2011 INDUSTRIAL BANK ANNUAL REPORT

The First Equator Bank in China

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

CONTENTS

Chairman: **Gao Jianping**

Chairman's Statement

In 2011, when facing the complicated and severe external environment, the Company seriously implemented the macro-control policy and finance regulatory requirements of the state under the guidance of the Scientific Outlook on Development, continued to take development as the top priority, transformation as the core mainline and innovation as the fundamental driving force, so that all its undertakings developed constantly, in harmony, steadily and healthily, and a good opening of the new five-year-plan had been achieved.

The Company further optimized the corporate governance to provide correct guidance. It continuously implemented the concept of sustainable development, prudently proved the strategic goals, priorities and major measures of the Company's five-year-plan, and proposed to turn itself into a mainstream bank group with "solid foundation, coordinated structure, outstanding profession, distinctive characteristics, strong power and full responsibility" within the coming five years. Considering the demands of multiple interest entities, the Company reinforced the comprehensive capital management and the impetus of the capital constraint to the Company's business transformation, while successfully issuing subordinated bonds of RMB10 billion, drafting and finalizing the private placement program and launching it in good order. Meanwhile, the Company strengthened the establishment of learning-oriented Board of Directors, completed the assessment mechanism for directors and highlighted the decision-making and supporting function of special committees, while constantly increasing the performance capacity and strategic vision of directors and promoting the Board of Directors to make scientific decision, which resulted in the honors such as "Award of Board of Directors by Shanghai Stock Exchange", "Best Joint-Stock Commercial Bank in 2011", "Best Corporate Citizen" and so on during the reporting period.

The Company further advanced the operational transformation and enhanced the competitiveness. It kept upgrading professional skills and remained customer-oriented so that the comprehensive competitiveness was further enhanced. As at the end of the reporting period, the Company's total assets exceeded RMB 2,000 billion, reaching RMB 2,408.798 billion; the net assets balance attributable to the parent company's shareholders exceeded RMB 100 billion, reaching RMB 115.209 billion; and the profit before tax during the reporting period broke through RMB 30 billion, reaching RMB 33.664 billion, up 40.24% year-on-year; the net profit attributable to the parent company's shareholders exceeded RMB 20 billion, reaching RMB 25.505 billion, up 37.71% year-on-year. According to the latest list of global top 1000 banks released by *The Banker* magazine of UK, the Company ranked 83rd in terms of tier 1 capital, up 14 places from a year ago, and ranked 75th in terms of total assets, up 18 places from a year ago. Meanwhile, the Company reinforced the comprehensive risk management, particularly the risk control in major fields, so that the concentration ratio of loans extended through local government financing platforms reduced steadily and the full coverage proportion of cash flow increased steadily; the potential risk of some real estate projects was gradually eliminated and the concentration ratio of the loans for real estate projects kept stable; meanwhile the risk of private lending was under comprehensive investigation, and the overall risk exposure was limited. As at the end of the reporting period, the ratio of non-performing loans (NPL) was reduced to 0.38%, while the provision coverage ratio was increased to 385.30%.

The Company further deepened the bank-wide reform and remodeled the competitive advantage. It started the specialization reform of corporate finance system, and deepened specialization reform of retail finance system, prepared a specialization reform of financial institutions banking, financial markets and assets management system, and carried the mechanism reform of human resources, financial management and risk management systems forward accordingly, to achieve the flat organ, vertical business, concentrative operation, refined management, and strengthen the professional operation capacity and competitiveness. Meanwhile, the Company integrated and optimized the group operating platform, fully completed the acquisition of Union Trust and then renamed China Industrial International Trust Limited, and increased its stake in Industrial International Trust Limited and Industrial Bank Financial Leasing Co., Ltd. by RMB 1.923 billion and RMB 1.5 billion respectively to strengthen subsidiaries' operation power. The Company also straightened the daily management system of subsidiaries and achieved efficient business linkage and upgraded comprehensive service. The Company further improved the establishment of foundational management and operation capacity by starting using the Zhangjiang data center in Shanghai and the operation center in Chengdu. The new core business system and financial management system were put into operation to ensure the reform results.

In 2012, as the international and domestic macro situation is still very complicated and severe, we will continue to seize the theme of scientific development and further enhance the awareness of opportunity and hardship. Meanwhile, we will reinforce the strategic planning, grasp the principal contradiction and make active adjustment. On the other hand, we will remodel the advantages and face the challenges while efficiently servicing for the real economy development and the transformation of the economic development mode, in order to reward the mase investors and various circles of society for their long-term concern and support with constant excellent performance.

