

Green Finance, Better Tomorrow

# 2011

## Annual Sustainability Report



兴业银行股份有限公司  
INDUSTRIAL BANK CO.,LTD.

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兴业银行股份有限公司  
INDUSTRIAL BANK CO.,LTD.

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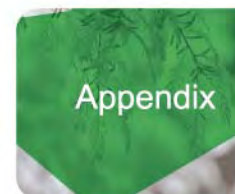
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## Declaration

Notice	The board of directors and board members hereby ensures that the contents of this report does not contain any false records, misleading statements or material omissions, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content.
Report Name	"Sustainability Report" is the name of the annual social responsibility report by Industrial Bank. The using of this name reflects a combination of the bank's corporate governance philosophy of sustainable development and corporate social responsibility.
Report Timeframe	Report time range is from January 1 to December 31 2011, part of the contents is beyond the time frame above.
Report Release Cycle	This report is the annual report.
Extent of Organization	Overall content of the company and part of its subsidiaries.
Designations	"Industrial Bank", "the company", "the bank" used in the report all refer to the Industrial Bank Co., Ltd.
Preparation	The report was prepared in accordance with "Opinions on Strengthening the Social Responsibility of Banking Financial Institutions ([2007] No. 252)" by China Banking Regulatory Commission, "Notice on Strengthening the Social Responsibility of Listed Companies to and Launch of <Shanghai Stock Exchange Listed company environmental information disclosure Guidelines>" and Preparation Guidelines for the "Company's Social Responsibility Fulfillment Report" by Shanghai Stock Exchange, "Corporate Social Responsibility Guidelines for Chinese Banking Financial Institutions" by China Banking Association, and "Sustainability Reporting Guidelines" and supplementary guidance for financial services industry by Global Reporting Initiative (GRI).
Report Data	Financial data in this report come from the 2011 annual financial report, and some from the report of the previous years. The data acquisition and calculation methods are with no significant changes compared with that of the previous annual report. The currency amounts involved in this report are measured in RMB unless otherwise stated.
Report Availability	This report was published in two forms of print and electronic version, the electronic version is available at the company's website (www.cib.com.cn).
Priority of Language	This report was published in both Chinese and English, and the Chinese version shall prevail in the event of any inconsistency in the understanding.

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## Industrial Bank overview

Established in August 1988, Industrial Bank was one of the first joint-stock commercial banks approved by the State Council and the People's Bank of China. Adhering to its business philosophy of "sincere service, common growth", Industrial Bank has been actively exploring a sustainable development path of economic, social and environmental harmony, and effectively implementing corporate social responsibility after opened for 23 years, while taking full account of the multi-stakeholder aspirations and looking to provide customers with comprehensive, high-quality and efficient financial services.

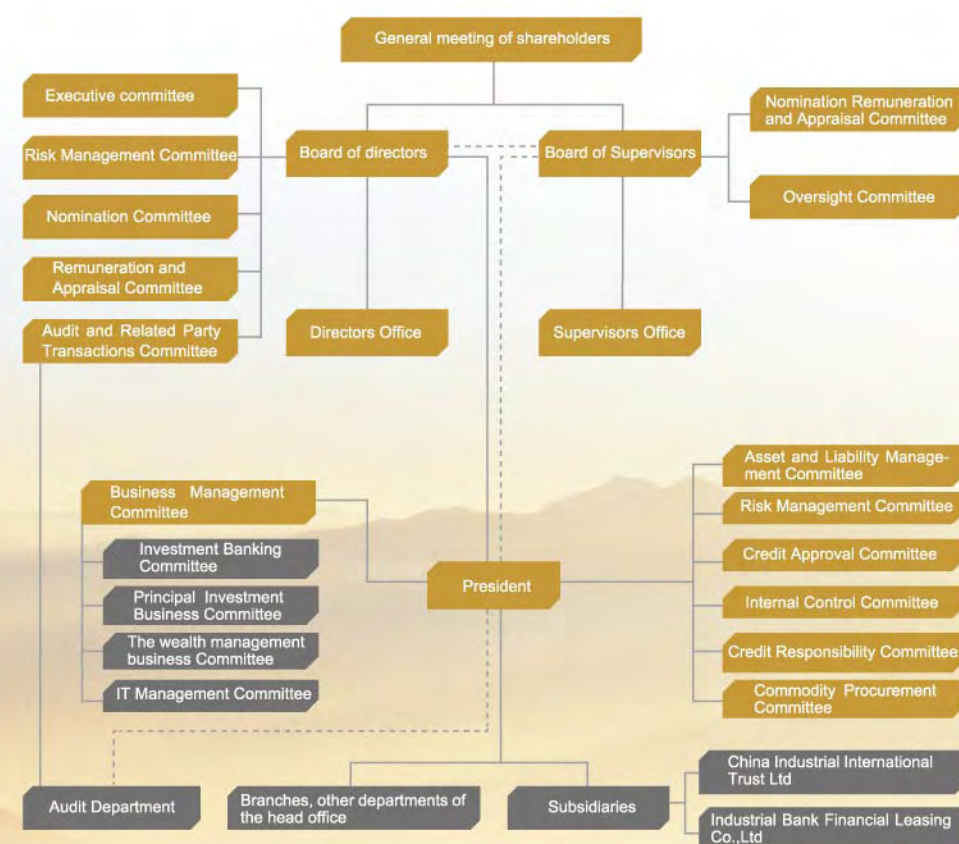
According to the Top 1,000 Banks Worldwide published by The Banker magazine in July 2011, the Industrial Bank ranked 75th in terms of total assets, and 83th by tier 1 capital. Meanwhile, the bank ranked 84th in the Fortune magazine's 2011 China top 500 enterprises, 11th in "40 Chinese Companies with the Highest Profit Margin", and 15th in "40 Most Profitable Chinese Companies". According to "2011 Chinese Brand Value List" by the world's largest brand consulting company Interbrand, we ranked 24th with a brand value of 6.743 billion yuan, an increase of 50 percent over the previous year. According to the Newsweek's 2011 "Top 500 Green Enterprises Worldwide," the bank ranks second among the Chinese mainland enterprises, and 105th in the global list.

Name in Chinese and English	兴业银行股份有限公司 INDUSTRIAL BANK CO.,LTD.
Stock Code in Shanghai Stock Exchange	601166
Listing Date	February 5, 2007
Registered Capital	10.786 billion Yuan
Headquarter Location	Fuzhou, Fujian Province
Total Number of Employees	34,611
Subsidiaries	China Industrial International Trust Ltd Industrial Bank Financial Leasing Co.,Ltd

## Corporate structure chart

Over the years, Industrial Bank emphasizes on shareholders' return on investment while at the same time pays attention to the stability and sustainable development of the bank, highlighting the protection of stakeholder interests, and strive to build a harmonious multi-stakeholder relationships. Currently, the bank has a diversified structure of shareholders in proper proportion with complementary advantages, and harmoniously matched. There is a clear division of labor, checks and balances, and organic convergence among shareholders, board of directors, supervisory board and senior management, as well as a comprehensive system of corporate governance and standard operation at all levels.

During the timeframe of this report, the board of directors of the bank consists of 15 directors, including six equity directors, five independent directors and four executive directors; The supervisory board consists of nine supervisors, including four equity supervisors, three staff supervisors and two external supervisors; The bank has one president, and four vice presidents.



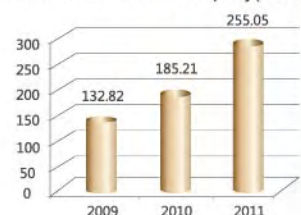


## Important data

As of December 31, 2011, the total assets of Industrial Bank were **2,408.798** billion yuan, with the shareholders' equity attributed the parent company of **115.209** billion yuan and non-performing loan ratio of **0.38** percent. The shareholders' net profit attributed to parent company was **25.505** billion yuan.

### Three Year Comparison

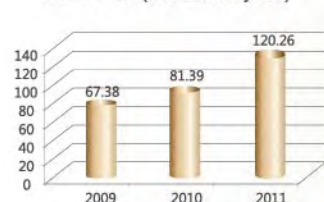
Net Income of the Parent Company(100 million yuan)



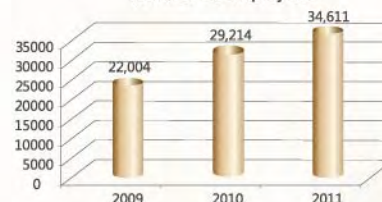
Earnings Per Share of the Parent Company <sup>1</sup>(yuan)



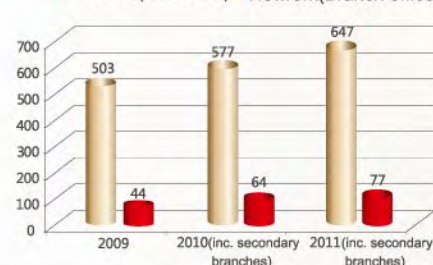
Taxes Paid (100 million yuan)



Number of Employees



■ Network(Branches) ■ Network(Branch offices)



## Social and economic contribution

In 2011, the bank has paid a total **12.026** billion yuan taxes, an increase of **47.76** percent from last year. Among them, the corporate income tax increased **50.56** percent to **7.102** billion yuan, sales tax and surcharges increased **43.44** percent to **3.824** billion yuan, other taxes increased **45.50** percent to **1.1** billion yuan. The bank has made **10** million yuan donations to public welfare, with **9.80** yuan social and economic contribution per share, an increase of **69.04** percent, <sup>2</sup> which strongly support to the country's economic construction, and also realized its commitment of a good return to corporate shareholders and employees.

