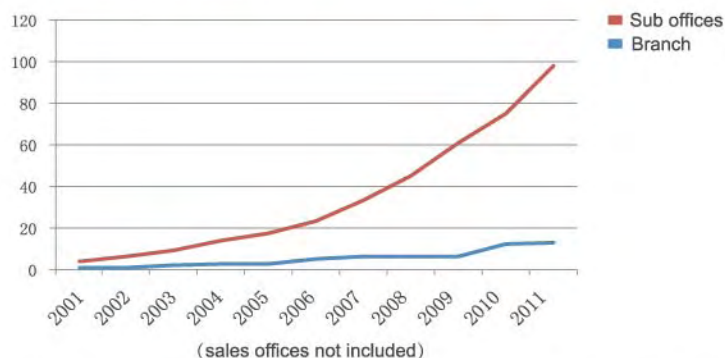


Accelerate the development of institutional layout to support the economic development of western China

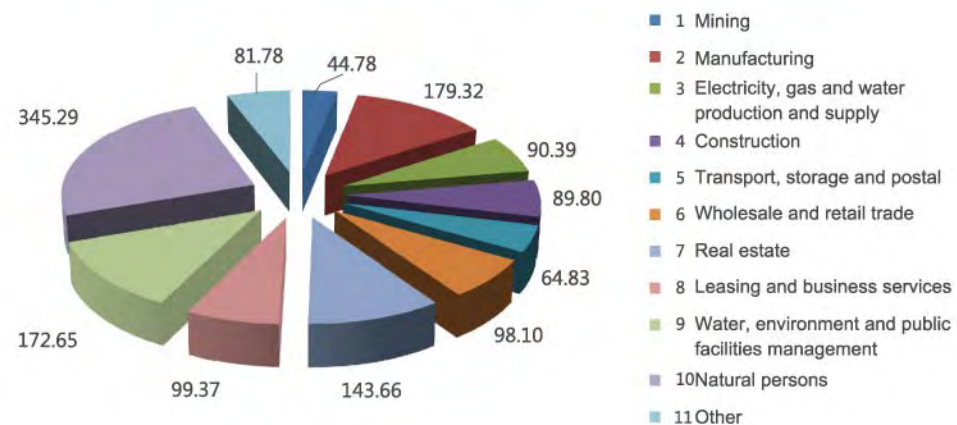
The Bank actively accelerated the network layout in the western region to continue supporting the economic development of the western region. As of the end of December 2011, the bank has set up 13 branches in western economic centers including Chongqing, Chengdu, Xi'an, Kunming, Urumqi, Nanning and Hohhot (including seven 1st level branches and six 2nd level branches), 85 sub-offices, providing a wide range of financial services for the local government, businesses and residents.

Table of the bank's layout network in the western region



We actively implemented the country's western development strategy, while constantly strengthened credit for the cause of the western regions. As of December 31, 2011, the bank's loan balance to the western region stood at 140.995 billion yuan, which effectively promoted a sound and rapid economic development in western China.

Loan balances to Guobiao(encoding standard) industry in western region ³(unit: 100 million yuan)



(Note: the loan data excluded bills discounting, and does not cover the data of Credit Card Center and Financial Operations Center at the head office.)

³ The West consists of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Tibet, Xinjiang and Inner Mongolia.

Case 11: Full support to the leaping development in Xinjiang

The bank carried out an actively and forward-looking layout and input in the business development of Xinjiang Uygur Autonomous Region, and fully supported Xinjiang's economic construction and social development. As of the end of December 2011, the bank has set up eight branches in Xinjiang while actively supported the development of small enterprises, offered strong support to the opening up and border trade, and increased credit support to social and economic development on the regional urbanization and new industrialization, so as to provide efficient and quality financial services to local customers.

To further adapt to the diversified financial service of the Production and Construction Corps of Xinjiang, we take the initiative for the Corps to provide a variety of differentiated financial services, set up service team led by head office leadership in charge of relative business line, implemented and promoted the service via Urumqi branch, and combined traditional business with new business. As of the end of 2011, we have provided 104 clients of the Corps with settlement, financing and other traditional financial products, and started cooperation in new businesses such as energy conservation and institutional finance, so as to lend a helping hand to the rapid and healthy development of the Corps during a special historical period.

Boost local economic development

In 2011, according to the new five-year development plan, the bank actively carried out institution-building, and provided support for local economic development. As of December 31, 2011, the bank has established in major economic center cities 77 branches (inc. 37 1st level branch and 40 2nd level branches), and 647 sub-offices. Meanwhile, we gave full play to our advantages, vigorously developed a diversified financial products and services, and strived to serve the local economy.

The bank's loans in 2011 by region⁴

Region	Loan balances (100m yuan)	Increase from the beginning of year (100m yuan)
Northeast	577.04	69.97
East	6,117.28	696.74
West	1,409.95	175.17
Central	1,339.49	169.15
Total	9,443.76	1,111.04

(Note: the loan data excluded bills discounting, and does not cover the data of Credit Card Center and Financial Operations Center at the head office.)

⁴ The Northeast consists of Liaoning, Jilin and Heilongjiang.
The East consists of Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan.
The West consists of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Tibet, Xinjiang and Inner Mongolia.
The Central consists of Shanxi, Anhui, Jiangxi, Henan, Hubei and Hunan.



Chairman of the bank Mr. Gao Jianping (first left in front row) signed an agreement with Margaret May Yee Ko Leung (second left), vice chairman and CEO of Hang Seng Bank Ltd at the Fujian-Hong Kong Cooperation and Development Promotion Fair

Case 12: Support to local economic strategy and structural adjustment

With the implementation of the "Development Plan for Blue Economic Zone in Shandong Peninsula", Shandong province has put marine economy development as a pillar industry. In this regard, we respond positively to the strategy of structural adjustment in Shandong province, and selected five large-scale projects to increase credit input. In June 20, 2011, the bank's Jinan branch granted 800 million yuan of credit to Yantai Raffles Offshore Co. Ltd to support the implementation of its marine engineering project construction. Upon completion of the project, it will become the only domestic company specialized in products of a marine engineering and special-shipbuilding, and is expected to become the world's largest marine engineering manufacturer, which will make positive contribution for the opening of Shandong's marine economic channel.

Case 13: Support the development of local energy industry

Shanghai Electric Power Co Ltd is the largest power generation companies in Shanghai, with an annual capacity of about 30 percent of the entire area, and plays an important role in meeting the increasing electricity demand, and alleviating the power shortage in East China. In June 17, 2011, the bank's Shanghai branch, considering the company's wide range of financing needs, issued one billion yuan medium-term notes as the lead underwriter, of which 260 million yuan were for the purchase of coal to support the operation of its advanced generator set. This was the first underwriting of medium-term notes to expand the green financial business by the Shanghai branch, the business was highly recognized and provided pioneering ideas for the future development of such business.

As of December 31, 2011, the bank loan balances in electricity, gas and water production and supply industry totaled 33.551 billion yuan.

Case 14: Support the construction of transportation infrastructure

The Nanjing Communications Construction Investment Holding (Group) Co Ltd Nanjing Expressway is a major construction enterprises and investor in the city, and has undertaken cross river tunnel, high-speed rail, integrated hub and other major transportation construction projects. The bank's Nanjing branch in 2010 applied for a 1.6 billion yuan medium-term notes of registered amount for the company, which effectively supported the construction of transportation infrastructure in Nanjing.

As of December 31, 2011, the bank's loan balance in transportation, storage and postal services totaled 54.067 billion yuan.

Case 15: Support the construction of environmental facilities

Beijing Sound Environment Group Co Ltd is an environmental protection enterprise specializes in the comprehensive utilization of resources and environmental services and system integration of high-techs in the environmental field; it is the leading domestic enterprise in municipal solid waste, solid waste treatment industry, and sewage treatment industry. In 2011, Industrial Bank Financial Leasing Co Ltd granted Sound Group an overall of 600 million yuan lease line of credit finance, which was used in the Shandong Dezhou garbage incineration power generation project and Xi'an Lingtong garbage incineration power generation project. Both projects adopted globally advanced technologies, with the concentration of dioxin emissions applying to EU standards in 1992, and can reach or even exceed the relevant national environmental emissions standards. These projects can effectively address the growing problem of urban waste and sludge, and avoid simple means of landfill which causes occupation of land resources and serious environmental pollution problems because of leachate leakage; it transformed heat into electricity and steam heating when processing waste disposal, and realized an integrated resource recycling.

As of December 31, 2011, the bank's loan balances in water conservancy, environment and public facility management industry totaled 78.159 billion yuan.

Strengthen the support to rural areas

The bank has always concerned about the "agriculture-rural areas-farmers" development, and actively explored effective ways to provide financial services to the issue. Through innovative financial products and services and support to the rural financial system, the bank has found its own way towards agricultural prosperity.



The bank's "IB Sesame Blooming" promotion fair was held in Beijing, the bank's vice president Lin Zhangyi addressed at the meeting

Innovation in financial services to support the rural development

In 2011, we continue to increase credit support to the rural area, and took full advantage of the characteristics of agriculture-related industries and businesses to provide a full range of financial support for agriculture-related industries and businesses via trade finance and our "Sesame Blooming" products. As of December 31, 2011, the agriculture-related loans balances of the bank stood at 126.918 billion yuan, an increase of 1.37 billion yuan, 1.09 percent up compared with the beginning of the year, in which the farmers loan balance stood at 2.268 billion yuan, and loan balances of non-individual farmers in agriculture, forestry, animal husbandry and fishery at 40 million yuan, loan balance of rural enterprises and various organizations at 113.467 billion yuan and loan balance of agriculture-related urban enterprises and various organizations at 11.143 billion yuan.

