pursuing Win-win through Partnership with Peers

### Aggressive Development of the Interbank Platform to Promote the Sharing of Financial Resources

The "interbank platform" is another proactive initiative for the Bank to fulfill its social responsibilities. It is also a practical innovation to achieve its principle of sustainable finance. By integrating its internal resources, it provides a series of products and services to SME banks (city commercial banks, city and rural credit unions, rural commercial banks, rural cooperative banks, and town and village banks) to help them improve management capabilities, enrich product portfolio and enhance competitiveness to eventually become modernized institutions with sound management. This business model expands the interbank partnership channels in China, creates a new business line and model for Chinese commercial banks, and breaks through the "bottleneck" of homogenized competition by creating differentiated financial products. In the mean time, through the "interbank platform", the Bank further deepened the cooperative relationship with SME banks and redefined the banking industry's value chain - by jointly taking on social responsibilities with both upstream and downstream companies and building a win-win cooperation mechanism. Through consensus strategies and consistent standards, all the participants along the value chain can work together to build a value network of social responsibilities.



The Bank and Evergrowing Bank held a ceremony in Yantai on May 13, 2010 for the signing of a comprehensive strategic cooperation agreement and a counter exchange and financial portal business cooperation agreement. Mr. Jiang Yunming, Vice President of the Bank (sixth from the left), and Mr. Song Hengji, Vice President of Evergrowing Bank, represented their banks to sign the agreements.

In 2010, for the "interbank platform", the Bank further expanded the customer base, enlarged the network coverage, and improved the agent payment settlement capabilities and customer service quality. It signed comprehensive strategic partnership agreement with Evergrowing Bank (including branch interchange and VIP portal cooperation agreement), which was the first commercial bank with national license to join the "interbank platform". With a number of regional banks joining the platform (e.g. Bank of Chongqing, Bank of Wenzhou, Bank of Hankou, Bank of Longjiang, etc.), its level of partners and market influence have been significantly enhanced.

The Bank continued to invest in product innovation for the interbank platform – it accelerated the development of the payment settlement platform and the VIP portal product. In 2010, it also introduced the client side software for town and village commercial banks. Several other products (e.g. precious metal agent trading system, new-model third-party deposit management, etc.) also became operational, sustaining the innovation and market leadership of the platform. In 2010, it completed the IT system implementation for 1 city commercial bank and 6 town and village commercial banks. As of now, 16 banks are on the platform and several important R&D and implementation projects have been completed. The main focus of the operations and maintenance of the platform is on risk assessment and management. The system has been

running stably – all participating banks have had over 99.998% availability in their core systems. As SME banks lack branch resources, the Bank has established partnership with over 50 SME banks through its "branch interchange" program, linking over 12,000 branches nationwide and effectively solving their customers' problems of non-local deposits and withdrawals, and thereby helping SME banks expand their national reach.

In October 2010, the Bank organized the "2010 Interbank Platform Cooperation Forum and the Strategy Seminar for Sustainable Development of Chinese Commercial Banks". Surrounding the theme of commercial banks' sustainable development, the event allowed participants to share their experiments and experiences in building sustainable finance as well as to analyze the environment and trend of the commercial banking industry in the post-financial crisis era so as to promote the sustainable development of China's banking industry. Participants also discussed how to leverage the Bank's practices and experiences with the "interbank platform" to strengthen interbank business integration and resource/channel sharing.



The "Interbank Platform" is not an exclusive platform for the Bank only. On the contrary, it is an open platform that is jointly developed, owned and shared by all partners to pursue win-win. Participating banks can leverage each other's strengths and avoid homogenized competition with each other. The platform will help build a sustainable financial ecosystem in which players co-exist in a harmonious manner.

## Deepening Interbank Cooperation and Conveying the Meaning of Sustainable Development

### Bank-securities Cooperation

The Bank actively cooperated with regulators and settlement entities and partnered with securities companies to pursue process improvement and service innovations. It participated in the development of the capital monitoring system for securities markets' trading settlement; it led the securities industry conference to discuss the development of the bank-securities cooperation business; it partnered with securities companies to discuss value-added services such as non-trading money transfers under third-party deposit management, account-opening by appointment, etc. It also added the service to transfer funds between bank and securities accounts via mobile phone. In 2010, it was one of the first banks to introduce the deposit management service for stock shorting and margin financing transactions, and as of now, it has established deposit management business relationship with all the 11 securities companies that were in the first two batches to receive the license from CSRC.