<sup>1</sup> The company implemented of the allotment program in 2010, and the 2010 profit distribution plan in May 2011, to converse eight shares for every 10 shares of capital stock, re-calculate the earnings per share index of the comparative period according to the China Securities Regulatory Commission "Public Offering of Securities Company Information Disclosure Compilation Rules No. 9 - Return on net assets and earnings per share calculation and disclosure (revised 2010)".

## Annual major honors

"The People Listed Companies Social Responsibility" by People.com.cn.

"Best Joint-Equity Commercial Bank" on the 2011 gold medal list "Gold Dragon Award" for financial institutions jointly launched by Financial News and Financial Research Institute Chinese Academy of Social Sciences.

"China's First Companies to Voluntary Greenhouse Gas Emission Reductions for the Main Measurement - 2010 Annual Ranking of Corporate Voluntary Reduction".

"Low Carbon Pioneer Bank" by Financial News, China Environment News, Sina Finance and other institutions.

"2010 Most Social Responsible Institutions "and Best Green Finance" by the China Banking Association

"2011 Social Responsible Financial Institutions with Excellent Competitiveness" by China Business.

"Golden Tripod for Blue-Chip Companies" in 7th China annual conference for securities market by Securities Daily.

"2011 Annual Board of Directors" co-organized by Shanghai Stock Exchange, State Assets Administration Committee and the Economic Cooperation and Development (OECD).

"China's Best Corporate Citizens" for the 5th consecutive times by 21st Century Business Herald.

"2011 China's Listed Companies Reputation List" - most socially responsible company by Daily Economic News.

"2011 Asia's Best Green Financial Services Bank" by 21st Century Business Herald.

"2011 Annual Pioneer of Emission Reduction" by China Times.

<sup>2</sup> In this report, "social contribution per share value" was calculated according to the "Strengthening the social responsibility of listed companies and notice on <Shanghai Stock Exchange listed companies environmental information disclosure guidelines>" released by the Shanghai Stock Exchange on May 14, 2008, namely, the social contribution value per share = earnings per share + (the amount of tax + staff costs + interest expense + public input total - social costs) / end of the total share capital.

The company carried out the 2010 profit distribution plan in May 2011, to convert eight shares for every 10 shares of capital stock. In order to ensure data comparability, we recalculated the social contribution value per share of 2010.



# SUMMARY



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## Message from the chairman

2011 is the first year of China's 12th Five-Year Plan, as well as a start of Industrial Bank's development plan in 2011 to 2015. The bank had put into practice the requirements of the macro policy and financial regulations, and further enhanced its sustainability, comprehensive strength and market position.

In 2011, we accelerate our business transformation focusing on building a resource-conserving, environment-friendly society. We put the sustainable development concept as a guide of our corporate governance while explored a variety of ways to practice corporate social responsibility. Complying with the law and regulations, we identified our market position while taking full account of bank's risk-bearing capacity and advantages. Bearing in mind our strategic objectives to build a mainstream banking group with "a solid foundation, coordinated structure, outstanding profession, distinctive features, strong competitiveness, and social responsibility", we adhered to the rational management and scientific development, rationally adjust the business policies and optimized the internal management mechanism, while vigorously promoted reform of specialized operation and further widespread the concept of green finance. We managed to achieve a comprehensive, coordinated and sustainable business boom, as well as a harmonious development of economy, society and environment.

In the last year, we achieved stable value returns to shareholders through superior performance, customer demand for value growth through quality services, physical and mental health care for staff through a scientific management system, mutual benefits with partners through a financial resources sharing platform, pursuit of economic and social benefits through environmental and social risk management, and contribution to the community by focusing on people's livelihood and public welfare. We took into account diversified main interests, while consciously initiated our corporate social responsibility to achieve common development and growth.

The year of 2012 is an important year of the implementation of the country's "12th Five-Year Plan", as well as important year for the Bank to consolidate and continue to promote the good momentum of development. We will seize the opportunity to uphold the Scientific Concept of Development, adhere to a compliant operation, remodel our advantage via a reform of the institutional mechanisms, and facilitate a development through financial innovation. We'll continue to promote righteousness and the development of positive corporate culture, and return to normality to meet challenges and create greater glories!

Chairman



## President's report

In 2011, the Bank continued following the scientific development concept, actively implemented the national policy and financial regulatory requirements, adhere to our motto of "development the top priority, transition the core, and innovation the driving force", while effectively responded to market changes, forged ahead, and strived to further enhance our capacity of integrated services and broaden the depth and breadth of sustainable finance.

This year, we adhered to the main line of "two changes" as to promote the business development model and profit model, strengthened internal management, improved the comprehensive risk management system, as well as the environmental and social risk management system, and to further promote the reform of corporate finance, and enhanced the management organizational structure to provide a solid foundation for sustainable development.

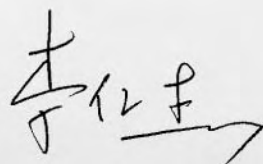
This year, we were actively seeking a fruitful and differentiated business model, focused on the macro trends in our strategic layout to practice sustainable business model, and guided the various stakeholders to concern about the environment and sustainable social development. We carried out a sound promotion of the "Equator Principles" and innovative green finance, which enhanced a brand of green and sustainable development of our bank.

This year, we took full account of the multi-stakeholder aspirations, constantly opened up new business areas, improved a sustainable investor relationships, and continuously created value for our shareholders; we vigorously developed the business in rural areas, supported the development of small and medium-sized enterprises, and provided tailored comprehensive solutions for our customers; we utilized an integrated financial services solutions platform, and focused on promoting cooperation with the village bank hand in hand to achieve a win-win development with the industry, we committed businesses concerning people's livelihood, and strived to contribute to the community by joining a variety of public service activities.

This year, we persisted in efforts to promote China's banking sector and practices of global sustainable finance, and maintained exchanges and cooperation with the regulators, the "Equator Principles" financial institutions (EPFIs), and NGOs, we participated in formulation of domestic and international standards for sustainable development, and explored and promoted a sustainable development model for China's banking sector.

The 12th Five-Year Plan has entered its second year, posing more difficult task of reform and development. The Bank will continue to optimize the internal mechanisms, innovative business processes, and continue implementing the concept of sustainable development into all aspects of our operation and management to deepen the green financial practices, we will carry forward the our fine tradition of hard working, effectively advance our work with full enthusiasm and high-spirited morale, so as to create a brand of all-round sustainable development for the bank.

President






## Sustainable development and corporate governance

### Concept and implications of sustainable development

#### The concept of sustainable corporate governance

To implement the scientific concept of development and deepen the understanding of the relationship between social responsibility and the sustainable development of bank. To actively explore a variety of ways to promote the practice of social responsibility, and build good relations and a harmonious coexistence of man, nature, environment, and society.

- Mr. Gao Jianping, Chairman of the bank

After years of exploration, our corporate governance has evolved from "placing shareholder interests first", to "taking into account the interests of all stakeholders", and the "full consideration of the multi-stakeholder aspirations", which reflect our understanding of the process of value creation at different growth stages.

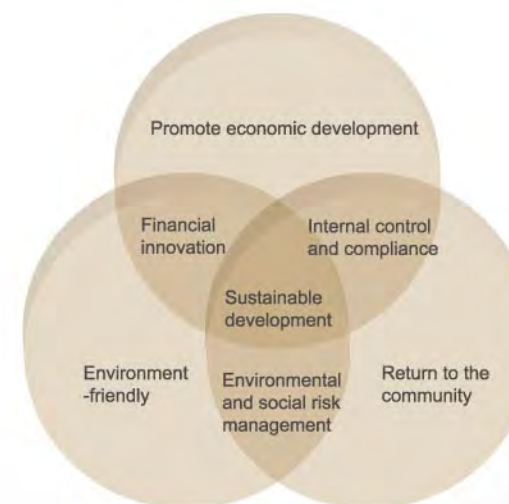
In our opinion, commercial banks as special public companies, rely on capital investment from the shareholders, but also benefit from the support of customers, employees and other stakeholders. In this sense, the characteristics of the commercial banking industry requires us to take full account of demands from multiple stakeholders, and consciously bring the pursuit of economic, social and environmental harmony and unity into their own development goals.