Case 16: tailored financial solutions for agribusiness

A Xiamen-based fruit and vegetable supply chain company is a professional group of the agricultural supply chain management and service, with fruit and vegetable marketing network in over 30 countries or regions around the world. As a professional agricultural supply chain management services provider, the company's operation and development are closely related to many farmers. The bank Xiamen branch, while providing traditional credit support to the growth of SMEs, recommended "Sesame Blooming listing plan for SMEs, targeting at financing needs in different stages of its development, designed with different financing options for the company to save the financial costs and also increased the efficiency of the company's overall funding operations. With the bank's help, the company has successfully introduced five strategic investors to accelerate the process of its IPO. After ten years of cooperation with the bank, the company has developed from a small trading company of agricultural products, into a professional trade enterprise of agricultural products with annual sales exceeding 400 million yuan.

Actively promote the cooperation with the village banks, to enhance the quality of rural financial services

To further promote the upgrading of the rural financial service quality, we vigorously promote business cooperation with village banks. In 2011, through key products such as proxy access systems and information systems outsourcing, the bank provided a strong support to the many village banks in the breakthrough of their payment and settlement bottleneck and improvement of their financial service quality. In addition, we provided value-added services, such as system operation training, for rural banks to improve their payment and settlement efficiency and customer service standard.



The bank signed a strategic cooperation agreement with the Jilin Rural Credit Cooperative, general manager of the Financial Institutions Department at the head office Mr. Zheng Xinlin (fourth right) and head of the Changchun branch Jin Lin (third right) attended the meeting

As of late 2011, the bank has established proxy access to modern payment system products with nearly 60 village banks such as Dongguan Changan village bank, with the annual proxy access payment system transactions amounted to 366.605 billion yuan, an increase of 299.5 percent compared with the end of 2010. As for information systems outsourcing, a total 20 on line village banks were launched, with 13 launched in 2011 and another one under construction.

As of August 25, 2011, the bank signed a "memorandum of cooperation on proxy access to a modern payment system" with HSBC Rural Bank. Under the MOU, the bank will provide proxy access to a modern payment system service to the 11 village banks HSBC has established in the country, and rural banks initiated in the future, saving construction and operating costs for the village bank system.

Full-hearted reward to shareholders

The bank is committed to continuously create value and a steady return on investment for our shareholders, and to protect the interests of investors by improving the information disclosure mechanism and efficient investor relations.

To provide a stable and reliable return on investment

As of December 31, 2011, the bank's total assets was to 2,408.798 billion yuan, with a total net profit attributed to equity shareholders of the parent company at 25.505 billion yuan, an increase of 6.984 billion yuan, an increase of 37.71 percent year-on-year; earnings per share attributed to equity shareholders of the parent company reached 2.36 yuan, an increase of 0.54 yuan year on year. At the same time, the bank's corporate income tax, sales tax and other related tax totaled 12.026 billion yuan, an increase of 47.76 percent year on year.

In 2011, according to the 2010 profit distribution plan and capitalization program, and total share capital of 5,992,450,630 shares in late 2010 as the base camp, the bank distributed a cash dividend of 0.46 yuan (including tax) per share for all registered shareholders in record, with a total dividend of 2,756,527,289.80 yuan; with a base of the company's total share capital of 5,992,450,630 shares, the bank reserved eight shares for every 10 shares to all registered shareholders via capital accumulation fund.



The bank's president Mr. Li Renjie (sixth left) and secretary of the board Mr. Tang Bin (fifth left) attended the 2010 Annual Performance Report meeting.

To establish a sustainable investor relations

The bank is committed to establish and promote a sustainable development of investor relations, which is reflect in the bank's responsible attitude in treating investors and other stakeholders, and further implement the concept of responsibility, carry out investor relations through a variety of innovative ways and actively transmit and highlight the bank's core growth value.

To deepen the concept of disclosure duty, to enhance protection of investors' interest

- To adhere to the concept of obligation disclosure and abide by the duties of the continuous disclosure, follow in strict accordance with the relevant regulatory requirements and specifications guidelines, while continuing to strengthen information disclosure system building, take the initiative in the disclosure. To develop and strictly enforce the disciplines in the information disclosure management, internal information reports, and insider information management, to construct a comprehensive and effective system of information disclosure to ensure that the board of directors to fully disclose material information to the investors.
- Organize regular reporting and disclosure, to timely announce significant information and governance documents, the periodic report fully adopted the table combination caliber to show the bank's comprehensive development strategy and results of operations. The innovative design and printing of the annual report adopted its cover background of the traditional character "Feng" (harvest), with the form of illustrations in the text, highlighting each specialty plate and competitive products, so as to more fit the aesthetics and practicality requirements of the Annual Report as a business promotion supporting material. In addition, implementing awareness of the green and social responsibility, the report paper were printed on PEFC environmentally friendly paper, passing the bank's sustained concept of green finance.



The bank's chairman Mr. Gao Jianping delivered a speech at the 2010 Annual Meeting for Shareholders.

- To ensure that investors receive dividends as soon as possible, we drafted in advance the dividend payment and capital reserve conversion work arrangements, rapidly implemented and completed payment of cash dividends, income tax payment, and converting managed registration work, a month earlier than the required time limit.
- To further improve the insiders file registration system, ready the insider file registration and confidential tips, and strengthen insider duty of confidentiality, to effectively prevent insider trading. To set up insider trading prevention and control column on the new website of the bank, releasing the latest insider trading prevention and control regulations and regulatory dynamics, and publish the insider trading hotlines to encourage external oversight of insider trading.

To establish diversified channels of communication, and put attention to investors' feedback

- Follow the concept of "accessible communication, accurate transmission", we strive to build good investor relations and public relations when carrying out capital marketing. There were six promotional meeting organized throughout the year concerning performance report, media exchange, the business segment research and meeting with the fund director, and the bank's directors and senior management were arranged to attended the meeting.
- Participated in 11 investor forums organized by mainstream domestic and foreign brokerage, and more than 30 sessions of one-on-one and one-to-many communication with institutional investors; received more than 20 surveys by institutional investors and participated in more than 30 conference calls with analysts, replied to more than 200 copies of investor e-mail, and answered more than 800 investors Tel pass, which actively and objectively convey the bank's investment value.
- To optimize feedback function of investor relations, multi-dimensionally improve internal feedback mechanisms, and actively solicit investor opinions and suggestions for the bank to understand the market evaluation and expectations of the bank, completed more than 50 issues of the "Investor Relations Weekly", eight issues of "Investor Advisory Monthly Report" and five issues of "Briefing of Important information", which timely sent feedbacks of important information to the management, and provide references and suggestions for our business decision-making process and investor relations work.
- To closely track changes in the market, and maintain and update the website investor relations column content, organize investors' concerns and analyst reports, to carry out real-time updates of "Investor problems and prepared answer" to facilitate query and analysis for investors.

Industrial Bank is with relatively strong market awareness, apart from full and detailed disclosure of information, in several times of communications, it is coordinative no matter in telephone conference, or field research, with active help to contact the business departments, and also responds to issues in a timely and detailed manner, which is in the forefront of industry standards in communication with institutional investors.

A research analyst who has participated many times in the study the of the bank (Securities Daily, November 4, 2011)

With good performance in investor relations, the bank has won the top ten in "2010 top 100 most valued listed companies on the Main Board" by Securities Times, "2011 Golden Shield Award for Best Investor Relations" for listed companies in China, the 7th the Public Securities Cup for "Listed Companies with the Best Public Image Award", "Golden Tripod for Blue-Chip Companies" in the 7th China annual conference for securities market, Mr Gao Jianping, Chairman of the bank, received the "Award for Chairman with the Most Strategic Vision", and secretary of the Board, Mr. Tang Bin, was named the top ten board secretaries for company governance class 2010-2011 by the Shanghai Stock Exchange, the "2010 Top 100 Board Secretaries in Main Board Listed Companies", and "Gold Board Secretary" title of the 7th New Fortune.

Sincere services to customers

The bank continued to promote and improve infrastructure internally, and strengthen the external service channels and service network construction, via improving the financial services environment and products, we protect safety of customer transactions, promote convenience of financial services, increase customer satisfaction and trust, and improve service quality.

Innovative financial products and services

The bank insisted empathy in customer's perspective, continued to promote and improve the internal infrastructure construction, innovate financial products and services to promote the financial services program and tailored mechanisms to meet the differentiated and diversified financial needs of the customer. In 2011, while constantly improved the original characteristics of products and services, we explored our "Blue Ocean" in the field of personal finance, cash management, the precious metals business, credit cards, investment banking, and private banks to further enhance the core competitiveness.



"Golden Cube" cash management program

The bank is committed to provide the whole process of enterprise production and operation with digitization, networking and professional financial services, to enable monitoring, prediction and a panoramic visual and control of funding in the whole process, while taking into account the liquidity, safety and value-added demand to improve cash flow efficiency and effectiveness, and strive to help companies to build a unified cash management portal, to set up an all-round, multi-angle, and easy-operated cash management platform. Since the bank introduced cash management service brand "Golden Cube" in 2009, in just three years, the bank's cash management program has made significant progress to get the praise of many customers and third-party agencies, and effectively helped enterprises improve the efficiency of fund management as well as reduce financial costs and improve the management level.