### Bank-trust Cooperation

To comply with regulators' requirement to strengthen the guidance and management of real estate-related trust business and market entry, the Bank further normalized its trust capital receipt and payment business, optimized interbank asset management business approval and management system, and implemented the market entry requirement for trust companies. In 2010, its revenue from trust asset management business totaled RMB184.371 billion, with cumulative trust capital receipt/payment reaching RMB3.134 billion and total managed trust asset reaching RMB111.682 billion. In terms of asset management product design, it specifically focused on the sustainable nature of the underlying assets to fulfill its social responsibilities.

#### Yunnan Railway Investment Trust asset management project at Kunming Branch

In 2010, the Bank worked with Yunnan Railway Investment Co. Ltd. to design a trust asset management product, with a total of RMB500 million funds raised. Through this partnership, on one hand, the railway construction in Yunnan Province was accelerated to speed up the railway technology equipment modernization process and promote the healthy economic and social growth in that region; on the other hand, the Bank built a good working relationship with Yunnan Railway Investment Co., laying the foundation for the two companies to build a sustainable partnership to achieve "win-win" in the future.

## Bank-financial Company Cooperation

The Bank continued to deepen the "cash management" brand and solutions for financial companies. To meet customers' differentiated demand, it focused on building personalized services with customized products.

### China Power Finance Co. IPO subscription trust project

According to China Power Finance Co.'s capital management requirement, the Bank designed a personalized solution with customized services by introducing an offline IPO subscription trust product. This product helped the customer gain returns on the capital that has long been idle, and it was well received by the customer. In January-November 2010, the total IPO subscription value reached RMB47.9 billion in 232 transactions.

## Being Committed to Livelihood Finance

### Enhancing Support for Livelihood Projects

#### Actively Promoting the Social Security Card Project and Fully Supporting the West Bank of the Strait Livelihood Projects

In 2010, the Bank officially launched the social security card in Fujian Province – the first standard social security card approved by the Ministry of Human Resources and Social Security and the PBOC. The card not only integrates multiple functions (healthcare, medical insurance, banking, etc.), but also supports centralized payment settlement via the e-wallet function, which is very convenient for card holders. The card also lays the foundation to build residents' health information system for Fujian Province. At this point, the Bank has secured the card issuance rights at the provincial level and the regional level in three regions (Ningde, Zhangzhou and Sanming), and the total number of outstanding cards has reached almost 200,000.



In the picture, Mr. Li Renjie, President of the Bank (second from the left), attended the launching ceremony of the social security card of Fujian province.

## Fulfilling its Social Responsibilities and Receiving Compliments by Timely Paying the Compensation for Urban Villages' Relocation

To better handle the financial aspects of the urban villages' relocation project in Kunming, the Kunming Branch set up a dedicated financial services team and formulated a detailed service plan – "Home building financial service plan" – to fully support the relocation project via clear allocation of responsibilities and optimized service process. By the end of December 2010, over 1,600 families received compensation payment from the Kunming Branch, totaling RMB440 million. The Bank's speed and efficiency were highly praised by the government and relocating families. During the payment process, the Bank put itself in customers' shoes and leveraged its strong value-added services to help the relocating families (e.g. money transfer fee waivers, green channel for medical reimbursement, making appointment with medical experts, free physical check-up, etc.).

The Dalian Branch allocated RMB400 million to support the welfare housing project at the site that used to be Heilongjiang Food and Oil Group's warehouse in Qianguan Village of Dalianwan Town in Ganjingzi District. Upon completion, the project will provide nearly 5,000 units of welfare housing to effectively alleviate the demand pressure from low-income families in the Dalian area.

## Receiving Widespread Compliments by Providing Strong Support of the Endangered Housing Reconstruction Project in Harbin

In 2010, the Harbin Branch continued to strongly support social welfare projects by providing RMB3.76 billion loans to various endangered housing reconstruction projects. The loans also brought stable and continued growth in the Branch's asset base and loan business. In addition, 14,000 families/189 companies in 27 reconstruction projects received a total of RMB1.2 billion/RMB1.96 billion relocation compensation from the Bank, respectively (total sum reached RMB3.16 billion). The Harbin government wrote letters to the Bank's headquarters, expressing their sincere gratitude for its strong support to the city's development.