Therefore, the core of sustainable development is how to build balanced and harmonious multi-stakeholder relations. This requires that the development of commercial banks must not only in accordance with time and circumstances, but sustainability as well. In other words, law-abiding, proper safeguard of the interests of all stakeholders, effective internal control, avoiding all kinds of risks, committed to green financial innovation, and promotion of green operations are the fundamental ways for the bank to achieve a sustainable development.

#### Six steps to implement the concept and value of sustainable development



### To implement the concept of sustainable development and innovate corporate social responsibility practice



We recognize that the connotation of corporate social responsibility and the principle of sustainable development are closely linked, and they co-expand the areas of traditional business ethics and enrich the content of corporate governance. We believe that the commercial bank's social responsibility is not limited to the creation of profits and tax donation, but with a deeper meaning to run the business in a right way, understand and deal with the concerns of stakeholders in a timely manner, and take full advantage of their advantages and influence in the economic and social development to provide impetus to other companies and the entire industry to concern and actively fulfill social responsibilities, so as to widespread the effect.

Therefore, the bank has come up with an innovative business model and methods to practice social responsibilities which was to "blend justice with the best interests of the bank", meaning social responsibility to be combined with the bank's own business and implemented in specific aspects of bank's management, so as to seek opportunities while fulfilling their social responsibilities, and explore a sustainable business model and social responsibility practice mode in which banks and the society could achieve a win-win.

Based on this, we integrated the fulfillment of social responsibility and the bank's business, guided our operation and management activities by practicing corporate social responsibility, and follow principles of "moderate", "development" and "profit incentive", so as to promote the public welfare innovation, as well as to develop, promote, and deepen a sustainable development of corporate social responsibility practice step by step in line with local conditions.



## To identify stakeholders, establish communication and interaction mechanism

Key stakeholders	Expectations and demands	Response of the bank	Chapter
Regulators	Compliant management Respond to policy	<ul style="list-style-type: none"> <li>◆ Adhere to law and comply to regulations</li> <li>◆ Support the nation's economic development</li> <li>◆ Implement the "Green Credit" policy</li> <li>◆ Voluntary adoption of the "Equator Principles"</li> </ul>	The Management The Development The Environment Friendliness The Globalization The Practice
Shareholders	Stable returns Value growth	<ul style="list-style-type: none"> <li>◆ Sound operation, improved performance</li> <li>◆ Meet the fundamental demands of interest shareholders with value growth</li> <li>◆ Harmony investor relations</li> </ul>	The Development
Clients	Service-oriented Value creation Mutual growth	<ul style="list-style-type: none"> <li>◆ Enhance the level of integrated services</li> <li>◆ Continuous innovation of products and services to meet the multiple needs</li> <li>◆ Promotion of sustainable financial products and services</li> <li>◆ To help customers realize the value of growth and sustainable development</li> </ul>	The Development The Practice
Partners	Complementary -advantages Win-win	<ul style="list-style-type: none"> <li>◆ Platform and other products and services to create win-win cooperation</li> <li>◆ Deepen the cooperation and exchange with the industry, passing on the concept of sustainable development</li> <li>◆ Mechanism to share resources and complementary advantages</li> </ul>	The Development
Environment and Resources	Effective financial leverage Harmonious coexistence of man, nature, environment, and society	<ul style="list-style-type: none"> <li>◆ Concerned about the social and environmental problems in the banking management</li> <li>◆ Positive development to promote social progress and environment-friendly financial products and services</li> </ul>	The Environment Friendliness The Globalization The Practice
Employees	Development platform Training for a lifelong employability	<ul style="list-style-type: none"> <li>◆ A sound human resource system</li> <li>◆ To create equal employment opportunities</li> <li>◆ Respect for employees and safeguard their interests</li> <li>◆ To help employees enhance their value</li> <li>◆ Fostering the enterprise culture</li> </ul>	The Social Responsibility
Society	Social responsibility Law-abiding operation Comply with the highest business ethics Promote social harmony	<ul style="list-style-type: none"> <li>◆ To prevent financial crime</li> <li>◆ Committed to finance related to people's livelihood</li> <li>◆ Promotion of public financial education services</li> <li>◆ Support to charitable activities</li> </ul>	The Management The Development The Social Responsibility

## A social-responsibility working mechanism closely integrated with the management

Since 2006 when the bank launched innovation and exploration of energy efficiency financing and energy saving in the green fields, till 2008 when the bank adopted the "Equator Principles" which enabled sustainable financial banking system to be progressively developed within internal management such as the system, process, product and service innovation, as well as external interaction. This has benefited from the bank's firm faith and adherence to practice of the "Justice in interest" and social responsibility. In 2011, we continued deepening the social responsibility working mechanism closely combined with our management, and continuously explore a combination of responsibilities and benefits.

## ◆ Social Responsibility strategy

The bank has always put the fulfillment of corporate social responsibility as an initiative and the formulation of social responsibility strategies, as well as supervision and inspection assessment as the basic duties of the board of directors. Giving full consideration to the aspirations of stakeholders, the bank set a clear long-term goal to build a "first-class and a centuried bank," and strive to become a mainstream bank with "solid foundation, coordinated structure, prominent professions, distinctive features, as well as strength and responsibility".

## ◆ Organizational structure of the social responsibility work

The bank has established a leading group which is responsible for the overall leadership of the social responsibility work. The team is headed by Chairman Gao Jianping, with President Li Renjie and supervisory Chairman Bi Zhonghua as the deputy heads. Each branch and departments fulfill their social responsibilities duties according to their functions and arrangements of the leading group. The leading group's office is in the Legal and Compliance department of the head office, and is responsible for leading and organizing the daily affairs of corporate social responsibility.

## ◆ A full-range social responsibility management

Driven by the top level, we blend the concept of sustainable development and social responsibility into all aspects of our operation and management. Through innovations in management systems, business processes, financial products and services, and information disclosure, we continue to promote a strategic transformation of business development model and profit model from attention to current goals to balanced attention to both current and long term goals, and the establishment of operation mode of a refined marketing, professional operation and intensive management, so as to build a green brand with a distinguished competitiveness, to concern about the environmental and social issues, to focus on interests protection and value growth of employees and customers, and to support charitable activities in the pursuit of long-term harmonious and sustainable development.

## ◆ A corporate culture integrated with social responsibility

We combine our corporate culture with corporate social responsibility, to establish a culture system consists of mission, vision, core values, and enterprise spirit and establish the correct values and ethical standards to regulate employee behavior, so as to pass on the concept of corporate social responsibility and create a good bank image.



- Our Mission** Sincere service and mutual development
- Our Vision** First class bank, centuried CIB
- Our Core values** Rationale Innovative Humane Sharing
- Our Corporate spirit** Practical Professional Pioneering Teamwork

## Milestones of sustainable financial development of Industrial Bank



2006

Launched the China utility-based energy efficiency finance program one (CHUEE I) to begin exploring energy conservation and emission reduction finance market

2007

Runner-up of FT annual Sustainable Deal of the Year

Signed "Statement of Financial Institutions on the Environment and Sustainable Development" of the United Nations Environment Programme

Held in the Energy Efficiency Financing Project roundtable dialogue with World Bank President Robert Zoellick

2008

Public commitment to adopt the Equator Principles to become China's first "Equator banks"

Launched the China utility-based energy efficiency finance program two(CHUEE II)

Public commitment to adopt the results of Equator Principles included in the fifth China-US Strategic Economic Dialogue

2009

Set up China's first green franchise financial institutions-sustainable financial center

Champion of FT "Annual Asian Sustainable Banking Awards"

Reception of Vietnamese green credit delegation

2010

Launched China's first low-carbon credit card

2011

The first carbon assets to pledge the credit business in Fuzhou, Fujian

The first emission rights secured credit business in Jiaxing, Zhejiang

2012

Set up Sustainable Finance Department at the head office of level



# MANAGEMENT

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## Enhancement of internal control and compliance management effectiveness

In 2011, the bank aimed at strengthening internal management and an effectively sustainable development, adopted stricter internal control measures, and established a scientific, rational and effective system of internal control and compliance management in the aspects of internal control environment, risk identification and assessment, internal control activities, information exchange and feedback, monitoring, evaluation, and correction.