Industrial Quick Loan

In 2011, we launched the Industrial Quick Loan to further intensify the efforts to support small and micro enterprises. In order to meet the "short, frequent and fast" financing needs of small and micro-enterprise, the "Industrial quick Loan" came up with work requirements to complete the loan survey within one working day after acceptance of business applications, and to complete response to the line of credit, period, interest rates, mortgage registration, and insurance within one working day upon the material collection, disbursement within one working day after approval procedures were completed, which offered the most convenient and fast financing services for high-quality micro-enterprises in need of funds, and was deeply welcome among small micro-enterprise customers.

Business Express

In the end of March 2010, we launched integrated financial services program "Business Express" targeting at "growth-oriented business owners" such as self-employed persons, individual businessmen, partners and private business owners. The plan included a series of service program including "loan financing, payment and settlement, financial planning, VIP service and exclusive recognition", covering a number of specialty products such as personal business loans, acquiring services, family financial management, VIP service, exclusive debit card and credit card, with a full range of services in the field of small micro-finance. More than a year after marketed, the "Business Express" brand is increasingly recognized by the operating owners, as of December 31, 2011, the personal business loan balances under "Business Express" exceeded 55 billion yuan, with more than 30,000 deals issued throughout the year; Meanwhile the "Business Express" individual acquiring business maintained a rapid growth, with the amount and number of transaction both ranked first among the same type of bank.



"Happy Life Respect Program" integrated financial services

In 2011, the bank introduced "Happy Life Respect Program" for the needs of the elderly groups, to offer integrated financial services program for the elderly customers to provide intimate and caring integrated financial services, and create the country's first integrated financial services brand for senior citizens. Meanwhile, we integrated value-added services such as VIP service, the health management, property security, and legal aid services to meet the special needs of elderly clients.



Carbon assets credit

In order to help domestic enterprises to build low-carbon competitiveness, the bank has developed its own carbon assets credit business in 2011, to put domestic enterprises' expected sales of carbon income as collaterals, and provide new ideas for freeing up the domestic enterprises' carbon assets inventory and make up for the inadequacies in their clean development, and effectively ease the financing difficulties of SMEs.



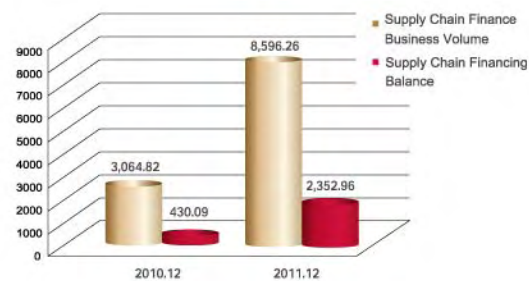
The bank held the "Industrial Express" Business Mobilization Video Conference, vice president Mr. Chen Dekang (fourth left) attended the meeting

Gold lease

We gave full play to the advantage of our professionalism in the gold market, and successfully launched gold leasing business following the precious metals pledged financing business. The business can help the gold-producing and consuming companies to resolve funding constraints, reduce the financial burden and to avoid volatility risk in gold price. Through this business, the bank provide a more comprehensive, personal financial services for gold-producing and consuming companies so as to seek mutual development and growth with the clients.

Supply chain finance

The bank actively seized the opportunities in the country's financial marketization, internationalization and integrated development, adhered to the business model of differentiated competition, refined marketing, professional operation, and intensive management, and built supply chain financial operations into a core business of the bank's financial sector through product innovation, process optimization, architecture reconstruction, platform perfection, brand building and other means, and late development advantage.



Business increases of Supply Chain Finance
As of the end of Dec 2011(unit: 100 million yuan)

DIY credit card

To promote low carbon concept and meet the needs of young and fashion customers, the bank combined low-carbon concept with DIY style, and jointly launched the DIY credit card with the Beijing Environment Exchange. The card uses the low-carbon biodegradable material, and the cardholder can design a cool card face based on their unique preferences, cardholders can also participate in the carbon purchase activities, where we will invested a cent upon the every swipe of the cardholder, and buy voluntary carbon emission reductions quotas from the Beijing environment Exchange on April 22 Earth Day.



Private banking

In 2011, the bank innovatively launched in the field of private banking the Active Management Valet asset management products, and prepared through the main vision of private banking brands for the issue of the exclusive private bank cards to carry out the customized personalized products and services for clients with ultra-high net worth. In addition, via cooperation with largest business jet service provider, the bank was the earliest to introduce business jet preferential booking service for private banking clients and other high-end customers among commercial banks.



In November 25, 2011, the Industrial Trust Co Ltd was awarded the 2011 "Most Potential Trust Company" in the CBN Financial Value Ranking (CFV) contest organized by the China Business News

Investment banking

To establish investment banking capabilities to meet the customers' full range and multi-level financing needs, the bank in 2011 continued to strengthen the innovation of investment banking products, and have achieved a major breakthrough in financing bonds in the super-short term bond, closed directional debt financing instruments, as well as enterprise's equity income rights, receivable income, and other claims relying on the issue of structured finance products, and actively explore financial advisory businesses in private equity financing and M&A.

Improve customer service system and the customer experience

Launch of a new generation of core system

The bank strived to create customer-based, high-quality service experience for customers. In 2011, a new generation of core business systems with our own intellectual property rights was successfully launched, which laid a solid technical foundation for the upgrade of service ability.



The new generation of the bank's core system was successfully launched, the bank's president Mr. Li Renjie (front row), vice president Mr. Lin Zhangyi (sixth left in back row) gave on-site guidance

Case 17: A solid, reliable technical support platform

In October 23, 2011, the bank's self-developed new generation core banking system was put into operation in Shanghai successfully. As the foundation move of the bank's "2011-2015" Five-Year Plan, the new system improved the operational efficiency, the customer experience, and service convenience, and meanwhile implemented functional remodeling focus on customers, products and processes such as dimensions, it has a valid support for our product innovation, process optimization, as well as the ability of management specialization and refinement, and will provide a solid and reliable technical support platform for the new round of rapid growth for the bank.

Strengthen the sense of customer service

To improve the quality of professional services and to promote the service team-building, the bank in 2011 organized a series of training activities including service training for the sales directors, services steering management, customer service satisfaction surveys, analysis training, and the lobby manager basic service skills training, to enhance the comprehensive service quality of the service team and service capabilities, as well as to improve customer service satisfaction. We actively promote the reform of the operating room management, to transform the operating room from the "transaction settlement type" to "sales service type", within the bank's network we build 20 "model" operating room, and use the experience to comprehensively improve the customer experience within the bank's network.

Case 18: Xuhui branch: to build a model network

In 2011, the Shanghai branch Xuhui office created a model network from six aspects: the network service environment (including hardware equipment), staffing and mental outlook, service processes and norms, business types and processing efficiency, business consulting and information disclosure, customer satisfaction system. Specific contents included the implementation of 5S (sorting, consolidation, clearing, cleaning, quality) on-site environmental management; time-limited service on common counter transactions and business; enrich financial information dissemination channels of the operating room; evaluation system based on customer service, periodic satisfaction survey, customer guestbook system, to form mechanism and a virtuous cycle to enhance customer experience. Upon completion of the transformation, the model network will be divided into the six functional areas cash district, non-cash areas, self-service banking service area, high-end customer experience area, customers rest waiting area, and online banking (telephone banking) experience zone.

Race to promote training and actively create atmosphere to strive to quality service culture, so as to effectively promote the upgrade of the service level. In 2011, we continue to organize skills competition on service standards among the bank's business counters, as well as the selection of the Industrial Bank 2010 "Service Star Branch" and "Service Star Employees"; and actively participate in the relevant services appraisal of the China Banking Association.

Handling complaints in a timely manner

Timely, efficient handling of customer complaints to protect the legitimate rights and interests of customers is an important part of our practice in social responsibility. The bank has established a customer service analysis and complaints processing mechanisms to improve the complaint handling process, and added in the video analysis to carry out in-depth analysis of the reasons for every complaint; the establishment of the recording listening and sharing guidance mechanism put into practice the "full service" and "first-asking duty" awareness; to properly resolve customer complaints and disputes to improve the quality of telephone service.

Industrial Bank Customer Service Center (95561) was established in 2003, and is a integration of telephone service hotline, e-mail, on-line assistance, text messaging services, micro blogging and fax customer service channels in one multi-functional customer service center, providing for all Industrial Bank customers with a 365 × 24 × 7 full year of uninterrupted high-quality customer service. In 2011, the bank's Customer Service Center has won the 2010 "Best Service Award" in the China Banking Customer Service Centre contest organized by at the China Banking Association.

In 2011, the bank's manual telephone service (CSR), received a total of 16,537,300 customer calls, 4,749,100 more than last year, or an increase of 40.29 percent; self-voice services (IVR) received a total of 44,739,400 customer calls, 14,670,400 more over the same period last year, or an increase of 48.79 percent; customer satisfaction achieved 99.71 percent.



Case 19: Service to protect language barrier-free services in Horticultural Expo

In 2011, in respond to the large number of international visitors in World Horticultural Expo, Xi'an branch actively promoted a barrier-free language services, organized 167 frontline service staff to participate in the World Horticultural Expo Financial English training; and established of Japanese and French services operator to provide telephone counseling service for foreign guests; each office has 2-3 first-line English speaking operators. During the Expo a foreign visitor come to a sub-office for remittance business, the lobby manager asked details of the remittance business, and accompanied the entire transaction business, afterwards the customer thumbed up with a less fluent Chinese the "thank you" to the lobby manager expressed his gratitude.