Chairman:

President's Report

In 2011, despite facing complex and volatile international and domestic situation, the Company strictly implemented the decision made by the Board of Directors, as well as the macro-control policies and the financial regulatory requirements of the state, promoted reform in a solid and orderly manner, carried out operation steadily with creative thinking, achieved a coordinated upgrade of size, quality and profitability, and accomplished all tasks set by the Board of Directors.

As at the end of the reporting period, total assets of the Company stood at RMB 2,408.798 billion, up 30.23% from the beginning of the period. The balance of deposits totaled RMB 1,345.279 billion and the balance of loans stood at RMB 983.254 billion, representing respective growth of 18.76% and 15.09% compared with the beginning of the period. The balance of NPL was RMB 3.715 billion with an NPL ratio of 0.38%, which represented a reduction of 0.04 percentage point compared with the beginning of the period. The asset quality kept satisfactory and the provision was adequate with a coverage ratio at 385.30%, representing a rise of 59.79 percentage points compared with the beginning of the period. The growth of profit continued to outpace the growth of business, with an accumulated profit attributable to the parent company's shareholders achieving RMB 25.505 billion, up 37.71% year-on-year.

The transformation of operation was continuously pushed ahead, customer base was consolidated, and the differential business operation features became more distinct. As at the end of the reporting period, the number of customers of the Company was increased by 38.66% compared with the beginning of the period, and the number of key retail customers increased by 32.32% compared with the beginning of the period. The Company insisted to strengthen the service for the real economy. As at the end of the reporting period, loans for medium-sized entity enterprises, small enterprises and personal operating business reached 30.78% of total loans of the Company, increasing 6.21 percentage points from the beginning of the period. Strategic key businesses such as supply chain finance, cash management and credit card, etc., and emerging businesses such as wealth management, private banking, investment banking and assets management, etc. kept a rapid development while their market position and influence kept growing. During the reporting period, the number of the enterprises which issued debts by public offering with the Company as underwriter, and the total volume of the Company's agency trading of gold and silver in the Shanghai Gold Exchange ranked in leading position, and the trading amount and quantity of the personal acquiring transactions were ahead of the joint-stock banks of the same type. The business volume of supply chain finance broke through RMB 500 billion, while the net value of asset custody broke through RMB 600 billion, and the sales volume of wealth management products broke through RMB 900 billion with rapid development like the other two values. The size and profitability of the wholly-owned subsidiary namely Industrial Bank Financial Leasing Co., Ltd, and the share controlled subsidiary namely China Industrial International Trust Limited were significantly expanded, resulting in further strengthening of the comprehensive operation structure.

The Company proactively adapted to market changes and adjusted policies regarding assets, liabilities and business management in a flexible manner, as the management of risk and internal control was comprehensively strengthened. The Company carried out access management of customer and reinforced risk monitor and management over key, hot areas and emerging businesses, while enhancing the innovation of means of risk management and intensifying the monitoring of compliance and assessment of internal control, to improve the operational system. The fundamental work such as auditing and supervision, internal control of operation and precaution against legal case and so on was reinforced, to advance the improvement of risk internal control system and the promotion of management.

Pursuant to the development requirements of the new fiver-year-plan, the system reforms of business, human resources, risk management and financial management were comprehensively pushed ahead, while all foundational management work was steadily carried forward. During the reporting period, 11 secondary branches and 59 sub-branches were established, making the total number of institutions reach 647 as at the end of the reporting period. The Zhangjiang data center in Shanghai and the operation center in Chengdu were put into operation with the new generation of core business system, resulting in further enhancement of the IT supporting capacity. The Company continued to strengthen the various team building by gripping the professional sequence construction, so that the professional service capacity was steadily improved.

The international and domestic macro condition will be even more complicated and severe in 2012. The Company will continue to adopt the Scientific Outlook on Development, consistently implement the national macro-economic policies and financial regulatory requirements, and diligently execute the operating strategy and plan set by the Board of Directors. The Company will also center on the transformation, make the best effort to implement the reform, step up the development and try to push operation and management to go a step further.