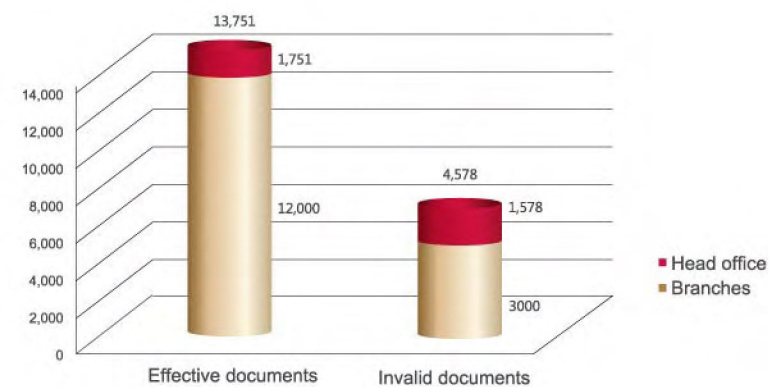
### To raise the level of systematic management

Continue promoting standardized management of system to provide clear and effective basis for regulatory

The systematic management is the basis of compliance work, and the bank has been committed to the establishment of a clear, practical and convenient management system. In 2011, we continued to promote the standardization and regulation of the system management within the bank, and have realized process control within internal systems from the planning, drafting, consultation, legal compliance review approval, and publishing.

As of the end of Dec 2011, the bank has carried out a steady cleaning up and integration of the regulatory documents in stock, and has cleaned up 13,751 copies of effective regulatory documents, and 4,578 copies of invalid regulatory documents.

Clean-up data of regulatory documents (unit: copies)



Apart from clarifying the status of these documents, we further carried out clean-up, maintenance, after-evaluation, while timely amended and abolished the inapplicable or conflicting documents, to ensure the effectiveness of the existing regulatory documents, and provide a clear and effective basis for management and business development.



## To actively promote the improvement of system management based on the current situation of the bank's system of management

In 2011, based on a comprehensive review of the summary on system management experience, the bank actively explored effective ways to promote the system to improve the management based on the current status, which includes:

- Creation of the "system document issuance" management module based on the bank's comprehensive compliance management system and OA system, to pick out system files and other regulatory documents from general documents, put into a unified system, and set a special reference number so as to standardize the issuance of system documents.
- Adjustment of the authority for the release of regulatory documents, and simplification of the approval process to increase efficiency, while strengthening management of the patch documents. A "term of validity" management style was introduced to continue clearing and maintenance measures to ensure that the effectiveness of regulatory system.
- To integrate the IT platform, carding the approval and release process, simultaneous convergence of the module between a comprehensive compliance management system and OA system, and to explore new ways of systematic institutional management, and gradually establish a clear, convenient, practical regulatory system and improve the system management level of the bank.



The bank's Sanming branch held the Comprehensive Compliance Management System Promotion Project Launching Ceremony, Mr. Chen Youmei (first right) former head of the branch addressed at the meeting, deputy general manager of the bank's Legal and Compliance Department Mr Zhang Zhongcheng (third left) attended the meeting



The bank's Tianjin branch held the Comprehensive Compliance Management System Promotion Project Launching Ceremony, Mr. Hua Bing, general manager of the bank's Legal and Compliance Department, addressed at the meeting

## Integration of resources to achieve information sharing, and innovation to improve internal control and compliance management system

In 2011, the bank continued to reinforce the foundation of internal control and compliance management through pilot of resources integration and innovation of deepening internal control and compliance management practice, so as to carry out a combination of the bank's internal control system and businesses, at a deeper and broader level to highlight the concept of "compliance creates value", and to push internal control and compliance management to a new level.

### Improvement of system to reinforce internal control

The "Internal Control System of Industrial Bank" was an overall design and specification for the organizational structure and operating mechanism of the bank's internal control. It clarified the duties and authorities of the three lines of defense, and basic requirements of the internal control management to protect the business operation and management system to be safe and sound, and to ensure that a sustainable development of the bank.

Regular internal control committee meeting was organized to discuss issues of internal control, and to follow up the implementation and achievement of the results of the meeting. At the same time, internal control construction activities were carried out according to regulatory focus at the present stage, which were the corporate account, large transfers, deposit guarantees, foreign exchange settlement as the key sections of internal control this year, to investigate risks, track problems and supervise the rectification.



## Internal control self-assessment to enhance the level of management

For various types of defects found in the internal control, especially major systemic flaws questioned by the management, we require prevention and improvement of internal control policies, systems, procedures and methods to form a continuous virtuous circle.

Reviewing the supervision and inspection of the bank, a self-evaluation was carried out for the first time on the effectiveness of design and operation of internal control, which formed the "2011 internal control self-assessment report" and studied the feasibility of a "management approach of internal control", specifying the duties of and strengthening supervision on the internal control work.

We strengthened innovation of management methods, and carried out internal control evaluation pilot with the Ministry of Finance, meanwhile focusing on the strategic objectives and business plans of branch offices to enhance efficiency and effectiveness.

**Case 1:** To deepen the "Year of internal control and the anti crime implementation" activity in 2011 to improve the internal control evaluation mechanism

As required by the CBRC in 2011 and the situation of the implementation in the Year 2010, the bank deepened the implementation of "2011 internal control and the anti-crime system activity", and closely investigated the risks in key business and links, as well as operational risks, so as to strengthen internal control implementation, crime prevention and control capabilities, and further enhance the internal control management standard, improve internal control system, as well as the evaluation, monitoring and correcting mechanisms.

## To deepen the compliance monitoring pilot

In 2011, the Bank continued strengthening and improving the compliance monitoring pilot, expanding horizons and exploring new ideas on the basis of existing achievements and experience, as well as seeking compliance management suitable for the characteristics of the bank to broaden the channels of monitoring data and avoid "isolated information", further exploring and building a key risk indicators in the compliance monitoring system.

Ideas of compliance monitoring: compliance risk management aimed at achieving effective identification and management of compliance risk through the establishment of a sound compliance risk management framework.

Recognition-the establishment and access to basic data

Management - the application of basic data

Build an effective and normalized compliance management system

Implementation of compliance monitoring is divided into the following four stages:



Exploration of compliance monitoring pilot :

From "3" to "5" to "6", pilot programme to urge the demonstration effect

2009.3-2010.10	pilot in Shenzhen, Shanghai and Chongqing Branch
2010.10-2011.7	expanded to Shenzhen, Shanghai, Chongqing, Xi'an, and Jinan Branch
2011.7-now	more sources of data, Hangzhou branch added to list

Major measures adopted in compliance monitoring pilot

- To establish a compliance database for the branches
- Compliance risk monitoring index system: 28 indicators divided into three parts - organization-building and institutional management, compliance risks and violations, and compliance management
- To Build risk indicators system: discovery rate of self-examination, rectification in place rate, timeliness of the problem identification, risk matrix, design flaws and distribution of implementation defect
- To carry out compliance risk identification and re-evaluation
- To implement specification compliance inspections, and promote mutual verification between the compliance checks and internal control assessment
- Matrix to improve the compliance reporting mechanisms



Focus of compliance monitoring	Pilot results
Process framework	Sort out the shared basic process documentation according to the principle of the unity and integrity for compliance monitoring and internal control assessment.
Data sources of compliance monitoring	Introduce internal control results on the basis of the problems identified, to expand the channel of working data and establish a compliance database
Focus on key elements in the database to build the key risk indicators of system	Analyze the key indicators and conduct recognition and classification, identify high risk areas and trace for the basic reason, follow up the solution of the problem
Re-identification and re-evaluation of compliance risks	Combine the regular evaluation with key issue evaluation, organize re-identification and reevaluation, and prompt reconstruction of the process and apply to work to avoid similar issue
To improve risk reporting mechanisms	Differentiate the focus of compliance management and continuously improve the risk report mechanism
To strengthen communication and contact with local regulatory authorities	Keep contact with local regulators to timely report compliance work of the bank, and listen to advices on improvements, so as to build a sound external environment and advancing the compliance management

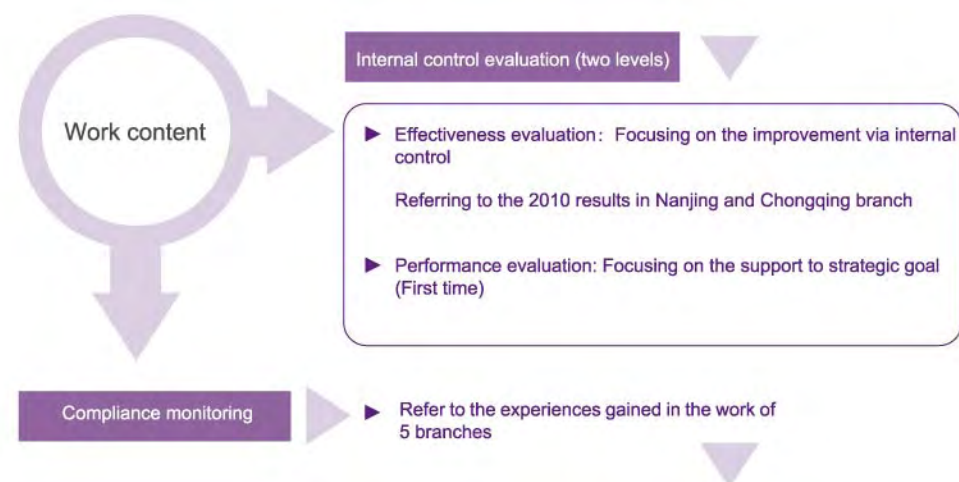
#### Case 2: Practice and innovation of effectiveness performance evaluation: Hangzhou pilot

Since the Ministry of Finance launched research projects on internal control evaluation in late 2010, the Fujian finance department, SASAC, and securities regulators in March 2011 included the Bank in the "the basic norms of internal control" pilot to further promote the construction of the Bank's internal control and compliance system. In July 2011, the Hangzhou branch was selected to carry out a pilot project of internal control evaluation and compliance monitoring.