Expanding electronic channels

We actively expanded electronic banking channels, and strived to provide convenient, safe, and efficient e-banking services. In 2011, we continued to promote the standardization of electronic banking management, with continuous improvement and optimization of online banking, phone banking, and telephone banking services to improve the customer experience. As of December 31, 2011, there were a total of 236 e-commerce customers with deposit balance of 4.816 billion yuan, the alternative rate of the e-banking on counter service reached 65.20 percent, with the corporate online banking alternative rate at 62.34 percent, the alternative rate of personal online banking at 62.23 percent, telephone banking of alternative rate at 0.97 percent, and 2.89 percent of the alternative rate for mobile banking.

Online banking

The bank continued to speed up the process of online banking system building and platform optimization to improve user access speed and security. In 2011, we completed the upgrade of the online payment system, and conducted a comprehensive cooperation with well-known domestic third-party payment service agencies in the fields of electronic payments, bank direct payment, online shopping, mobile shopping, international credit card online interbank payment, electronic banking interactive marketing, and innovatively introduce the interbank cash receiving products to meet the needs for two-way transfer of funds between enterprise customers in the same city, different regions, as well as between different banks account.

Case 20: Industrial bank E-card

Industrial Bank E-card is a virtual-actual bankcard product, and gives full play to concentrated advantage of our core business and low-cost characteristics of the network channels to achieve the sharing of financial products and services. Its characteristics as follows:

- Break office limit to expand the bank's personal internet banking customers nationwide
- Break limits of personal business products regional to promote inter-regional sales
- Break regional concept to settle inter-bank transactions locally, enabling customers to enjoy the convenience in the "same city"
- Handle the business out of the counter, or even without the bankcard
- Interbank fund transfer is free of charge to the account in the bank and areas with offices of the bank

As of the end of 2011, the bank's corporate and interbank online banking active clients were 100,800, 44,100 more than the beginning of the year, or an increase of 77.78 percent, the cumulative transaction totaled 27.3424 million deals, with a the total transaction amount of 16.711463 trillion yuan; active personal online banking customers were 4.136 million, 1.1912 million more than he beginning of the year, or an increase of 40.45 percent, the cumulative transaction totaled 87.9684 million deals, with the total transaction amount of 3.464707 trillion yuan.

Telephone banking

In 2011, we expanded the telephone banking service capabilities, with the introduction of real-time transfer, and real-time inter-bank transfer function; adding new service of artificial account opening on precious metals business, and optimizing artificial telephone banking SMS value-added service management capabilities. At the same time, we promoted the process integration and optimization of back-office customer service, extended the business rights of the front-line customer service representatives, simplifying business circulation and improving service efficiency.

As of the end of 2011, the bank's telephone banking customers was 7.9664 million, 1.9092 million more than the beginning of the year, or an increase of 31.52 percent, the cumulative transactions totaled 1.3771 million, with a total transaction amount of 35.761 billion yuan.

Mobile phone banking

In 2011, the bank launched its mobile banking client application on iPhone and Android platform, with services such as interbank cash advance, real-time interbank transfer, interbank account information inquiries, and financial product sales, meanwhile optimizing the mobile phone credit card payments, credit cards self-payment, the national phone bill charge, regular turn demand, Industrial bank E-cards and other functions, adding the "financial product disclosure" channel, dynamic release of financial product information, to enable customer to carry inquiries on financial product information anytime, anywhere, the user experience, operating process optimization, and improvement of service functions were all enhanced.

As of the end of 2011, active mobile banking customers were 3.7209 million, 1.08 million more than the beginning of the year, or an increase of 40.90 percent, the cumulative transactions totaled 4.0786 million with a total transaction amounted to 19.261 billion yuan. The Wizard Messenger clients were 3.0176 million, an increase of 20.86 percent compared to the beginning of the year.



Protect the customer's right to know

We have always attached great importance to the protection of the customer's right to know, concerned about the disclosure of information in various stages of the products and services, and protected the clients the rights to have full access to the information of the products and services: in the product innovation stage, we clarify the client and our rights and obligations through the design of customer application and cards receiving contract; in the product promotion stage, we send information and tips to notify customers through promotional brochure, text messages, and announcements of the operating room in a timely manner.

Case 21: the right to know about financial products

The bank promptly disclosed on the website of the continued existence of the various types of financial products, including product set up announcement, operation announcement, redemption announcement, expiration announcement, and reference value / yield. Summary of due situation in next month's financial products were published monthly, so that customers can check at any time. On the homepage's personal financial section, the overall information of individual precious metals trading, open-end funds, insurance agents, agency and trust business are disclosed comprehensively; in the homepage's financial information section, the net value of businesses the latest information has been disclosed, as well as disclosure of risk information to investors.

Enhance customer information security management

The bank has always attached great importance to the protection of customer information security, through strictly implementing of the information protection system, standardizing the process of service delivery, and strengthening staff awareness, we improved the day-to-day information and data extraction, sending, receiving, using, archiving, cleaning-up and other aspects of management, so as to reduce the risk of data security, and protect customers' information and privacy.

Strengthen the management of electronic banking

In order to ensure the safety of the electronic transaction channel, the bank strengthened the SMS passwords applications, and introduced a unified security authentication e-banking system, it strengthened the financial card identity verification, added to telephone banking transactions card number verification, and ending six digits of the ID card verification for the mobile phone banking transactions, to strengthen the security of electronic banking channels via the multi-channel identity verification.

Enhance security

- Guidance to the branch to prevent crime has always been on our security agenda. In 2011, the bank adopted a continuous tracking and strict implementation to increase the guidance, and urged branches to implement specific measures, which achieved remarkable results;
- Organize personnel to focus on learning, analysis of cases and lessons, and strict implemented the night keeper duty system, to strengthen the night watch of self-service banking and self-service machines;
- Posting safety tips, warning customers to try not to use self-service machines at night;
- Installation unidirectional infrared curtain detection sensor, alarm facilities within self-service banking, to alert monitoring center attendant targeted concern to enhance the discovery and processing ability of sudden violence case;
- Installing self-service banking voice safety tips and remote audible and visual alarm, which can be remotely controlled by the monitoring center attendant to sound and light alarm device, and deter criminals in case of criminal activities and other emergencies;
- Installing plus note-door alarm device, to notify the monitoring center attendant for the first the situation of the self-service banking so as to improve reaction speed, to avoid man-made omission, and enhance the level of protection of self-service machines;
- Install the SMS alarm platform, to enable staff at the first time alarm information.



Case 22: "Identification camera" to ensure information security

To prevent "illegal credit card intermediary agencies" in the process of external credit card promotion activities, the bank in 2011 launched the credit card "identification camera" operation, which requires the credit card promotion staff to use mobile phones, digital cameras and other equipment to shoot pictures "the applicant overlapping with work permit", or a "group photo with the applicant" in order to achieve the effective recording and monitoring of the behavior in the process of external credit card promotion, so as to lock the applicant and the correspondence staff, and effectively eliminate the privately retained or fraudulent use of the applicant's information.

Case 23: The interception of fraud in Fuzhou Branch

In the afternoon of December 22, 2011, an elderly couple walked into the bank's Fuzhou Chengbei branch, to apply for the withdrawal and remittance business. The branch's account manager learned that the couple had received a strange phone claiming their grandson was kidnapped, and asking the ransom. Although the old gentleman has been informed that his grandson has not been kidnapped, the old lady insisted on paying to ensure future peace of the grandson. The branch account manager patiently reminded it was fraud for several times but the old lady refused to cooperate, and sub-branches can only make the teller to stall for as much time as possible, and reported the case to the police.

However, arrived police officers were still unable to convince the old lady. In this case, the Chengbei branch's person in charge of, the police and the old gentleman decided to contact the strange number asking for the account bank - Laodong Road sub-branch of Changsha branch, and requested to freeze the accounts of fraudsters.

The old lady eventually deposited to the fraudsters account of 5,000 yuan before leaving the operating room, and only after verification. The person in charge of the Chengbei branch contacted with the Laodong Road Branch, freeze the account immediately, and safely return the of 5,000 yuan deposit to the old gentleman's account in the afternoon. In this incident, the branch managed to ease the fears of the old lady, while preserved the clients' assets, and successfully crushed the attempt of the fraudsters.

Support to SMEs

We regarded the focus development of corporate finance smaller business, which meet future economic and financial development trend and with relatively small dependence on capital, not only to achieve the direction transition of the business model and profit model, but also an important measure to expand our customer base, and cultivate core customers, and more so an inevitable choice of the bank's of sustainable development.

Over the years, the bank attaches great importance to small business financial services, put the support to development of small businesses in a prominent position, and arrange special loan scale for small businesses, in which 20 billion yuan loans was arranged in 2010 specifically for small business loans, and 2011 was scheduled to grant no less than 30 billion yuan of credit support to small businesses, and focuses on protection of loans demands of small business with a total assets not more than 100 million yuan, with person specially designated to regularly monitor the new loans towards small business of the branches. As of December 31, 2011, the bank loans to self-defined small business (including discount) were 99.817 billion yuan, an increase of 66.93 percent compared to the beginning of the year; with continued growth in the number of clients, which reached a total of 231,000, an increase of 45.42 percent from the beginning of the year.