Shantytown before redevelopment



Shantytown after redevelopment

## Starting the "Red Rose Program" to Support Female Entrepreneurs

In 2010, the Taiyuan Branch worked with Shanxi Provincial Women's Federation, Shanxi SME Credit Guarantee Co. and various city-level government-backed credit guarantee entities to launch the comprehensive, professional and convenient financial service programs to provide financing to companies founded by female entrepreneurs. The programs help these SMEs win by being "professional, focused, differentiated and innovative". The programs are based upon the Bank's products in the "Golden Sesame" series, in the energy conservation/emission reduction projects, as well as trade financing and other products. The programs are targeting to issue over **RMB2 billion** loans in the next 5 years, to help grow **10** SME companies into large companies (with 1-2 reaching IPO standards). The programs will also support **100** service-oriented companies and create **20,000** new jobs. A new win-win model among governments, banks and enterprises will be created should the programs become successful.



## Aggressively Promoting Loans to Poor and Disadvantaged Groups

To meet the employment/startup financing challenges faced by unemployed population, the Bank aggressively promoted its guaranteed microloan business to the unemployed to build a platform for them to find new jobs or start a business. In 2010, it issued **715** micro loans totaling **RMB55.605 million**.

In 2010, the Sanming Branch issued **RMB52.96 million** guaranteed micro loans to support 662 unemployed entrepreneurs to start new businesses. Through one-stop-shop comprehensive financial services, it created over **RMB5million** economic benefits and healthy social benefits. In the mean time, over **220** micro-loan accounts are linked with "Xing Ye Tong" card, further extending its service outlets to these customers. In addition, the Sanming Branch also issued **RMB3,311.3** thousand student loans to support **787** students from low-income families to finish their college education.





## Environmentally Friendly Efforts

- © Comprehensive Promoting Green Credit
- © Unremitting Exploration of Green Operations

# Comprehensive Promoting Green Credit

"Actively develop green credit, support a low-carbon economy" was selected as one of 10 major items within the Banking industry in 2009, adjustments to the credit structure will play an important role in the adjustments to the entire economic structure.

## China's Green Credit Policy

Green credit refers to a series of policies, institutional arrangements and practices in which credit means are utilized to advocate environmental protection and emission reduction, this usually includes three core content types:

The first is the use of appropriate credit policies and means (including loan types, periods, interest rates and amounts) to support environmental protection and energy conservation projects or enterprises;

The second is to enforce credit penalties such credit freeze, credit slowdown and even the recovery of loans against projects or enterprises that violate laws and regulations relating to environmental protection and energy conservation;

The third is the use of credit means by lenders to guide and advocate environmental risk prevention among borrowers, thus performing their social responsibility and reducing credit risk.

——Cited from the "2010 China Green Credit Development Report" prepared by the Policy Research Center for Environment and Economy

The severe environmental situation that the country is currently facing shows that the emission reduction means of a few specialized departments will be of limited effect, and thus requires more macroeconomics departments to linked up to carry out system innovation. Outside of simple administrative means, "Green credit" is an "economic lever" upon which great expectations are placed. Its objective is to force enterprises into internalizing their pollution costs through economic means, thus realizing the effect of replacing remedial actions with voluntary pollution reduction. Realizing "green credit" is an important step in supporting the state's economic development plan, cooperating with the state's realization of the "high-pollution, high-energy-consuming and resource dependent" industries policy, promoting the realization of energy conservation and emission reduction, building an environmentally friendly image and resource conservation-type society, they are effective guarantees to a commercial bank's strengthening of its environmental and social risk management, and are the commercial bank's social responsibilities.

## Industrial Bank's Broad Participation in Green Credit Practices and Exploration

The Bank has always believed that its participation in "green credit" and the development of sustainable financials will promote the realization of the state's sustainable development strategy for the economy and society on one hand, and on the other hand, it will encourage banks to pay more attention to long-term interests instead of short-term interests, which will unite self-development objectives with social objectives, and at the same time, promote the raising of sustainable development motivation and capability by enterprises through financial leverage, and ultimately realize banking, enterprise and social value, this is the Bank's core philosophy for its sustainable development strategy.

With this in mind, the Bank is actively responding to national policies, drawing on credit advantages, strictly controlling the scale of loans to high-pollution and high-energy-consuming industries, adjusting its loan structure, conscientiously implementing industrial policy and market entry standards for projects newly started by high-pollution and high-energy-consuming industries, and refusing credit to those which do not comply with environmental standards. As of December 31 2010, the Bank's total loan balance for high-pollution and high-energy-consuming industries is **RMB49.206 billion** with a non-performing loan ratio of **0.88%**, compared to the end of 2009, the total balance declined by **RMB1.124 billion**, the proportion of such loans among the Bank's corporate loans was reduced by **2.24%**, and the non-performing loan ratio fell by **0.28** percentage points.