The bank's Hangzhou branch held the Internal Control Evaluation & Compliance Monitoring Pilot Launching Ceremony

In the pilot program, the bank creatively combined norm studies with practical analysis, and focused on numbers and facts to ensure a credible source for every form and defect identification criteria in the pilot, and to be recognized after verified.



Stones from other hills may serve to polish jade. As for the effectiveness of internal control evaluation, the Hangzhou branch referred to the preliminary pilot results of Nanjing and Chongqing Branch, to carry out comparison at the branch level and carded key process documents. On this basis, carry out internal control weaknesses identification and follow-up rectification through practice test and control test, to improve the efficiency and effectiveness of the pilot, as well as complete the verification and summary of the results of preliminary experiment, which worked out a effective ways for the bank to promote internal control self-assessment.

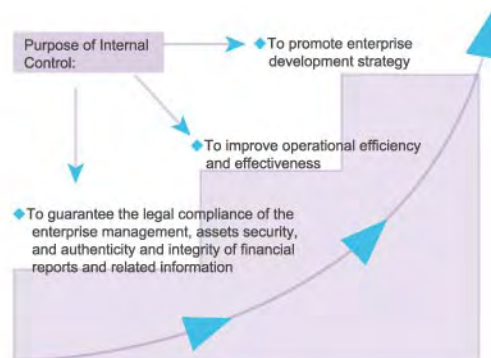
Meanwhile, we learned from the results and experiences from the pilot process compliance monitoring, and introduce the above results of internal control assessment on the basis of the problem found in the original inspection to broaden the compliance issues identification and data accumulation channel, and built up a branch compliance issues database.

- ◆ The ultimate goal of internal control is to realize the strategic goal of the bank rather than just control risks.
- ◆ We hope to verify that internal control may have affected the performance in short term, it is a positive influence to the operation in the long term.
- ◆ It is worth mentioning is that the pilot has realized management innovation and carried out internal control performance evaluation, and promoted a useful exploration of the internal control to support branches to achieve strategic objectives. Pilot branch for the first time used the evaluation method of the key process performance indicators (KPI) to conduct effectiveness evaluation for five important processes of internal control, and the initially established the internal control KPI system. Through a selection and evaluation of target and process indicators in the key processes, analysis of the role of internal control in enhancing corporate performance, as well as horizontal and the vertical comparison, it finds the areas to improve, and provide alert for the branches through monitoring process, and establishment of an early warning system.



## Innovated management approach : Key Performance Indicators ( KPI )

- ◆ Selected key process and find the association between the process and the branch to achieve the strategic objectives
- ◆ Start with strategic objectives and business plans to fulfill the idea of flow supporting management indicators, make a selection from the time quality, cost (number), and discussed with the department in charge to determine the specific value and KPIs
- ◆ By setting the target value of the index, statistically analyze the difference between the actual value and target value, clarify performance improvement goals and space, provide support data for process optimization, business analysis, business decision-making and management activities



## Launch of comprehensive compliance management system stage two to provide support for information platform

In 2011, we completed the development and formally launched the comprehensive compliance management system stage two, which achieved an electric management of the internal control and compliance, and introduced workflow to identify and prevent compliance risks, which provided guarantee to the improvement of the bank's legal and compliance risk management quality and efficiency.

- To concert with the launch of system, we further amended the supporting system; we strengthened system operation training, and organized sub-regional centralized training in March, July and October 2011 in Fuzhou, and Shenzhen in batches. The training content covers laws and regulations, system management, internal control, compliance risk management, environmental and social risk management; We also asked 35 branches to clean check and release the system files and duty information, to ensure the accuracy and integrity of system data. As of the end of Dec 2011, the number of cumulative logins has reached 95,291 people.



## Strengthen anti-money laundering management, and improve the quality of data submission

- To combat anti-money laundering crime is of great significance to maintaining the reputation and financial stability of the financial institutions. The Bank has complied with the anti-money laundering laws and regulations, anti-money laundering and anti-terrorism financing management policy applied to the whole bank. In 2011, the bank continued deepening anti-money laundering work.
- To improve the anti-money laundering internal control system, we amended the "anti-money laundering management measures" to further clarify and refine the duties of branches, enacted appraisal rules and anti-money laundering work incentives, released further standard the money-laundering risk rating classification, and adjust the level of risk classification process in accordance with regulatory requirements.
- A sound anti-money laundering mechanisms was built, and an anti-money laundering work leading group meeting was held on a regular basis to deploy overall anti-money laundering work plan and to study and solve major difficulties; open information exchange of anti-money laundering, and widen internal communication channels.
- Practical implementation of customer identification work. Standardize the customer money laundering risk level classification to realize dynamic adjustment and comprehensive utilization of the classification results; improve the identification ability of ID promote the "substantive examination"; improve the information field, business credentials, multi-channel implementation of customer identification information and transaction records saving system



- Improving the quality of the large anti-money laundering and suspicious transactions submitted. Continue optimizing the bank's anti-money laundering monitoring data submitted to the system, and improving anti-money laundering data submitted to the notification system, increase the suspicious transaction investigation and the intensity of daily follow-up, and improve quality of the submission of large anti-money laundering and suspicious transactions.
- Strengthen the training and publicity of anti-money laundering. In 2011 the bank has organized two anti-money laundering trainings, covering the regulations explanation, case studies and system operation, which effectively enhance the anti-money laundering ability for staff to perform their duties; A "monthly publicity on anti-money laundering activities" was also carefully organized to enhance the public's anti-money laundering awareness and practice of our social responsibility; The bank actively involved in anti-money laundering knowledge contests, and won the group third prize.



- Through active cooperation with the People's Bank of China, we submitted the anti-money laundering forms and reports in time to ensure the timeliness and accuracy; we assisted the preparation of Fujian Provincial anti-money laundering association; actively took part in the "West Coast Economic Area" forum; carry out research of performance assessment to reduce burden while improve efficiency; actively cooperate with regulators to carry out anti-money laundering investigation.
- Strengthen the external exchanges. Join in hands with supervising institutions to organize anti-money laundering seminars to explore the effective management of anti-money laundering and ensure timely understand the spirit of the regulators; for the purpose of learning experience and find shortcomings, we actively visited the excellent banks to continue broadening thinking and innovate work approach.



### Coordinate with supervision and carry out management requirements on the related party transactions

In 2011, the bank conducted an audit on the fairness of the significant related party transactions, and submitted to the committee's consideration on a quarterly basis; modifies quality standard of related party transactions evaluation and actively write standard assessment report, to further strengthen and standardize the quality of statistics on supervision of related party transactions, improve data quality; strengthen internal management and to meet the requirements of regulators; attach great importance to our due diligence work involves the extraction of data and summary of related party transactions to ensure that due diligence on the quality of the work associated with transaction data.

### Improve long-term update and maintain mechanisms to ensure the implementation of compliance management system

- Further improve the long-term update maintenance mechanism. We introduced a series of security measures to guarantee an effective operation of a comprehensive compliance management system in the bank. In the head office we updated the national outside rules and compliance risk alert, head office internal rules and the duty for compliance management information. At the same time, we guided and supervised branches to do local outside rules, branch internal management rules as well as maintenance and other work to collect and coordinate the resolution of issues and fully absorbed rationalized proposals and support the introduction of relevant system to assist the branch to complete a comprehensive compliance management system.
- Continued publicizing a culture of compliance. We strengthened the branch retraining mechanism to coordination branch to carry out compliance management training in a timely manner.

## Improve the risk management system

### Risk management policies

We constantly improve the comprehensive risk management system to improve the overall risk management capability and ensure the sustainable development of the business. In 2011, according to external regulatory requirements and the bank's new development plan, we revised risk management strategy and sub-strategies to further enrich and to absorb the basic principles, practical experience and other important contents of the bank's risk management. The new strategic system consists of a "Overall risk management strategy", and eight sub-strategies "Credit risk management sub-strategy", "Market risk management sub-strategy", "Operational risk management sub-strategy", "Compliance Risk Management sub-strategy", "Reputation risk management sub-strategy", "Country risk management sub-strategy", "Environment and social risk management sub-strategy", "Information technology risk management sub-strategy". Meanwhile, the bank developed the "2011 annual risk management strategy implementation work plan", covering 38 specific tasks such as organizational structure, system construction, management processes, systems construction, risk culture and team building to promote an effective implementation of risk management strategies through regular follow-up feedback.