Improve service efficiency

The bank actively explored and optimized the credit mechanism for product marketing and risk control in accordance with features of SMEs, and established of differentiated risk management and control mechanisms to implement the operation principles of "unified credit standards, professional risk management, grade authorized approval" and improve the quality efficiency of credit service for SMEs.

Case 24: Rapid credit for enterprises to provide a timely help

A tea company in Nanping City in recent years saw rapid development of sales, which markets in major cities across the country. In June 2011, due to increased orders, the original loan amount cannot cope with the funding gap and the enterprise was in urgent need to increase fund for the procurement of raw tea leaves to produce. Having learned more about the situation of the enterprise, the bank provided the targeted "Industrial Quick Loan" financing program for the company, and completed the project survey submitted for review and approval within two days to, and granted 2.3 million yuan loans, allowing the company to be completed procurement of raw materials and deliver the orders on-time, solving the urgent needs of the customer.

To enrich the service content

The bank closely focused on the needs of small businesses, and created a "Sesame Blooming – growth and listing plan for SMEs" services brand to further enrich products and services for the small businesses, introducing "Industrial enhancement loan", "Industrial Quick Loans", small business self-built industrial plants mortgage loans, small business equipment mortgage loans, and small business syndicated credit pledge loans, and other products, to effectively help small businesses to broaden the financing channels, and lower financing costs, and to meet the diversified financial needs of SMEs at all stages.

"Sesame Blooming – growth and listing plan for SMEs" is the bank' tailor-made product for SMEs covering corporate finance, capital operation, development planning, wealth management, corporate governance, service projects, product for SMEs, targeting at their demands for financial services in the three different stages of start-up, growth, mature, with an integrated application of the rich, flexible, and professional traditional banking financial instruments and investment banking services functions, ranging from direct financing, indirect financing, cash management, investment banking and other financial areas, so as to create growing and listing path for SMEs, and achieve a "mutual development and growth".

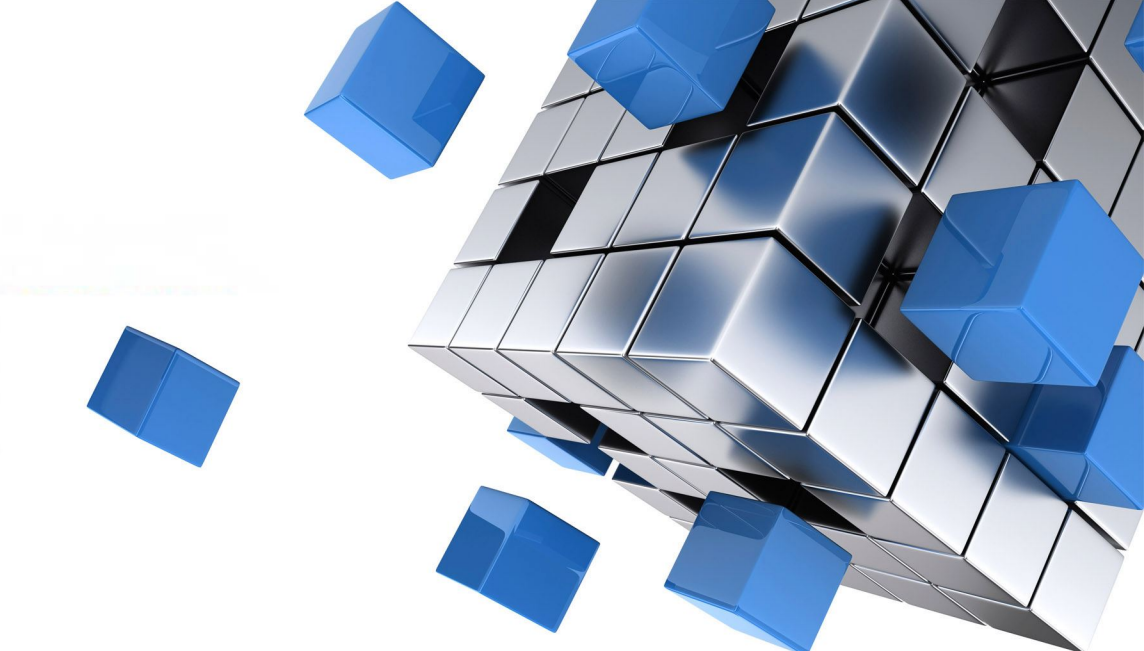


Case 25: Full support for the development of small businesses

A company registered in Shanghai is a high-tech enterprise specializing in renewable R&D, production and sales of medical materials and regenerative medical implants. Since the establishment of the company, the bank's Shanghai branch has provided financing services to support the company on many occasions from start-up period to the growth stage. In order to help businesses continue to become bigger and stronger, and realize the dream of being listed, the bank tailor "IPO financial services Project", integrated a number of credit business financing tool, while introducing services like listed planning, management consulting, private equity financing, financial advisory to provide a full range of financial services for its entire listing process. Under the joint efforts of both sides, the company was successfully listed on the GEM in 2011, and has since embarked on a rapid development on a broader road.

Case 26: Successful issuance of the first special financial bonds for small business loans

In December 2011, the bank successfully issued its first special financial bonds for small business loans of 30 billion yuan, with 5-year fixed-rate and a coupon rate of 4.2 percent. This marked the 2011 policy calling for prior support to the issuance of the special financial bonds for small business loans by commercial banks was firstly realized by the Industrial Bank. This is only bond in the inter-bank bond market especially for small micro-enterprise loans, and first bonds issued by commercial bank after the door on financial bonds re-opened. The bonds will be mainly used for the small and micro-enterprises eligible for newly launched loans in 2012, including increasing support of multi-channel financing to small micro-enterprises, as well as innovating small business financing model, it focused on promoting the application of innovative products such as joint loan, cycle loans, the amount revolving loans, the professional market innovative products solutions, plant mortgage, energy conservation loans within small business customers, and continue to enrich, improve and optimize the combination of products package.

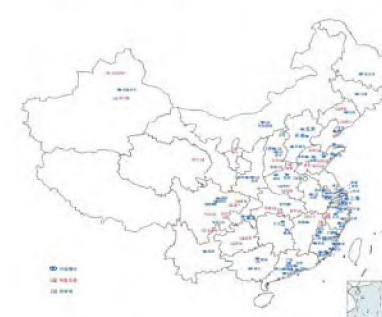


Common development with the industry

The bank actively cooperated with the industry. As of the end of 2011, the bank to bank platform has 299 contracted customers, an increase of 53 from the beginning of the year, including 238 online customers, an increase of 61 compared to the beginning of the year; 86 counter exchange banks, a linked network of more than 15,000, and nearly 60 village banks clients with proxy access to online payment system; 95 third-party depository securities companies; and 21 finance companies with direct connection online.

Development of platform to promote the sharing of financial resources

The "Bank to Bank Platform" is the brand name of the bank's output of products and services for small and medium-sized bank, by regarding management, technology, and business processes as products we establish the mechanism of resource sharing and complementary advantages of cooperation with medium and small sized banks, which not only extends the bank's service network, promotes the common development of a number of small and medium banks, but also reduces the redundant construction of small and medium banks, and improve the social efficiency of resource allocation, thus is with great social value.



The bank further enriched the customer base for Bank to Bank platform, expanding the coverage of the network while Improve the platform's agent payment settlement capabilities and customer service levels. In 2011, the bank focused on the provincial rural credit cooperatives, with seminar held in the Changbai Mountain, cooperatives in Jilin, Jiangxi, Fujian, Inner Mongolia have all launched their Bank to Bank platform products in 2011, the number of counter exchange network improved significantly to contribute the new rural financial system. At the same time, a group of large and medium banks including the Prudential Bank, Bank of Ningxia, Longjiang Bank, Wenzhou Bank, Guangdong Postal Savings, Bank of Quanzhou, Huarong Xiangjiang River Bank, have jointed the platform, with the bank cooperation network more complete. It is expected that the counter exchange network will exceed 18,000. (counter exchange business to connect 86 banks nationwide)

The bank is committed to product innovation of Bank to Bank platform, and accelerated the development of payment clearing platform and financial portal product carried out under the platform, in 2011 the platform carried out upgrade of financial portal, improving the structure of the financial portal product, while maintaining the innovative advantage and market position of the platform. At the same time, we accelerated the implementation of scientific and technological output, added information system construction and managed cooperation of 13 village banks throughout the year, with a cumulative 29 on-line and the system running smoothly, the core system availability of various cooperative banks reached 100 percent. We carried out proxy access to payment systems cooperation with nearly 60 village banks, in which provided proxy access to payment systems services for the 11 village banks initiated by the HSBC bank in the country, causing widespread repercussions in the industry. The village bank services cases received the 2010 Annual Financial Products Marketing Award from "Banker" magazine, and agent village bank access to payment systems services was awarded the "2010-2011 Fujian outstanding achievements of payment and settlement" by the People's Bank of China Fuzhou branch.



The bank and the Dongying City Commercial Bank held a Bank-to-Bank Platform Official Launching Ceremony, president of the bank Mr. Li Renjie (third left) and vice president Mr. Chen Dekang (second right) attended in the ribbon-cutting ceremony

Deepen the cooperation of Banks and Securities for win-win development

We actively cooperate with regulatory authorities and settlement institutions, joined in hands with securities companies to explore the process improvement and service innovation. In 2011, the bank has developed new features such as the online contract, non-trading day transfer, and upgraded the third-party depository system, improved system service, and optimized the customer experience. We actively participated in the margin trading, and developed and tested margin trading system with the securities company, signed an agreement in parallel Internet line with five securities companies in the reporting period, and a total of 22.