President:

Director, President: **Li Renjie**

Chairwoman of the Board of Supervisors: Bi Zhonghua

Important Notice

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

The Company's Annual Report 2011 and Abstract were reviewed and approved at the tenth meeting of the Seventh Session of the Board of Directors on March 16, 2012. 15 directors should attend the meeting, and 15 directors were in fact present. There were no directors, supervisors or senior management members who could not warrant or disagreed with the truthfulness, accuracy and completeness of the contents of this annual report.

The financial data and indicators contained in this annual report were prepared in compliance with the PRC Generally Accepted Accounting Principles. Unless otherwise specified, they represent the consolidated data of Industrial Bank Co., Ltd. and its wholly-owned subsidiary Industrial Bank Financial Leasing Co., Ltd. (hereinafter referred to as "Industrial Leasing"), and subsidiary China Industrial International Trust Limited (hereinafter referred to as "Industrial Trust") ,and the monetary sums are expressed in RMB.

The Deloitte Touche Tohmatsu CPA Ltd has audited the Company's 2011 financial statements, in accordance with Chinese Auditing Standards ("CAS") and has issued standard auditor's report with unqualified opinions.

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

The Company's Chairman Gao Jianping, President Li Renjie and Financial Director Li Jian, hereby warrant that the financial statements in the Annual Report 2011 are true and complete.

Honors and Awards 2011

- According to the Top 1000 World Banks 2011 Ranking by the The Banker magazine (UK), the Company was in the 83rd position in terms of Tier I capital and the 75th position in terms of total assets. The Company's international ranking continued to rise significantly.
- According to the 2011 China Top 500 Enterprises List by the U.S. Fortune magazine, the Company was ranked the 84th. It ranked in the 11th place amongst the "Top 40 Chinese Companies with the Highest Profit Margin", and ranked the 4th place among the domestic banks; it ranked in the 15th place amongst the "40 Most Profitable Chinese Companies", and ranked in the 9th place among domestic banks.
- Based on the 2011 "Global Top 500 Green Companies" published in the U.S. Newsweek, the Company was in the 105th place, and the 2nd amongst the 32 Mainland Chinese-funded enterprises in the list.
- According to the "2011 Best Chinese Brand Value List" by the world's largest brand consultancy company Interbrand, the Company was ranked at the 24th place with the brand value of RMB 6.743 billion, an increase of 50 percent over the previous year.
- Received the 2011 "Award of Board of Directors" issued by the Shanghai Stock Exchange.
- Awarded the "Outstanding Board of Directors" from the 7th Board of Directors Golden Roundtable Award Ceremony organized by the Directors & Boards magazine. Chairman Gao Jianping received the "Chairman with Best Strategic Vision" prize.
- Won the "Chinese Financial Institution Gold Medal List's '2011 Golden Dragon Award'- Best Annual Joint Stock Commercial Bank" Award based on selection organized by the Financial Times.
- Won the "Golden Shield Award – 2011 Chinese Listed Companies with the Best Investor Relations Prize" jointly organized by the China Times and Peking University.
- Won the "Golden Tripod Award" of Blue-chip Companies at the Annual Meeting of the Chinese Securities Market organized by the Securities Daily.
- Won "Best Asset Custodian Bank Award" and "Best Enterprise Network Silver Award" at the 9th Financial Billboard in 2011 jointly organized by Hexun network and China Securities Market Research and Design Center.
- Awarded the "2011 Asia's Best Green Financial Service Bank (The Top Ten Most Competitive Asian Banks)" and the "Best Corporate Citizen" by the 21st Century Business Herald.