Vice president of the bank Mr. Kang Yukun (third left) presented awards for winners at the bank's 2011 Risk Management Work Conference

### Risk management guiding ideology

Adhere to the core concept of risk management to create value and strengthen risk management from the perspective of overall development, adhere to quality, efficiency, large-scale coordinated development, and implementation of both business development and risk control; adhere to the "moderate" risk appetite, grasp of the risk in real terms, rising to the level of risk management, and bring various types of risk control within the affordable range, and create value for the community, shareholders, customers, employees.



## Vision of risk management strategy

- To meet the need of strategic objectives of business development, lead risk management of domestic banking sector, to maintain good asset quality and adequacy of loan loss provisions, and to ensure that the bank's business is stable, healthy, and sustainable.
- To meet business objectives through a risk management mechanism including identification, measurement, monitoring, control, evaluation and reporting to avoid the risk of losses, optimize resource allocation, risk-adjusted yield maximization.
- To meet the needs of strategic risk management, to achieve a clear risk management framework, sound risk system, scientific management processes, professional team, and advanced techniques.

## The construction of risk management systems

Under the guidance of the risk management strategy and in accordance with regulatory requirements and risk management needs, the bank continues to strengthen construction of risk management systems. In 2011, the bank has developed the "Outsourcing risk management approach", the "Country risk management approach", the "Government financing platforms and loan management approach", "Management measures of the risk warning on the personal credit business", "Credit risk stress testing operating procedures" systems to further improve the risk management system and standardize the business process management. At the same time, established the bank's internal rating system, "Non-retail customer internal ratings", "Bank accounts, credit risk exposure category management approach", "Guidelines for eligible credit risk mitigation tool", "Non-retail customers credit risk loss data collection management approach" and "Internal rating systems management approach", as well as establishment of the "credit after rating" mechanism, which cleared assessment of work processes and responsibilities within the specification and the assessment system operating requirements.

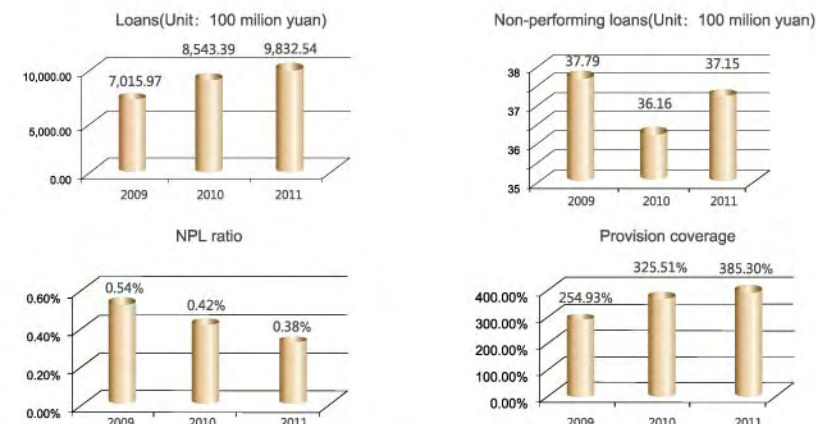
## Organizational structure of risk management

The bank established a comprehensive risk management organizational structure which contains the board of directors, senior management, business unit, risk management function, and internal audit department, to further improve the duties of a clear, complete and effective risk management defense lines built by self-management of the business sector, supervision of the risk functional departments, and independent evaluation of internal audit department. It improved the bank's risk decision-making, execution, monitoring mechanisms, the formation of clear powers and responsibilities, effective checks and balances, and coordinated the operation of the risk management structure to enhance the qualitative effect of the risk management within the bank. In 2011, in order to further strengthen the organic combination of business development and risk management, as well as an efficient convergence, the bank actively studied the risk management organization system reform program, and improved professional risk management, control effectiveness and market sensitivity by optimizing the organizational structure, responsibilities, management mode, and a comprehensive working mechanism.

## Innovation on risk management

We persist in innovation to continuously improve the overall level of risk management. In 2011, the bank has completed projects of non-retail internal rating (primary law), rating embedded credit business processes, and used the evaluation results of the project within the non-retail to reform the credit business authorized to optimize quota management; explore data based on analysis of retail credit risk management tools, application timeliness analysis, and data-depth analysis, timely recognition of the retail credit business risks to provide a basis for decision making, risk identification improvement and effectiveness and means for risk control differentiation; self-developed value risk value model, and innovated market risk management means; improved tolerance index management programs; adjusted the pressure to further optimize the test model. Through the measures above we further enhanced the professionalism and effectiveness of our risk management.

## Credit asset quality



## Promotion of the new Basel Capital Accord implementation

In recent years, the bank made considerable progress in implementing the New Basel Capital Accord Implementation Plan. In March 2011, we completed the project of the non-retail internal rating (primary method), to build the bank's internal rating of the non-retail customers to implement the requirements of the credit after the first rating of the credit business, which provided an important reference for the credit. The next phase will be continuing increasing within the assessment results in the field of risk management policies and systems, such as risk classification, provisioning, and management of customer limit.

### The implementation process of the New Basel Capital Accord of project:

- Non-retail internal rating (primary law) project was completed in March 2011.
- Retail internal rating project was officially launched in August 2011.
- Operational risk management system project explored self-enforcing after the project launched in 2009.
- Market risk internal modeling, project, credit risk, risk-weighted assets metering projects, are being studied.

### Case 3: successful prevention of the high risk project

A company applied for loans to a branch in 2006 when the zinc prices was on the upswing, the production was good and was key project of a province's "Eleventh Five-Year Plan". In January 10, 2006 it obtained bank credit of 20 million yuan; in 2007 the enterprise continued applying credit to the branch to increase the credit line. The 2007 zinc prices remained at historically high levels, zinc demand still maintained a high growth rate and the zinc industry company profits continue to grow, but there was a trend of overcapacity from the global and industry point of view. Therefore, we took a cautious approach to maintain the original line of credit. During the international financial crisis in 2008, zinc prices was quickly diving, which led to the devaluation of the corporate stock, the decline in corporate profitability. Upon the maturity of the loan in 2008, the bank has taken a decisive exit policy not to continued credit for the company. In 2009, although the zinc price increased, but demand was still weak and the corporate was in debt, and there was not enough liquidity for production, production has been halted, the 65 million yuan loan the corporate credited to other financial institutions all formed bad loans.

Shared experience of a sound risk management system to withdraw from the project: First, early notice of the impact of overcapacity on price and correct pre-sentence; not to increase the loan amount to the enterprise, and pay close attention to repayment ability; timely exit through a specified system and the clear decision-making process.



## Active and innovative environmental and social risk management model

Any corporate behavior will produce different levels of effect on environment, society, and response to these impacts from all stakeholders, including government, public and NGOs may bring risks to the corporate, and also corresponding risk to financial institutions providing services to these companies, such as credit risk, compliance risk, liability risk, and reputation risk.



To this end, the bank put Equator Principles as a starting point, improved environmental and social risk management system and introduce international environmental and social risk management model into our existing risk management system, as well as the electronic process management to continue exploring the management model innovation.

## Environmental and social risk management system

### Environmental and social risk management policies

The bank will continue focusing the environmental and social issues in the credit business in a way to benefit environment and society to develop the business of financing and business development, put the concept of sustainable development as guidance in pursuit of economic efficiency and corporate social responsibility both.



## Applicable standards of environmental and social risk management

We strictly abide by China's laws and regulations on environment, health, safety and other related bank credit standards and regulatory documents, while voluntarily comply with the leading international environmental and social management tool "Equator Principles" and principles and standards established by its "Performance standards", "Environmental, Health and Safety Guide" and other relevant documents. On this basis, the bank build its environmental and social risk management system and the norms of system, including the basic system of management practices, operating procedures, and supporting demonstration tool and model contracts text and so on.

## Environmental and social risk management organizational structure

The Governing Body	Environmental and social management responsibilities
Board of Directors	Determine the overall strategy and the basic system
Senior Management	Develop environmental policies, related systems and documents
Environmental Officers	Coordinate environmental and social risk management work
Credit Departments	Implement environment and social risk management requirements
Legal and Compliance Department of Headquarter	Take the lead in carrying out environmental and social risk management



## Environmental and social risk management process

## Access to credit business

- Implement the national green-credit policy, and develop access rules of the major sectors of the credit business, and carry out classified management for the industry;
- Implement the "environmental veto" mechanism, put approval from relevant authorities as the minimum requirements to credit for the project, credit application of project of non-environmental compliance must firmly refused, and no project will receive approval without acceptance of EIA or environmental protection facilities;
- Pay close attention to the update of the national access and environmental standards, and focus on project feasibility, environmental and social impact of the access with strict review and approval of credit business, effectively preventing the environmental and social risks;
- To improve the efficiency of the green credit approval;
- Strive to reduce the environmental cost of corporate finance, and try not to raise the lending rates of energy saving and emission reduction loans.