In 2011, we optimized the evaluation and management system of interbank financing business, and further standardized the bank's trust fund collection and payment services, implemented the Trust Financial Services Trust Company access mechanism. In 2011, the bank issued a total trust and wealth management products of more than 150 billion yuan throughout the year, with a cumulative agent trust fund receipts and payments of 24.745 billion yuan.

Asset custody business of the bank has always followed the mission to provide customers with efficient, high-quality, and professional asset custody service, and continue to broaden the field and scope of custody

services. Especially in custody trust scheme, commercial financial products trust scheme, the fund accounts financial custody and securities directional asset management hosting, the bank's managed innovation, business scale and number of products remain at the forefront of the industry level, which build a characteristic product platforms of the Industrial Bank custody business.



Promotion of livelihood finance

"Housing, medical, academics" are what we bear in mind as the fundamental of development, we pay continuous attention to the livelihood areas, continuously increase credit support to the projects related to people's livelihood, and give financial support of the key projects in housing, medical care, education, and re-employment.

Support to housing improvement

The bank continued to increase financial services for affordable housing, renovation in shantytowns in the city district, and provided multi-faceted financial support such as loan fund support, settlement of accounts, and financial management. In 2011, we added (to support poverty alleviation) credit balance of the demolition of the transformation 2.328 billion yuan, which were mainly used for the renovation in shantytowns, urban renewal, construction of affordable housing and other fields.

Case 27: Three billion yuan to help Hanzhengjie renovation

Hanzhengjie is one of the country's largest commodity distribution centers and is famous for its small commodities wholesale businesses. As time goes by, the lack of overall planning and security risks of Hanzhengjie were gradually highlighted, and had become the bottleneck of its development. To this end, the local government decided to promote a comprehensive renovation and relocation of the Hanzhengjie region. To actively support the Hanzhengjie shantytown renovation project, in September 2011, the Wuhan branch of the bank signed a strategic cooperation memorandum with Qiaokou government, to provide three billion yuan financing support to Hanzhengjie shantytown demolition project, boosting the overall relocation and renovation project in Hanzhengjie, and fired the first shot of support by financial institutions to the overall Hanzhengjie relocation and renovation project.

Case 28: Continue supporting the renovation of Harbin shantytown

The bank's Harbin branch continues to increase support for livelihood projects. As of the end of 2011, the branch has provided a total of 4.745 billion yuan loan to the Harbin City shantytowns renovation project, and distributed 2.235 billion yuan demolition and relocation expenses to the city's 29 shantytowns renovation projects. Among them, 1.054 billion yuan were paid to 45,978 households while 1.181 billion yuan were paid to 975 companies, which strongly supported the Harbin City's shantytowns renovation projects.

Case 29: Sincere service to Kunming's reconstruction of the city village

The bank's Kunming Branch actively supported the reconstruction of the city village in Kunming. The branch set up a specialized financial services working group to develop a detailed demolition plan – "Xingjialiye (build your home) financial services program", to implement the financial services for the demolition project.

During the service process, the branch staff carried out one-on-one customer service to the home. At the same time, an assorted solution was formulated according to their consumption and investment needs, so as to provide residents with the most practical services. The branch also offered a number of high-quality value-added services such as free remittance fees, medical treatment green channel, and registration with well-known experts and free medical examination. From February 2011 to the end of December, the branch commissioned by the local government had issued the demolition compensation of more than 690 million yuan to a total of 3,000 relocated households, which received the praise of quality service by the government departments and the residents.

Case 30: Support to Xi'an's affordable housing construction

In November 2011, Industrial Trust Company Limited issued a loan of 200 million yuan to Shaanxi Jin Taiheng Industry Real Estate Development Co Ltd, the funds earmarked construction for Xi'an's affordable housing in Jin Tai Yi Jing Garden (a). Upon completion of the project will address the housing difficulties for 1,207 households of urban low-income families in Xi'an, which improved of living quality and social harmony of Xi'an residents.

Support healthcare development

We actively support the national healthcare development, and support the improvement of primary health infrastructure and medical conditions via financial services to. As of December 31, 2011, the bank's loan balances in healthcare, social security and social welfare reached 2.072 billion yuan, which resolutely support the development of national and local public health services.

Case 31: Fujian Wuyishan City hospital relocation project

Wuyishan City Hospital is the largest general hospital in Wuyishan City with the most complete techniques and medical equipments. The hospital was built during the 1970s, but with the accelerating process of urbanization and fast growing urban population and visitors, the issue of narrowness and outdated infrastructures and other problems become obvious, and could no longer meet the growing needs for medical treatment of local residents and visitors. In September 2011, the bank's Nanping Branch provided the 150 million yuan in loans to support the relocation of Wuyishan City hospital, upon completion the new hospital will see the number of its beds raised to 640, with 12 ICU beds, and the establishment of rescue, treatment, testing, surgery radiation, observation, infusion and other departments. This will promote the improvement of hospital infrastructure and medical conditions for local residents, so as to provide a comfortable, safe and healthy medical environment.

Concerned about the education

A hundred years' goal is based on education, the bank has always concerned about the development of education, and put efforts in expanding cooperation with educational institutions. As of December 31, 2011, the bank's credit balance in education sector was 758 million yuan.

Case 32: Assist Yunnan Nationalities University to improve the teaching conditions

Yunnan Nationalities University is the only University in Yunnan province co-founded by the Central Ethnic Affairs Commission and the Yunnan provincial government; it is with certain influence and competitive advantage among the National Universities, and has received support and recognition from the central leadership and local government. The relocation project of a campus Chenggong has been completed, which has remarkably improved teaching conditions and quality, however, due to a larger initial investment, the project was facing funding constraints. In June 2011, the bank's Kunming branch provided 30 million yuan in loans for the University in its most difficult time to solve the problem of fund shortage of in its later education, which laid the foundation for sustained and healthy development of the University and business penetration, and to promote the educational development of Yunnan minority groups.

Increase support to laid-off workers

The bank positively respond to the employment policy introduced by the governments all over the country, and launched a small amount secured loans for laid-off workers to solve the difficulties in the venture and employment of laid-off workers, so as to provide financial support for the business start-ups and re-employment of laid-off workers.

As of December 31, 2011, the bank's payment in small loans for laid-off workers totaled 121 million yuan, and granted Business Express card to 177,600 individual private owners, which cumulatively supported start-ups and re-employment of more than 1,600 laid-off workers, and created economic output of more than 10 million yuan.



A hand holding a paper airplane against a green background with a field of crops below.

ENVIRONMENTALLY FRIENDLY

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Advancement of green credit

The bank has always believed that it is a general trend for the banks to implement the national green credit policy and develop sustainable finance, because it on the one hand promotes implementation of China's sustainable economic and social development strategy, and on the other hand, it encourages the banks to pay more attention to long-term interests rather than short-term interests, to consciously unify self-development goals to the social goals, and to promote the enterprises to change their mode of development through financial leverage, and ultimately to achieve a "win-win" among banks, enterprises, economic, environmental and social development.

In this regard, we earnestly implemented the national green credit policy, established specialized agencies as required, strengthened organizational promotion, and carried out a comprehensive combing and recycling of the entire business processes, strengthened internal capacity building, introduced specialized talents, developed incentives measures, and established a linkage mechanism between head office and branches, set up a green credit implementation platform, established environmental and social risk management daily monitoring and risk investigation mechanism, and gradually impelled the implementation of the green credit policy.

Strict implementation of access to green credit

- To correctly guide agencies to expand green financial business such as energy conservation and emission reduction, and to promote low-carbon concept, to achieve economic efficiency in the output while at the same time taking into account the social benefits.
- To attach great importance to the environmental performance evaluation of clients or projects, and to enquire the customer's environmental record in credit information database in the credit process, while carrying out the "environmental veto" mechanism.
- To focus on the audit of the client or project's environmental legal compliance and completion of emission reduction, no credit to new clients and no new credit to existing customers that do not meet the requirements and no new credit for existing customers, and at the same time urge them to improve environmental record to pass the environmental impact assessment (EIA), and we will gradually pulling out if they still do not meet the standard.
- To increase credit support to the recycling economy, environmental protection and energy conservation and emission reduction technological innovation projects, and established a perennial project reserve system in accordance with the requirements of "bigger and stronger".
- To continue promoting the Equator Principles, to enhance the customer's environment and social risk management performance level. (Implementation and case of the Equator Principles project can be found in "The Practice")

Introduction of the green credit professionals

- To establish and continue improving the environmental and social risk management expert pool mechanism, and screen out internal and external expert resources based on industry, geography, and scale, carry out professional training and strengthen professional management and qualification management.
- To recruit professionals with experiences in energy conservation and emission reduction technology services or project management, meanwhile establish technology access standards in segmented sections relying on the external expert support system, and take the lead to carry out "measurable, reportable and verifiable" evaluation on the environmental efficiency of all green financial services, so as to build a leading green financial technology service system.

Introduction of the green credit incentives

- To arrange special credit amount to support green credit projects such as energy conservation and emission reduction projects or projects applicable to the Equator Principles, to encourage the branches to solve financing needs of the green credit in a non-credit way;
- To optimize the attribute identification processes for the green finance project such as energy conservation and emission reduction projects, and improve technical support capabilities of the branch managers for green financial products;
- To expand approval authority of green finance businesses in the branches to help promote development of green financial market such as regional energy conservation and emission reduction;
- To configure a two-lane expense, and encourage operating organizations to carry out innovation in the product and service of carbon finance business.