At the same time, the Bank has formulated strict internal credit business entry standards, through the strengthening of analysis and research on backward production capacity within industries such as power, coal, coke, iron alloy,

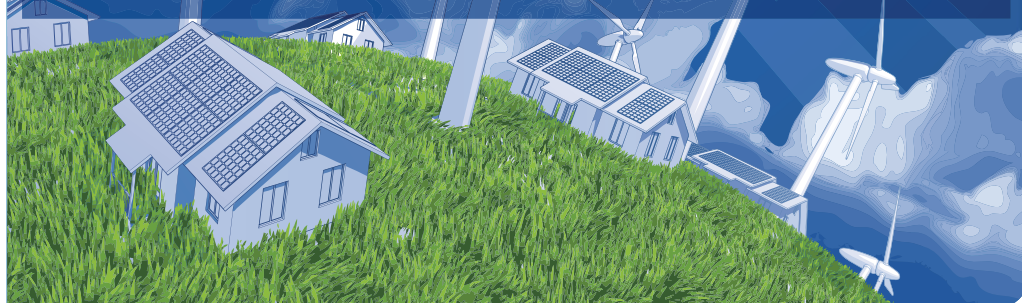
steel, non-ferrous metals and calcium carbide, and strictly rejecting loans for enterprises with backward production capacity. In 2010, the Bank rejected **RMB5.723 billion** in loans and **42** loan applicants due to backward production capacity. As of the end of 2010, the non-performing loan ratio for backward production capacity enterprises is **0.49%**.

Additionally, through further exploration of green business models and business process reengineering, the Bank has enriched and reinforced its green financial content. Currently, the Bank has gradually inculcated the "green credit" innovation philosophy into the entire bank's various relevant management and business lines.



### Energy Conservation and Emission Reduction Project Loans Achieving Excellent Performance Again

In 2010, the Bank's energy conservation and emission reduction business became a key credit focus, with energy conservation and emission reduction businesses clearly being given priority support by the "Industrial Bank Annual Credit Business Entry Rules". Within the green financial service field, the Bank continues to focus on specialized teams, focused research, professional service, the gradual realization of the development of the entire process and wide-ranging fields, thus forming two major product series which are the energy conservation and emission reduction financing services and emission rights financing services, which will accumulate valuable experience for the localizing of the green financial service field. The Bank launched "8+1" types of financing service models, and specially tailored financial services for each carbon trading phase. Energy conservation "8+1" financing services include: energy conservation and emission reduction technological transformation project financing model, financing models under CDM, EMC financing model, energy conservation and emission reduction equipment supplier/buyer credit financing model, energy conservation and emission reduction equipment manufacturer production expansion financing model, public utilities service providers financing model, financial lease model, emission rights pledge financing model and diversified financing model. Currently, the Bank's is already offering green credit services at all branches, with projects spanning the major economic regions including the Yangtze River Delta, Pearl River Delta, Bohai Sea, the Northeast region, the Central region, the Western region and Haixi: six major fields are involved which include energy efficiency, new energy and renewable energy development and utilization, carbon emission reduction, sewage and water treatment, sulphur dioxide emissions and solid waste recycling, thus covering the "10 major energy conservation projects".



- As of the end of December 2010 (since January 2007), the Bank has granted and accumulated **1,012** energy conservation and emission reduction loans amounting to **RMB47.868 billion**. Of these, **789** energy conservation and emission reduction loans amounting to **RMB31.285 billion** were newly granted in 2010.
- It is hoped that the energy conservation and emission reduction projects supported by the Bank will realize within China: an annual saving of **18.7141 million tonnes** in standard coal every year, an annual emission reduction of **51.6508 million tonnes** of carbon dioxide, an annual emission reduction of **768,400 tonnes** of COD (Chemical Oxygen Demand), an annual emission reduction of **20,100 tonnes** of sulphur dioxide, an annual **6.7376 million tonnes** in comprehensive utilization of solid waste, and an annual **43.891 million tonnes** in water conserved.