## Due Diligence

- Conduct a full investigation and comprehensive evaluation of customers and their project's environmental and social performance;
- Equator Principles-applicable projects are required to conduct environmental and social assessment in accordance with the Equator Principles, and develop an action plan to avoid or reduce environmental and social risks.

## Loan audit

- Ensure that the projects conform to the national green credit and environmental standards and lending conditions;
- For the Equator Principles- applicable projects, evaluation should be carried out to ensure it meet the relevant requirements of the Equator Principles to prevent environmental and social impact.

## Post-loan monitoring

- Dynamic track and monitor on project and potential environmental and social issues, identifying problems and early risks warning, and urge the customer and project to rectify in a timely manner;
- Continuously monitor on corporate credit business of the high energy-consuming, high pollution projects, resolutely carry out the recovery of loans that do not meet the energy saving policy or the relevant national regulations;
- Regular investigation according to risk classification, and adjust according to the project's risk profile to set aside enough loan provisions.

## Environmental and social risk management mechanisms

The bank is committed to build effective and convenient social risk management mechanisms to enable a good interaction environment with customers. Since 2008, by strengthening the work in the information collection and use, environmental and social risk control process reengineering, public communication mechanisms, information disclosure mechanism, and gradually increase the standard of environmental and social risk management.

## Emphasis on collection and use of information

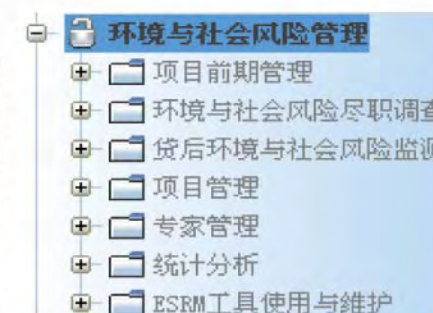
Regular tracking of clients and projects environmental information released by the CBRC information disclosure system, timely carry out early warning in our credit system of the companies on the list of elimination of backward production capacity released by regulatory authorities, regard environmental information and the list as an important reference for credit management; timely collect project blacklist published by the National Development and Reform Commission and other ministries on the issue of environmental protection, carry out blacklist in internal management and restrict relevant businesses for the blacklisted companies.

In January 2011, the bank put into its public credit management system the warning information of sewage plants with excessive discharge issued by the Ministry of Environmental Protection, and came up with risk warning measures accordingly.

## Explore ways of IT-support process management

The bank developed the environmental and social risk management electronic platform, and achieved an electronic and process-oriented environmental and social risk management through introduction of IT technology.

The electronic platform of environmental and social risk is a professional and project-specific management platform based on business process management, and applies to the Equator Principles. The platform combined with the bank's environmental and social risk management processes, and utilized the IT tools on the identification, assessment, and process control of environmental and social risks, to provide branch staff with effective management methods and tools, and improve operational efficiency through process reengineering and innovation of the electronic management on the loans. As of late 2011, the bank has submitted 109 project through the electronic platform for review, with an access over 5,230 times involved 37 branches.





## Promotion of "tailored" customer solutions

With the Equator Principles projects as a starting point, as well as external experts linkage mechanism with the head office and branches, we provide customers with a case-by-case environment and social risk management system solutions and recommendations applicable within the enterprise, and gradually study the feasibility for the model to be copied and promoted.



The bank's Legal and Compliance Department investigated the projects' environmental and social risks

## The establishment of a public exchange mechanism to improve the information disclosure mechanism

Improve interaction with the public via publicity and training, welfare activities and questionnaires; improve the internal information disclosure mechanism, regularly publish reports from various sources to improve accuracy, transparency and credibility, so as to demonstrate the bank's environmental and social risk management practice, and enhance public awareness and recognition of environmental and social risk management.

Annual report, interim report of the major issues	Disclosure of environmental and social risk management, including major business and management information
Sustainability Report (Social Responsibility Report)	Annual disclosure of the bank's fulfillment in sustainable finance and corporate social responsibility
Annual report of the Equator Principles	Disclosure of implementation of this year's implementation of Equator Principles according to requirements
Environmental and social performance report	Disclosure of environmental and social risk management measures and business results on a regular basis

## The prevention of financial crime



The bank's Zhengzhou branch held the 2011 Case prevention and Control Work Conference, head of the Zhengzhou branch Mr. Huang Chenghua (first right) addressed at the meeting

## Strengthen the fight against corruption to eliminate commercial bribery

The bank continued to further promote the long-term mechanism to improve the punishment and prevention system for anti-corruption, and implemented the "Clean and Honest Government" as the focus of anti-corruption at all levels of cadres and employees of the bank, through various forms of education and wide range publicity of education; and resolutely put an end to the improper trading and commercial bribery, and provide a solid back for the sustainable development of the business by strengthening the education and supervision to staff of the bank.

In 2011, there were 263 reports and seminars on the bank's anti-corruption program, with a number of participants at 12,079; 58 knowledge contests were held with 26,385 participants; 83 copies of relevant documents were issued with 9,226 SMS sent; 3,377 cadres at all levels conducted self-examination including party members; a total of 2,434 people, including all high-level assistants, cadres at mid-level and above and staff at important positions have reported their personal matters. At the same time, two special inspection teams has implemented field supervision and inspection to nine branches, and held 13 seminars in a meeting with more than 180 employees, while distributed an evaluation questionnaire covering 17 aspects.



## Improve the business continuity management



To safeguard the stable operation and sustainable development of the bank, to take the initiative to deal with possible risks to protect the legitimate rights and interests of customers, and to maintain financial and social stability, the bank issued a "Business Continuity Management Approach" and "Major Emergencies Disposal Options", in order to improve the bank's ability to withstand continuous damage event, effectively eliminate or prevent potential risks, and quickly dispose and counteract the threat posed by an uncertain event, and continuously improve the weak links to ensure a steady operation and sustainability of the day-to-day business of the bank, following the principle of critical business and based on processes, we continuously improve the continuity management and contingency system covering the emergency management at all aspects of the business management.

In recent years, we distinguished between the business and management segment to develop business continuity management and contingency plans to cover key business and management segment. Meanwhile assigned specialized emergency response plan to specific events and period with a clear responsibility to staff, regulated the disposal procedures, stepped up publicity and training, and implemented risk investigation and emergency drills on a regular basis to ensure that emergencies are handled timely and properly.

## Strengthen technical support to business continuity management

The bank was among the earliest in the domestic commercial banks to complete data centralization, which laid a solid foundation for continued development of the advanced business management system. At the same time, we built the first domestic computer room, the city disaster recovery and remote disaster recovery system, to become the first bank with a level 5 of internationally recognized disaster backup standard and meet the disaster recovery requirements of the People's Bank of China. In addition, our patent of "Uninterrupted service data processing methods and systems patent invention" received patent certificate from the State Intellectual Property Office, and became the first domestic commercial banks in China with a national invention patent on business systems and methods.



## Establishment of a crisis management mechanism

Since November 2010, the bank has implemented a public opinion monitoring system to collect real-time of news and information, and monitor public opinion related to the bank, sent notice into the internal to urge the responsible departments or agencies to respond accurately, and at the same time, disseminated relevant information in an appropriate, timely, transparent, and orderly manner to establish a good external feedback channels and effectively respond to external opinion, to further improve the level of public opinion management and capabilities to respond to emergencies.

### Case 4: preparation in advance to protect a smooth upgrade of the core system

To ensure a smooth development of a new generation core banking system upgrade work from October 22 to 23 in 2011 to proceed, the bank has developed a "core business system upgrade projects (on-line switching during the maintenance period) and contingency plans", which clarified the preparatory work, the organizational arrangements and the division of responsibilities and emergency procedures for the launch of core business systems upgrade project, it required the relevant branches and head office departments to coordinate timely and effectively to response to emergencies that may affect our business continuity during the upgrade of core system, it finally achieved a smooth transition of all businesses involved in the core system, and our next-generation core business systems was successfully launched.

### Case 5: Strengthen the network of emergency response mechanism to improve network security capabilities

Since the anti-fishing security website alliance was established in 2010, the bank and the Information Center of China Banking Regulatory Commission, as well as 360 Company, Rising, Kingsoft, Jiangmin companies and other institutions jointly established an emergency response mechanism. At the same time, according to the requirements of the CBRC, the bank carried out self-examination on its website, focusing on of eight aspects including emergency response mechanism on online banking services. In addition, in cooperation with the Fujian Internet Emergency Center, external resources were introduced to cope with the increasingly rampant Internet attacks, fishing and other acts to improve the security of online banking system.