- Won the "Annual Bank of Wealth Management Brand" and the "Most Accurate Forecasting Financial Institution" awards by the First Financial Daily.
- Won the "2011 Pioneer of Carbon Reduction" Special Award and the "Best Listed Company in Investment Value" Award from the China Times.
- Won the "Best Social Responsibility Listed Company" Award by the National Business Daily.
- Won the "2011 Best Board of Directors Award of China's Main Board Listed Companies" by Money Week.
- Awarded "2011 Most Respected Chinese-funded Bank in China", "2011 China's Best Retail Bank" and "2011 Best Wealth Management Product by Chinese Banks" by Money Week.
- Received the "Best Cash Management Bank" Award from the CFO magazine.
- Received the "Best Cash Management" Award from the Financial Sector.
- Won "2011 Most Competitive Socially Responsible Financial Institution", "2011 Most Competitive Bank in Risk Management", "2011 Most Competitive Bank for Small Enterprises" and "2011 Bank of Excellence in the provision of Competitive Supply Chain Financial Services" awards organized by China Business.
- Honored the "Annual Best Research and Development Team for Private Banks" at the 2nd Chinese High-end Private Banking Golden Tripod Award Ceremony organized by the National Business Daily.
- Honored as the Gold Exchange Trading Gold – Golden Influencing Brand and the "Annual Most Innovative Credit Card Bank" at the "Best Wealth Management" 2nd Chinese Golden Wealth Management Top 10 Billboard – 2011's "Gold Pixiu Award" ceremony by the Financial Money magazine.
- The Company's gold exchange trading gold won the "2011 Annual Best Precious Metals Investment Product" Award in the "Golden Banking" Selection by the Shanghai Securities News.
- Won the "Best Micro-enterprise Financial Service Brand" Award by the Southern Weekend.
- Honored as the "Advanced Group of Credit Rating" by the People's Bank of China.
- Won the Corporation Win-win Business Development Award (2002-2012) issued by China UnionPay.
- Won the "2011 Best Serving Bank" Award and the "2011 Best Marketing Case in the Banking Industry" Award issued by the Eastern Wealth Network.
- Won the "Best Innovative Bank" Award by NetEase.
- Received the "2011 Banking and Financial Brand Most Trusted by Customers" Award and the "2011 Most Competitive Bank" Award at the Sohu Financial Desheng Forum and Bankers' Annual Meeting.
- Won the "Best Annual Private Bank and Proprietary Products" Award at the Annual Haixi Investment and Financial Fair 2011.
- The Trade Union Committee of the Company's head office was named the national "Model Home for Employees" by the All China Federation of Trade Unions.

Corporate Profile

I **Legal Chinese Name:** 兴业银行股份有限公司 (Abbreviation: 兴业银行)

Legal English Name: INDUSTRIAL BANK CO., LTD.

II **Legal Representative: Gao Jianping**

III **Secretary of the Board of Directors: Tang Bin**

Representative of Securities Affairs: Chen Zhiwei

Address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Tel : (86) 591-87824863

Fax: (86) 591-87842633

Investor Email: irm@cib.com.cn

IV **Registered Address: 154 Hudong Road, Fuzhou, PRC**

Office Address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Website: www.cib.com.cn

V **Designated Newspapers for Information Disclosure:**

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

Website Designated by China Securities Regulatory Commission for Publishing Annual Reports: www.sse.com.cn

Location of Annual Reports Filing: the Company's Office of the Board of Directors

VI **Place of Stock Listing: Shanghai Stock Exchange**

Stock Abbreviation: Industrial Bank

Stock Code: 601166

VII **Other Related Information of the Company:**

Date of First Registration: August 22, 1988

Place of First Registration: Fujian Provincial Administration of Industry and Commerce

Date of Registration Change: July 18, 2011

Place of Registration Change: Fujian Provincial Administration of Industry and Commerce

Corporate Entity Business License No.: 350000100009440

Taxation Registration No.: State Tax Rongtai Zi 350100158142711

Local Tax Min Zi 350102158142711

Code for Corporate Legal Entity: 15814271-1

Certified Public Accountants Firm Engaged by the Company: Deloitte Touche Tohmatsu CPA Ltd.

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

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

Financial and Business Data Highlights

I. Key Financial Data and Indicators during the Reporting Period

Unit: RMB million

Item	Amount
Operating profit	33,532
Total profit	33,664
Net profit attributable to the parent company's shareholders	25,505
Net profit attributable to the parent company's shareholders, after deduction of non-recurring gains and losses	25,315

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

Unit: RMB million

Item	Amount
Gains and losses on the disposal of non-current assets	14
Government grants recognized in profit or loss	89
Write-back of assets written-off in previous years	124
Net non-operating income & expense in addition to the above	29
Impact on income tax	(66)
Total	**190**