Make full use of environmental information sharing mechanism

In our opinion, the establishment of an environmental information-sharing mechanism with banks will help improve the information symmetry in the banking institutions' credit businesses, and help the banking financial institutions to guard against environmental and social risks. The bank on one hand actively use the information provided by the sharing platform in the credit review, and on the other hand, timely submitted the use of environmental information to the regulatory authorities, to promote improvement and extension of environmental information-sharing mechanisms. Since 2008, the bank's branches in Fujian province have made full use of information provided by the environmental information sharing platform co-established by the Fujian Banking Regulatory Bureau and Fujian province Department of Environmental Protection, which effectively prevent environmental and social risks.

Case 33: Take full advantage of the environmental information platform, and pay close attention to corporate environmental performance

In the second quarter of 2011, the bank's Quanzhou branch was informed by the environmental information sharing platform that two of our personal loans customers have received penalty from local environmental protection department. The Quanzhou branch immediately organized post-loan check on the enterprises, with positive communication and coordination with customers, closely tracking the rectification, and urged enterprises to meet environmental protection standards.

Strict restriction on loan to the industries with high pollution, high energy consumption and overcapacity

In 2011, the bank actively responded to the national policy, and strictly controlled loan size and adjusted the credit structure in high energy-consuming and high polluting industries, while earnestly implemented the industrial policy and market access standard on new projects of these industries, and firmly refused to credit to project without environmental compliance. As of the end of 2011, the bank's loan contract balances in these industries (electricity, iron and steel, nonferrous metals, building materials, petroleum processing, chemical) totaled 53.3 billion yuan, accounting for about 5.43 percent to the total amount of loans, with a non-performing loan ratio of about 0.61 percent; the bank's loan contract balances in industries with surplus production capacity (steel, cement, flat glass, coal chemical, polysilicon, wind power equipment, as well as aluminum, shipbuilding, and soybean processing) totaled 18.635 billion yuan, 8 percent less than the beginning of the year, which accounted for about 1.89 percent to the total loan balances, 0.47 percent less compared with the beginning of the year, with a non-performing loan ratio of about 1.04 percent, about 0.12 percent less compared with the beginning of the year; the bank has exited from 16 clients with backward production capacity, pulling out a total of 96 loans, or 1.427 billion yuan, while refused 1.03 billion yuan such loans.

Actively develop green finance business

In 2011, we continued the expansion of green finance business, and strived to pass green philosophy to the businesses of wealth-management, trust, financial leasing, and bills products.

Since 2006, the bank has gradually formed a green financial business based on two products, the energy conservation and emission reduction, financing business and emission permits financing business, with a business scope over the Yangtze River Delta, Pearl River Delta, the Bohai Rim, northeast, central, western and West Coast and other major economic regions, covering six areas of energy efficiency, new energy and renewable energy development and utilization, carbon emission reduction, wastewater treatment and water treatment, sulfur dioxide emissions reduction, and solid waste recycling, which covered the ten key energy-saving projects. As of the end of 2011 (since January 2007), we have granted a total of **2,325** green finance loans including energy conservation and emission reduction, and emission permits financing business with an amount of **88.416** billion yuan, the green finance and credit programs can help our country to save **22.3106** million tons of standard coal per year, and cut annual emissions of carbon dioxide by **63.9748** million tons, as well as **838,900** tons of chemical oxygen demand (COD), **11,600** tons of ammonia, **43,600** tons of sulfur dioxide, **6,900** tons of nitrogen oxides, and meanwhile realized comprehensive utilization of **8.1626** million tons of solid waste, and water saving of **95.6356** million tons a year.

In 2011, the bank also handled **46** green financial business using the green concept in six business areas of financial leasing, trust loans, short-term financing bills, medium-term notes, SMEs collection notes and entrusted loan, with a total amount of **13.354** billion yuan, which were distributed in industries such as improvement of water environment, coal, electricity, new energy and renewable energy, promotion and application of natural gas, solid waste treatment and disposal, and chemical .

Energy conservation and emission reduction financing business

In 2011, the bank put finance business of energy conservation and emission reduction as a key credit, continued promoting "8 +1" financing services model under energy conservation and emission reduction technical innovation projects, clean development mechanism (CDM) and energy management contract (EMC), buyer credit of the energy conservation and emission reduction equipment suppliers, production increase of energy conservation and emission reduction equipment manufacturers, utilities service providers, financing leasing, emission permits mortgage, and other pluralistic financing model.

Financial business of the emission permits

In 2011, the bank has actively took part in domestic carbon trading market, set up carbon finance business cooperation platform, join hands with Shanghai Environment and Energy Exchange to conduct a financial innovation of pilot carbon trading in Shanghai.

Case 34: A strategic cooperation agreement in a carbon trading areas signed between Shanghai branch and Shanghai Environment and Energy Exchange

In November 2, 2011, the bank's Shanghai branch and Shanghai Environment and Energy Exchange formally signed a strategic cooperation agreement in the field of carbon trading. The two sides will uphold the concept of sustainable development, and give full play to Shanghai's market leverage and financing capability as the pilot of the carbon trading, and are committed to promote the development of low-carbon economy via financial innovation and transaction services. Based on the opportunities in this cooperation, the bank will explore carbon financial products and services system in line with the Chinese carbon market characteristics, to build the whole-process and wide-ranged carbon finance services providers.



The bank launched a strategic cooperation with the Shanghai Environment and Energy Exchange, head of the bank's Shanghai branch Mr. Yu Xiaoqing (right) and general manager of the Shanghai Environment and Energy Exchange Lin Jian (left) signed the agreement

To coordinate with an orderly conduction of the paid utilization and trading of emission permits in China, and assist the government to build an in-depth economic system favorable to a market allocation of environmental resources, the bank took the lead to launch a series of innovative financial services on emission permits, including product design and consulting, emission permits paid utilization fund management and financial management, emission permits mortgage credit, emissions trading consultants/brokers, diversified financing in pollutant emission reduction projects, capacity building of emissions trading enterprises.

Case 35: The first emission permits mortgage loan

In March 2011, regarding the 30.91 tons initial emissions rights of chemical oxygen pollutants demand per year of the enterprise as loan collateral, the bank's Jiaxing branch issued the first emission rights mortgage loan of 1 million yuan to Jiaxing Xinlong Dyeing and Finishing Co Ltd, a small business in Xiuzhou District. The loan alleviated its shortage of liquidity to purchase emission permits, helped further deepening the emissions trading system, continued broadening the financing channels for SMEs, and effectively promoted energy conservation, structural adjustment and upgrading.

Case 36: Jointly promotion of the use and trading of Shanxi emission compensation

In October 21, 2011, in the emissions trading center of Shanxi Province which has just inaugurated, the Environmental Protection Bureau of Shanxi Province and Taiyuan branch of the bank signed a strategic cooperation agreement. Under the agreement, the bank will vigorously innovate green financial services by means of emission permits mortgages, diversified green financing, and provide special credit support for construction of key projects in pollution abatement in the province during its 12th Five Year Plan such as desulfurization and denitrification of thermal power, metallurgical and other key industries, as well as development and technological innovation in environmental protection industry.



The bank's Taiyuan branch signed a strategic cooperation agreement with the Shanxi Provincial Department of Environmental Protection, vice governor of Shanxi Province Mr. Niu Renliang (fourth left in back row) attended the ceremony, head of the Taiyuan branch Mr. Fan Sanxing (front left) and director of the Shanxi Department of Environmental Protection Mr. Liu Xiangdong (front right) signed the agreement

We independently developed carbon assets assessment tools, and launched the country's first carbon assets pledge credit business, the first deal has successfully landed in Fuzhou, Fujian province in April 2011.

Case 37: The development of carbon assets pledge credit business to take the lead in the layout of the carbon finance market - Min Hou Wangyuan 20 MW hydropower project

In April 2011, a private hydropower enterprise in Fujian pledged with the expected carbon sales income in the future of its 20MW small hydropower project, and successfully acquired financing support from the bank. The small hydropower CDM project was successfully registered with the United Nations in June 2010, with an expected annual emission reductions of 43,000 tons, and has signed an emission reductions purchase agreement (ERPA) with a carbon assets company from Sweden, with the transaction price of \$10.3/ton. The bank put the hydropower project's future receivables (carbon sales revenue) as collateral security, and designed an initial 1.08 million yuan credit programs for project owners, and will continued to optimize credit program depending on actual reductions in emissions and operation of the project. At the same time, we helped the client to achieve a more reasonable emission reduction trading agreement using our legal, financial and negotiating advantages.



In addition, we opened the first carbon delivery guarantee; provided transaction settlement and fund depository services for the first single voluntary carbon trading; established long-term relationship of cooperation with dozens of China's most active international carbon buyers, and has fostered signing of emission reduction purchase agreement (ERPA) for more than 10 projects.

Wealth management business

We gave priority in supporting green trust wealth management business engaged in the new energy power development, especially in the green industries such as the design, development, construction, management and operation of wind farm project, and actively promoted ecological construction and green industry-oriented financial services, while provided ecological protection and new energy development-related financial investment products to retail customers, to publicize the concept of sustainable development to the public through the creation of retail financial products.