- As of the end of December 2010, the Bank invested and accumulated **RMB13.637 billion** into the water environmental industry. In 2010, new investments amounted to **RMB7.111 billion**, a YoY growth of **109%**, these include the state's key water treatment areas: Taihu Lake Basin, **RMB4.63 billion**; Yellow River Basin, **RMB1.82 billion**; Chaohu Lake Basin, **RMB1.6 billion**; Yangtze River Basin, **RMB959 million**; Pearl River Basin, **RMB922 million**.
- As of December 31 2010, the Bank provided financing support with a loan balance amounting to **RMB11.911 billion**, covering renewable energy projects in areas such as wind energy, solar energy, geothermal energy, hydropower, biogas and biomass energy utilization.

"2010 Low-carbon Pioneering Enterprise", and was selected as a low-carbon development case for the "2010 Enterprise Low-carbon Development Report"(jointly selected by the Chinese Academy of Social Sciences Research Center for Urban and Environmental Studies and the 21st Century Business Herald);

"2010 Sina Gold Phoenix Most Socially Responsible Bank" (selected by Sina Finance);

"China 50 green companies – Industrial Bank" and "China Top 10 Green Products – Industrial Bank Energy Conservation and Emission Reduction Project Financing"(selected by "Business Watch Magazine");

"2010 Strongest Green Development Bank"(selected for "Golden Cicada Award" by "China Times").

**External Reviews**

## Energy conservation and emission reduction financing assistance for technological upgrading by enterprises – Yunnan Kunming Steel Coking Co., Ltd. Energy Conservation Technological Transformation Project

### Basic description of project

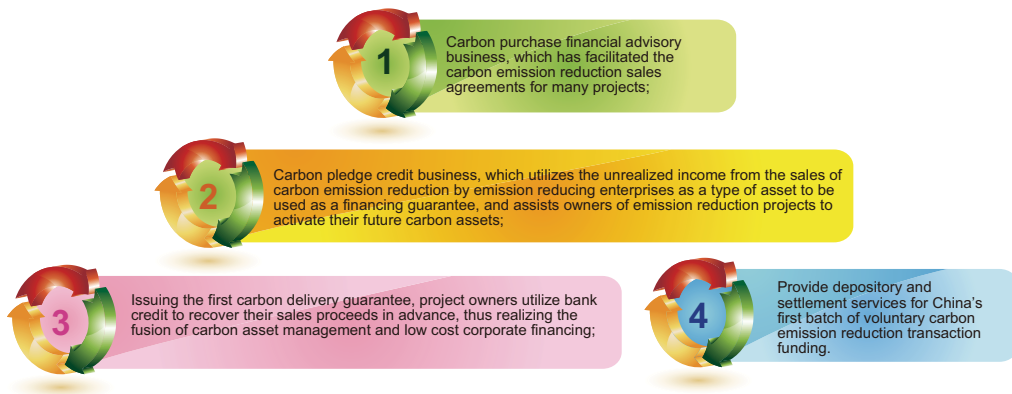
- Yunnan Kunming Steel Coking Co., Ltd was established in December 2007, it is a wholly-owned subsidiary of Kunming Iron and Steel Holdings Limited, and has excellent qualifications and is well-positioned in the industry. The energy conservation technological transformation financing provided by the Bank was used to carry out an energy conservation coke quenching technological transformation project for four coke ovens belonging to its subsidiary, Yunnan Kunming Steel Coking Co., Ltd.

### Environmental and social benefits of the project

- Environmental benefits: the project uses coke dry quenching to recover heat from red coke, obtaining **326,400 tonnes/year** of 1.0MPa medium pressure steam, annual power generation of **110429×10<sup>3</sup>kWh**, **50,850 tonnes** of standard coal in annual energy recovery. This is equivalent to a reduction of **38.5kg** of standard coal per tonne of coke production capacity, effectively reducing the enterprise's production cost and raising its market competitiveness. The project also reduced harmful phenol-cyanogen substances and dust, which are released into the atmosphere through the use of coke wet quenching, by about **60%**. At the same time, as coke dry quenching equipment recovers the sensible heat from red hot coke, steam for power generation is produced, replacing the coal-fired boilers of corresponding scale, and thereby reducing environmental effects of soot emissions such as coal-fired boiler ash, sulfur dioxide, nitrogen oxide, and bringing significant environmental benefits.
- Social benefits: With the support of energy conservation and emission reduction financing, Yunnan Kunming Steel Coking Co., Ltd successfully implemented energy conservation and emission reduction technological transformation, which not only generated excellent economic benefits, but also significant environmental benefits from allowing the enterprise to raise energy efficiency and reduce pollutant emission; furthermore, by allowing the enterprise to raise its production efficiency and further consolidate its leading position in the province's coking market, sustainable development competitiveness is thus achieved.