### Case 6: Positive response to the internationalization of financial services for Shenzhen Universiade

During the 2011 Shenzhen Universiade, to ensure a professional and efficient service, the Shenzhen branch has revised the "service emergency plans" and optimize the process of handling customer complaints, the organization carried out the disputes checks, established a foreign language emergency team, and applied a 95561 hotline with 24-hour foreign language operators from the head office to ensure that customer feedback during the Universiade was fast and properly handled. At the same time, we strengthened the payment and clearing emergency drills, to clarify the division of responsibilities of various departments and emergency response program, to familiarize business and technical personnel with emergency processes, and effectively improve the ability to deal with emergency situations, as well as the payment and settlement support capabilities of the branch during the Universiade. An information technology security working group was specifically established, and was responsible of the emergency command, organization and coordination, and process control for the information system of the bank during the Universiade. In addition, the image specification and service environment was deployed overall optimization during the service, to provide international-quality financial services for the Universiade.





# DEVELOPMENT

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## Support to national and local economic development

In 2011, we gave full play to the role of commercial banks in economic development, to respond positively to the national policy of support for economic development and promote the realization of economic, environmental and social development.

### Assist the key field of the country's development

We earnestly implemented the national macroeconomic policies, the industrial structural adjustment policies, and focused on national industrial and regional planning, as well as the transfer of industry trends to increase the credit in key areas and construction of major projects. In 2011, the head office issued credit to **91** group customers with a total amount of **680.67** billion yuan, an increase of **41** in number compared to the beginning of the year, and **213.07** billion yuan more in credit amount, partnership was established with China Gold Group, China Aerospace Science and Industry Group, the Aerospace Technology Group, China DaTang Group, China Resources Corp, China State Shipbuilding Corp, China Chemical to provide a strong support to the sustainable development of the key areas in steel, electricity, petrochemicals, nonferrous metals, national defense, ships, medicine and other countries.

By providing quality financial services, the bank actively provided strong support for the development of the national railway network infrastructure construction and the railway enterprises. Since a cooperation agreement was signed with the Ministry of Railways in 2009, the bank focused on providing credit support and improved the internal "green channel" mechanism, actively promoted a deep cooperation of the two sides, and achieved win-win cooperation. As of December 31, 2011, the bank has provided a variety of credit support to the railway construction, including bonds, loans, and short-term financing bills, with a loan balance of **23** billion yuan, while another **9** billion yuan commitments will continue to aid for new railways and renovation of electricity.



The bank signed a strategic cooperation agreement with the Ministry of Railways, president of the bank Mr. Li Renjie (right) and the ministry's chief economist Mr. Xu Bangli (left) attended the signing ceremony

#### Case 7: Support to Hefei-Fuzhou railway construction

Anhui and Jiangxi provinces are the focus of the national strategy of regional development in central China, but have long been inaccessible along inconvenient transport and other factors. Hefei-Fuzhou Passenger Railway was dedicated to provide a good opportunity to optimize and improve the railway network structure of the eastern region, to promote the development of tourism resources along the line, and to achieve a coordinated regional economic development. The two-way railway, with a total length of **813** km, was designed with a train speed of **350** km / h, which will greatly shorten the distance between coastal and inland areas upon completion, and improve railway transport and service ability of Anhui, Jiangxi and Fujian provinces so as to achieve the interactive development of Anhui and Jiangxi provinces with the West Coast Economic Zone, and to promote the development of central China and the West Coast Economic Zone.

We actively support the Hefei-Fuzhou railway construction by providing quality financial services. In 2011, the bank issued a total of **600** million yuan loans to the project, which effectively supported the construction of the project.

We concerned and supported the development of the national aerospace industry. In recent years, the bank maintained a good relation of cooperation with the China Aviation Industry Corporation, continuing through the provision of comprehensive financial services to meet the financing needs of the corporation and its affiliated companies, to support the development of the national aerospace industry. In May 30, 2011, the bank has granted **15** billion yuan credit support to the group for its business development in aerospace product design, development, testing, production and sales.

#### Case 8: Support aviation industry of Shaanxi province

Shaanxi Province is one of China's largest bases for aviation industry R&D and production, with a number of aviation manufacturing enterprises and research institutes. In 2011, the bank's Xi'an branch increased support to enterprises and institutions of the aviation system.

In August, the Xi'an Branch gave AVIC Xi'an Aircraft Industry (Group) Co., Ltd an external credit of **200** million yuan. In September, the Xi'an Branch signed a strategic cooperation agreement with the AVIC Xi'an, and we combined the group's business model to launch service package including clearing, financing, foreign exchange and personal finance and other value-added services. In December, the Xi'an Branch increased the credit line for Shaanxi Aircraft Industry (Group) Co., Ltd on the basis of the existing **200** million yuan credit scale, and increased it to **500** million yuan credit to support a smooth operation of its businesses. In addition, the Xi'an branch formed a partnership with the Fifth Research Institute of China Aerospace Science and Technology Group, and collaboration intent with the Chinese Flight Test Establishment, to lay the foundation for further support for the aviation industry of Shaanxi Province.

## Support key areas of the country

### Full-service to support leaping development of West Coast Economic Zone

As the only national listed bank headquartered in the West-Coast Economic Zone, the bank has always been responsible to serve the development of region, while bearing in mind its fundamental and fully integrated into the Zone. In 2011, the bank enhanced its credit support to the construction of West-Coast Economic Zone, and added **132.434** billion yuan of new loans in the region. As of late 2011, the loan balances of West Coast Economic Zone in the Bank has amounted to **191.852** billion yuan, an increase of **36.209** billion than the beginning of the year.



In April 2011, the bank included five areas - key projects, new growth of regional development, urban construction, reform and development of small towns, and people's livelihood - as priorities of building the West Coast Economic Zone, and made full use of the diversified financial instruments to promote business innovation and increase the money supply in seven key business areas, including direct financing services, financial leasing services, green finance, supply chain finance, the urbanization whole industry chain services, the growth and listing of SMEs, and assets business cooperation. As of December 31, 2011, the bank has accumulated a line of credit up to **85.864** billion yuan in five key projects including new growth and regional development, **16.285** billion yuan more than the beginning of the year, and loan balance of **18.732** billion yuan, **7.431** billion yuan more than the beginning of 2011.



The 3rd Strait Forum - Straits Women Forum - Cross-straits Woman Entrepreneurs Side Forum was held in Xiamen, chairwoman of the bank's board of supervisor Ms. Bi Zhonghua attended and addressed at the meeting

#### Case 9: Female entrepreneurs gathered to jointly promote cross-strait "win-win cooperation, create the future" activity

In the afternoon of June 12, the 2011 Strait Women's Forum - cross-strait development of women entrepreneurs, a sub-forum of the third Strait Forum, was co-hosted by the Chinese Women Entrepreneurs Association, Taiwan Association of Women Entrepreneurs, Women Entrepreneurs Association of Fujian Province, and Industrial Bank in Xiamen. Women entrepreneurs from cross straits gathered around the "win-win cooperation, create the future" theme, and promoted win-win cooperation and join-handedly created the future in a harmonious atmosphere. At the meeting, the Chairwoman of the Supervisory Board of the bank and president of the Women Entrepreneurs Association of Fujian Province, Ms Bi Zhonghua, delivered a passionate and compelling speech as a representative of female entrepreneurs, and exchanged management concepts and innovative ideas with the women entrepreneurs of the participants.

#### Case 10: Bank and Enterprises to co-establish a bright future

The bank has developed a comprehensive services program to the Taiwan-funded enterprises to take the strategy of differentiation to increase credit input to Taiwan-funded enterprises. We have established close business relationship with a number of Taiwan-funded enterprises such as Cheng Shin Rubber, CPT technology, Soueast Motor, Tsann Kuen Enterprise, and Uni-President Group to offer a variety of financial services, and underwrote the first short-term financing bill by Taiwan-funded enterprises in the mainland market.

Xiamen Cheng Shin Rubber Industry Co Ltd. (hereinafter referred to as "Xiamen Cheng Shin") is the first factory invested by Taiwan's Cheng Shin Rubber Industry Co., Ltd. (hereinafter referred to as "Taiwan Cheng Shin") in Xiamen Xinglin Taiwanese investment zones, and specializes in producing various types of tires. Collaboration between the bank and Xiamen Cheng Shin began in 1988, and the bank in 2011 offered companies directly or indirectly established by Taiwan Cheng Shin in the country a credit of **1.3** billion yuan, together with financial services packages such as short-term liquidity, trade financing, and foreign exchange transactions. Today, the number of new companies established by Taiwan Cheng Shin in Chinese mainland has been increased from one to 10, and is forming a closer and more in-depth cooperation with the bank.



The bank held a press conference to launch the "Opinions on Financial Innovations to Serve 'Five Battles' in West Coast Economic Zone", Mr. Zhu Liyong (middle), general manager of the bank's Department of Corporate Finance, attended the meeting