As of late 2011, the bank issued 3 green wealth management business, with a size of 4.234 billion yuan.

Financial leasing

A wholly owned subsidiary of the bank - Industrial Bank Financial Leasing Co Ltd - adhered to the green finance concept, and focused on expanding the energy conservation and emission reduction equipment leasing business according to the demand of the market, further strengthened the professional capacity-building to improve the innovation and service capabilities of "green lease" product, focused on energy conservation and emission reduction, emission reduction and saving, clean development mechanism(CDM), renewable energy and other areas of business and created "green lease" products and services, extending the field of green financial business while expanding their business scale and effectiveness. In 2011, Industrial Bank financial Leasing granted a total of 27 energy conservation and emission reduction projects, with a total amount of 7.075 billion yuan, accounting for 36.92 percent of the year's total.

Case 38: Kunming Sunshine Foundation CDQ Waste Heat Power Generation EMC project

Kunming Sunshine Foundation Co Ltd (hereinafter referred to as the "Sunshine Foundation") is a well-known enterprises in Yunnan province specialized in industrial energy efficiency, industrial automation, and software development. In November 2011, with direct financing lease transaction structure and the Sunshine Foundation as lessee, the bank involved in the project owners Linyi Yehua Coking's dry coke quenching (DCQ) waste heat power generation project through energy management contract (EMC). The project fully recycled waste heat for power generation and coke production process to achieve the efficient use of resources and to avoid the large number of harmful gases and emissions in traditional process, while saving a lot of water resources with a remarkable energy conservation and emission reduction effect.

Upon completion the project could recover 60,217 tons of standard coal each year, with processing of 1.6 million tons of coke annually, it is equivalent to a recovery for 37.63 kilograms of standard coal per ton, and will reduce carbon dioxide emissions by 43,700 tons a year, saving 170,000 cubic meters of water. Projects exhaust are all recycled to achieve social, environmental and commercial benefits, which not only solved the problem of environmental pollution of the wet coke quenching gas emissions in dust, phenol, cyanide, sulfide and other harmful substances, but also provides an effective way for the utilization of waste heat in coke production process, and is with significant economic benefits.

Trust business

As a holding subsidiary of the bank, Industrial Trust Co Ltd emphasized on the potential impact of the financing project on the environment, and included the potential rewards, risks and costs associated with the environment in the evaluation of the project, requiring financing projects not only to be with good economic returns, but also to comply with national environmental requirements.

In 2011, the company actively cooperated with the countrys' economic structural adjustment strategy, and invested funds in the industries and areas with much-need of economic and social development, focused on supporting the integration of coal resources in resources-rich provinces of Shaanxi, Inner Mongolia, and Shanxi, raised social funds to help local enterprises to solve funding gap in the coal resources integration, and contributed to the

development of China's coal industry to the intensive direction.

During business innovation, the counterparty's sense of social responsibility was put into evaluation, In the management of access to specific projects, we give full consideration to the impact on the environment, resolutely eliminate the high energy consumption, low efficiency projects, while given priority in supporting the financing of projects focusing on environmental protection and safety design.

Credit card

Since January 2010 issuance of China's first low-carbon theme credit card, the bank continued to promote China's low-carbon credit card in 2011, bringing green consumption into millions of households, attracting more and more ordinary people with passion for environmental protection to participate in low carbon actions, which brought "living water" to the low-carbon cause. As of the end of 2011, China's low-carbon credit card issuance totaled 153,889, with an accumulated 32,193 tons of voluntary purchase of carbon emission reductions, which was equivalent to neutralize the carbon emissions of approximately 231,000 people flying 1,000 km in aircraft.

Meanwhile, carbon purchase funds of Chinese low-carbon credit card holders effectively supported a series of carbon reduction projects such as the Huanan Hengdai Shandong wind power electric carbon emission reduction project, Hunan Dongping 72MW Hydropower carbon emission reduction project, Guangdong Xiaping landfill gas collection and use project, which effectively reduced greenhouse gas emissions via credit card carrier, and achieved the bank's commitment to low-carbon action.

Case 39: Huanan Hengdai Shandong wind power electric carbon emission reduction project

The Huanan Hengdai Shandong wind power project was installed with 29 wind turbines, with a total installed capacity of 24.85MW, transmitting 51.30GWh electricity to the Heilongjiang power grid per year, while producing carbon emission reductions of 58,794 tons, which both effectively relieved the pressure on the local power grid, and also contributed to the development of local tourism and ecological agriculture. The project adopted VCS2007 standards, with authentication and certification from an independent third party audit SGS with audit qualification: the project produced 66,207 tons of voluntary emission reductions (VERs) in 2007 and 2008. The project was selected from the Beijing Environment and Energy Exchange platform. Since August 2010, the bank's credit card holders continued buying voluntary carbon emission reductions through the "Credit Card Carbon Emission Reductions Individuals Purchasing Platform", which to some extent support the implementation of this project.



Case 40: Purchase of voluntary carbon reduction as a tribute to "Mother Earth"

In April 22, 2011 the World Earth Day, the public welfare fund established by the bank's credit card center "Low-carbon Happy Life Fund" purchased voluntary carbon emission reductions of 1,108 tons, which was equivalent carbon emissions of 8,000 people flying 1,000 km in aircrafts, as a special gift of a the "Mother Earth".



Initiation of green operations

We continuously improve the efficiency of resource use, and the internal environmental management system, promote the use of energy-saving supplies and encourage employees to establish a scientific awareness of energy conservation, and to achieve the goal of "Saving bank".

To promote environmental awareness and implement energy conservation and emission reduction behaviors

To improve the green operation system	<p>To develop environmental and social risk management policies, and clarify green operational objectives, responsible departments, and job content;</p> <p>To develop, promote and implement energy management approach of our office, to promote establishment of a green office and a virtuous cycle of common supervision and environmental protection.</p>
To enhance the awareness of energy conservation and emission reduction	<p>To introduce system management, to set standards for energy consumption, remind signs, and printed low-carbon manuals and posters, to carry out various energy conservation and emission reduction initiatives, and increase employee's awareness of energy conservation in a variety of ways, and cultivate healthy, energy-saving work and life habits.</p>
To standardize of green procurement	<p>To strict implement the management of office supplies, and include requirements of energy conservation, green, and supplier environmental and social performance, and the state energy conservation certification into the equipment and office supplies procurement evaluation criteria.</p>
Electronic office	<p>To improve electronic workflow, promote office automation systems, remote training, video conferencing, mobile office system, and advocate a paperless office.</p>
To promote low-carbon travel	<p>To strengthen the management of official vehicles, cultivate good habits of the drivers' fuel-efficient emission reduction;</p> <p>To carry out maintenance of public vehicles on a regular basis to ensure the best condition of the vehicle and reducing fuel waste;</p> <p>To promote the use of public transport, cycling or walking to work, and prevent personal use of official vehicles.</p>
To refine the management of daily energy consumption	<p>To control power consumption, turn off electrical equipment in a timely manner, to achieve "easy energy conservation and emission reduction by turning off lights";</p> <p>To keep the air conditioning temperature control at 20 °C in Winter and 26 °C in Summer; To promote water conservation, and actively create conditions to improve water reuse; To reduce the amount of paper documents, promote two-sided print, recycle and reuse copy paper and office supplies, reduce office supplies usage;</p> <p>To widespread use of energy-saving products, phase out high energy consumption low efficiency facilities and equipment to promote thrift behaviors.</p>

Case 41: Renovation of head office building focus on environmental protection and energy conservation

In 2011, the head office in Fuzhou carried out interior decoration and renovation. We used environmentally friendly materials in the decoration process, using T5 energy-saving lamps to replace the original T8 lamps, which saved 30 percent energy with a single light bulb. Upon completion of the renovation, we invited the testing centers to carry out environmental testing and indoor air monitoring of the indoor environment and office appliances. Meanwhile, we placed activated carbon, green tea stems and other items, and provided the air cleaner after the staff moved into the office to minimize the residual odor after the renovation.



Case 42: "Earth Hour" public environmental activity

In March 25, 2011, the bank sent a letter to nearly 30,000 employees calling for participation in "Earth Hour, to make a change to the Earth", and appealed to the majority of the Industrial Bank employees to concern about environmental and climate issues, caring for the earth, and support the social, economic and environmental sustainability via environmental protection and low-carbon behavior. In 20:30, March 26, 2011, the bank's office turned off the roof billboard, office landscape lighting, and office lighting for an hour, to support energy conservation with a simple and direct lights-off move, promoted low-carbon lifestyle, appealed to employees and customers to enhance attention, awareness and action to environmental and climate issues, and caring for the earth, and to support the sustainable development of the social, economic, environmental, via environmentally friendly, low-carbon behavior.



The bank received "2011 Earth Hour Participation Certificate" issued by the Fujian Provincial Environmental Protection Volunteers Association

Case 43: Holding "Low-carbon Carnival - 1>1" activity

To encourage the staff to reduce unnecessary life procurement in order to reduce carbon emissions, and plant low-carbon concept deeply in the heart of the staff, the credit card center carried out the "Low-carbon Carnival - 1>1" activity in June 1, 2011 on the occasion of Children's Day, the staff got what they need through "bartering", with no cash involved in transaction process and no pricing on the goods, but through label of "carbon emission" on items and "Low-carbon Voucher" for valuation, the event received a total of more than 450 exchange goods from employees, and completed transactions of more than 400 items. The items not exchanged in the activities have been donated to children in poor areas through the card center's work union.