## Integrated Carbon Financing Services

The Bank's integrated carbon financing services include:



## Retail Business—Status of Low Carbon Credit Card Promotion

In 2010, to advocate “green, low carbon” concept, and to encourage credit card customers to actively participate in green consumption and enjoy “low carbon” lives, the Bank issued the first domestic low-carbon-themed card—the China Low Carbon Credit Card. The low carbon credit card gained a high degree of recognition from the market and customers upon its introduction in the market, it achieved great results and was widely popular and praised; it not only strengthened the Industrial Bank Credit Card’s “live by your interests” brand concept, but also greatly raised the visibility and reputation of the Industrial Bank Credit Card. As of the end of 2010, the card issuance volume has exceeded 110,000 cards, accumulating more than 20,000 tonnes in the purchase of carbon emission reduction, which was equivalent to the carbon footprint created by having 143,000 people travel 1000km by plane, effectively promoting the popularization and spread of the “environmental protection, low carbon” concept.



On October 26 2010, during the "2010 China Brand Value Management Forum" cum "6th China's Best Brand Building Case" awards ceremony jointly organized by the 21st Century Business Herald and Interbrand, the world's largest integrated brand consulting company, the Bank's Industrial Bank Credit Card received the "China's Best Brand Building Case" contribution award.

The panel felt that the "Industrial Bank China Low Carbon Credit Card" was aspirational, possesses unique functions, suited mainstream values and hotspots in the current society, brought out the credit card's personal financial carrier role, ushered the “green, environment protection, low carbon” concept into people's lives, and concurrently providing an integrated personal consumption carbon purchase platform for customers and becoming a realistic and effective channel for individuals to involve themselves in the low carbon field.

## Wealth Management Services

- With respect to wealth management trust products for the real estate industry, the Bank strictly requires developers to utilize their funds in a proper manner, disallowing them from engaging in actions that are strictly prohibited by the state (such as land hoarding), and having the sustainable development of real estate and the Bank's wealth management business's sustainable development as the primary starting point for the Bank's product development, thus paying attention to man's harmonious relationship with nature, environment and society while profits are being earned.
- With respect to financial trust products targeted at the big five power companies' financial claims, especially for wind energy projects, the Bank has fully considered its responsibilities as an "Equator Principles Financial Institution" during product development, and assists the sustainable development of the power industry through sufficient communication with the big five power companies; at the same time, the Bank promotes the sustainable development philosophy to the public through retail wealth management products.
- With respect to financial trust products for the iron & steel industry, the Bank clearly requires in the fund usage agreement with iron & steel enterprises that part of the fund is to be used for energy conservation and emission reduction.

## Financial Leasing Services

As a business with characteristic advantages, energy conservation and emission reduction is concurrently a special business field that the Bank's wholly-owned subsidiary--Industrial Bank Financial Leasing Co., Ltd (hereinafter referred to as "Industrial Bank Leasing") is focusing its expansion on. Industrial Bank Leasing is making great efforts to expand the energy conservation and emissions reduction business, starting a series of businesses in industries such as waterworks hydropower and iron & steel, actively expanding EMC companies and manufacturers of equipment relating to energy conservation and emissions reduction, and exploring cooperative models with EMC companies.

Within two months of its establishment, Industrial Bank Leasing invested in 6 energy conservation and emission reduction projects, investing a total of RMB3.1 billion, accounting for 31.12% of the total amount invested. These projects involve areas such as wastewater treatment, elimination of backward production capacity and environmental governance, thereby achieving the preliminary establishment of a green leasing company brand on the market. During its business expansion, Industrial Bank Leasing even designed and completed a standardized business model and product solution specifically directed at the wastewater treatment field, laying a better business foundation for the next step in the expansion of the energy conservation and emission reduction business.

Innovative green credit in financial leasing – project by a certain iron & steel enterprise's to eliminate backward production capacity

### Basic description of project

A certain large private iron & steel enterprise had a design capacity of 6 million tonnes. Currently, the enterprise is engaging in a site relocation project to eliminate backward production capacity, the project is able to effectively reduce its energy consumption indicators through the selection of 2,350 cubic meter blast furnaces and related energy conservation equipment, compared to 450 cubic meter blast furnaces, the 2,350 cubic meter blast furnaces' utilization coefficient is higher by 14%.

### Financial service solution and characteristics

This transaction adopted the direct financing lease transaction structure, for which the 2,350 cubic meter blast furnace (includes TRT power generation equipment), part of the equipment for the sintering machines supporting the furnaces, and sintering heat power generation equipment that the lessee is intending to purchase will be the assets for leasing, with the leasing period being five years. During the leasing grace period, the lessee will only be required to pay the leasing interest each quarter, and does not return the lease principal, after the grace period expires, the rental shall be paid according to the principal and interest, after the leasing period has ended, the rights to the leased assets will be transferred to the lessee at the nominal price of RMB10,000.

Through the abovementioned leasing transaction, the lessee is able to utilize the leased equipment and eliminate backward production capacity, achieving the objective of energy conservation through the financial leasing model and innovating the green credit business model.

## Implementing the Equator Principles——Guiding Borrowers to Raise Environmental and Social Performance

On October 31 2008, the Bank became the first Chinese bank in China to announce the adoption of the Equator Principles. Led by the Board and senior management, and through more than two years of exploration and practice, the Bank has basically completed reengineering for the organization, process and capability in the implementation of the Equator Principles. In 2010, upon the foundation of the experience previously garnered, and in accordance with the work execution status at the headquarter and branches, the Bank continued to improve its process, raise its efficiency, promote the implementation and realization of the Equator Principles, effectively controlling the project financing environment and social risks, and upon this foundation, the Bank will gradually refine and expand the concept and practice of sustainable finance. For specific projects, the Bank shall, utilizing the implementation of the Equator Principles as an opportunity, actively employ credit means to guide and encourage borrowers to raise their environmental and social performance management capability, prevent risk and perform their social responsibilities.

On one hand, the Bank provides environmental and social risk management guidance for projects to borrowers through extensive applicability review for the Equator Principles, thus raising the borrowers' cultivation and capability in terms of sustainable development awareness. As of the end of December 31, 2010, the Bank carried out Equator Principles applicability reviews on 577 loans, which accounted for a total investment of nearly RMB600 billion.

On the other hand, with respect to financing projects that the Bank has recognized the Equator Principles to be applicable on, the Bank has provided sustainable financial services with environmental and social risk management at its core for the entire project cycle, including phases such as the early stage project review, environmental and social risk due diligence, review and postloan management, thus forming a three-level linkage mechanism for the headquarter and branches, with active participation in project reviews, strengthening of communications with borrowers with regard to buildup of their projects' environmental and social performance and internal management mechanisms, thus elevating the borrowers' sustainable development awareness and capability through "actual groundwork". As of December 31 2010, the Bank has recognized 75 projects that the Equator Principles will be applicable on, accounting for a total investment of RMB99.365 billion and 74 customers. (For the specific circumstances and relevant cases pertaining to the implementation of the Equator Principles, please refer to the Bank's "Practice chapter".)



# Unremitting Exploration of Green Operations

As an Equator Principles Financial Institution in China, the Bank has always focused on ecological and environmental protection issues that crop up in the business development process, and persists in inculcating the sustainable finance philosophy to each and every field and chain in the management.

Under the guidance of the "Report by CBRC on specific measures for the implementation of the [Comprehensive Working Program on Energy Saving and Emission Reduction]"(CBRC[2007]No.342), and in accordance with the internal environmental management regulatory requirements in the Bank's "Environmental and Social Risk Management Policy", the Bank will continue to strengthen its energy conservation and green adoption work, strictly adhering to and executing the government's procurement system, fostering the concept of legally-compliant procurement, properly executing energy conservation and green procurement work, and under the conditions of equivalent function, technology and service, giving procurement priority to new products under the government's procurement list for products with environmental labels.

## Strengthen Awareness Management Supplemented with Technological Support

Based on the essential requirements for its sustainable development philosophy, the Bank is practicing the active and effective promotion and implementation of the "Office Energy Conservation Management Practices", beginning with the finer details and constantly strengthening its staff members'energy conservation awareness through various methods including system management, energy consumption settings, reminders, printing of low carbon office handbook and promotional posters, thus cultivating a health and energy-saving working and living habits.



### Refining Day-to-day Energy Consumption Management

During the summer season, the temperature of air conditioners at each department is required to be set at no less than 26°C, and during the winter season, the temperature of the heating systems at each department is required to be set at more than 20°C; in offices, meeting rooms and other office areas, air conditioning are not to be switched on when nobody is around, curtains are not to be opened when the air conditioning is switched, and air conditioning may only be switched 30 minutes prior to a meeting.

### Reducing Office Expenses

Improve electronic work processes and promote a paperless office; promote double-sided printing, and encourage use of recycled paper; replace original consumables with general consumables.

### Standardized Management of Green Operations

Strictly execute office supplies management, incorporate energy conservation and emission reduction, green conservation, suppliers' environmental and social performance and the national energy conservation certification into the procurement assessment criteria for equipment and office supplies, and apply them during actual procurement.

In the renovation of the Bank's headquarter building and the construction of its Zhangjiang Operations Center, the Bank strictly enforced the green operations standardized assessment and selection, ensuring energy conservation, environmental protection and green operations.

### Advocating Low Carbon Travel

Further strengthen the management of vehicles for official use, cultivate good fuel conservation and emission reduction habits in driver; carry out periodic maintenance for utility vehicles, ensure vehicles are in peak condition, reduce fuel wastage; promote the use of public transport, bicycles or walking as commuting means, thus putting an end to private use of vehicles.

## Result Highlights of Energy Conservation Reform

### Headquarter Building Energy Conservation Reform

In 2010, the Bank organized the headquarters building advertisement reform work; using advanced energy conservation technology and energy-saving lighting, the electricity system saved 13,000 kwh electricity and reduced its electricity charges by 36% and carbon dioxide emission was reduced by 102.05 tonnes.

### Headquarter Building Energy Conservation Reform

Diagram of the head office building after reconstruction for energy conservation





### Significant Energy Savings from Lighting Change

A sub-branch in Chengdu switched from traditional lighting to LED energy-saving lighting, and statistics showed that, compared to traditional light sources, the new light sources reduced energy usage by 60%-70%, which meant a total savings of RMB203,237 in electricity charges over three years and the recovery of the lighting costs within one year or so. Based on 0.785kg of carbon emitted per unit of electricity and a three-year energy saving of 127,023, the three-year carbon reduction volume would be 99,713 kg.

## Special Activities—“Earth Hour” Community Environmental Protection Activity

中国首家承诺减排——兴业银行邀您共同参与“地球一小时”活动

关灯，有灯时一起在 3月27日 20:30至 21:30 关灯一小时，为了地球母亲更好的明天，坚持节能减排，倡导低碳生活。

**兴业银行邀您参与“地球一小时”活动 倡导低碳新生活**

随着气候变化的日益加剧和温室气体浓度的不断上升，全球变暖已成为不争的事实。减少温室气体排放，遏制全球变暖，是人类共同的责任。

世界自然基金会（WWF）所发起的“地球一小时”活动就是倡导这样一种简单而直接的方式，即通过关灯一小时来减少能源消耗，表达我们对保护环境的决心。“地球一小时”活动由世界自然基金会于2007年发起，其推广范围已遍及全球。兴业银行作为“地球一小时”活动的积极参与者，秉承绿色发展的理念，积极响应了全球范围内的“地球一小时”活动。兴业银行作为“地球一小时”活动的积极参与者，秉承绿色发展的理念，积极响应了全球范围内的“地球一小时”活动。兴业银行作为“地球一小时”活动的积极参与者，秉承绿色发展的理念，积极响应了全球范围内的“地球一小时”活动。

兴业银行  
INDUSTRIAL BANK CO., LTD.  
真诚服务 相伴成长

兴业银行 2010年4月

On March 27 2010 20:30, the Bank's headquarters, more than 500 operators across the country, and more than 20,000 staff members partook in the “Earth Hour” community environmental protection activity, all building logo billboards, office lighting and publicity billboards were switched off at the same time, through simple and direct “lights out”, the Bank shows its support for energy conservation, emission reduction and a low carbon lifestyle.





At the same time, from March 22, the Bank initiated a series of promotional activities, including the issuing of the "Earth Hour" activity proposal within the Bank, and the addition of "Earth Hour" activity information and logo on the Bank's print, TV and internet media advertisements, and sending E-mails and SMSs about the "Earth Hour" activity to the Bank's online banking, credit card and VIP customers. The Bank's President, Li Renjie even launched a special "Reach out our hands and protect our home" video initiative. This video was played at the Bank's branch network points, the NetEase website and the QQ website, and created a great impact.



#### External Review

"Industrial Bank persists in inculcating the sustainable development philosophy into each area of its business management, and its exploration of sustainable finance has gradually extended from energy conservation and emission reduction loans to fields such as green credit, environmental and social risk management and low carbon products; it has always been developing its financing business in a manner which benefits the environment and society, while emphasizing economic efficiency and growth, it is also effectively implementing its social and environmental responsibilities."

—Xinhuanet Shandong Channel