II. Key Accounting Data and Financial Indicators of the Previous Three Years as of the End of the Reporting Period

Unit: RMB million

Key accounting data and financial indicators	2011	2010	Increase/decrease in 2011 compared with 2010 (%)	2009
Operating income	59,870	43,456	37.77	31,679
Profit before tax	33,664	24,005	40.24	17,229
Net profit attributable to the parent company's shareholders	25,505	18,521	37.71	13,282
Net profit attributable to the parent company's shareholders, after deduction of non-recurring gains and losses	25,315	18,336	38.06	12,596
Basic earnings per share (RMB Yuan)	2.36	1.82	29.67	1.39
Diluted earnings per share (RMB Yuan)	2.36	1.82	29.67	1.39
Basic earnings per share, after deduction of non-recurring gains and losses (RMB Yuan)	2.35	1.80	30.56	1.32
Return on total assets (%)	1.20	1.16	Up 0.04 percentage point	1.13
Weighted average ROE (%)	24.67	24.64	Up 0.03 percentage point	24.54
Weighted average ROE, after deduction of non-recurring gains and losses (%)	24.49	24.39	Up 0.10 percentage point	23.27
Cost-to-income ratio	31.95	32.91	Down 0.96 percentage point	36.69
Net cash flow from operating activities	(7,885)	117,651	(106.70)	71,848
Net cash flow per share from operating activities (RMB Yuan)	(0.73)	19.63	(103.72)	14.37
	December 31, 2011	December 31, 2010	Increase/decrease at the end of 2011 compared with the end of 2010 (%)	December 31, 2009
Total assets	2,408,798	1,849,673	30.23	1,332,162
Shareholders' equity attributable to the parent company's shareholders	115,209	91,995	25.23	59,597
Net assets per share attributable to the parent company's shareholders (RMB Yuan)	10.68	15.35	-30.42	11.92
NPL ratio (%)	0.38	0.42	Down 0.04 percentage point	0.54
Provision coverage ratio (%)	385.30	325.51	Up 59.79 percentage points	254.93

Notes:

1. As the Company implemented the rights issue plan in 2010 and the 2010 profit distribution plan in May 2011 by converting capital reserve into share capital with 8 shares offered for every 10 shares, and re-calculated the EPS indicator of various periods to be compared in accordance with the requirements in the *Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010)* issued by China Securities Regulatory Commission (hereinafter referred to as "CSRC").

2. The net assets per share attributable to the parent company's shareholders and the net cash flow per share from operating activities for the same period in the preceding year were not adjusted according to the new share capital of the Company.

III. Supplementary Financial Data of the Previous Three Years as of the End of the Reporting Period

Unit: RMB million

Item	December 31, 2011	December 31, 2010	December 31, 2009
Total liabilities	2,292,720	1,757,678	1,272,565
Placements from banks and other financial institutions	52,752	26,137	1,763
Total deposits	1,345,279	1,132,767	900,884
Incl: Demand deposits	598,852	552,772	455,931
Time deposits	571,238	495,167	373,398
Other deposits	175,189	84,828	71,555
Total loans	983,254	854,339	701,598
Incl: Corporate loans	703,948	619,604	505,882
Personal loans	260,641	225,007	169,014
Discounted bills	18,665	9,728	26,702
Loan loss provisions	14,314	11,771	9,635

IV. Appendix to Income Statement for the Reporting Period

Unit: RMB million

Item	2011	Weighted average ROE (%)	EPS, basic (RMB Yuan)	EPS, diluted (RMB Yuan)
Net profit attributable to the parent company's shareholders	25,505	24.67	2.36	2.36
Net profit attributable to the parent company's shareholders, after deduction of non-recurring gains and losses	25,315	24.49	2.35	2.35

Note: The related data is calculated in accordance with the provisions in the *Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010)*.

V. Supplementary Financial Indicators of the Previous Three Years as of the End of the Reporting Period

Unit: %

Key indicator	Standard value	December 31, 2011	December 31, 2010	December 31, 2009
Loan-to-deposit ratio (converted to RMB)	≤75	71.46	71.21	71.90
Liquidity ratio (converted to RMB)	≥25	30.71	38.45	32.07
Proportion of loans to the largest single borrower	≤10	4.45	5.36	6.53
Proportion of loans to the top ten borrowers	≤50	23.54	30.21	38.71
Migration ratio of pass loans	-	0.54	0.69	1.21
Migration ratio of special mention loans	-	21.59	6.99	8.84
Migration ratio of substandard loans	-	63.94	83.13	62.07
Migration ratio of doubtful loans	-	14.18	29.43	9.49

Notes:

1. The data of Industrial Leasing and Industrial Trust is not included in this table.
2. Loan-to-deposit ratio, liquidity ratio, proportion of loans to the largest single borrower, proportion of loans to the top ten borrowers, and migration ratios in this table are calculated based on data reported to regulatory authorities.
3. Pursuant to Document YJF [2008] No. 187, Document YJF [2006] No. 345 and Document YJF [2005] No. 253 issued by China Banking Regulatory Commission (hereinafter referred to as "CBRC"), loans originated from funds raised from the Company's financial bonds issuance are not included in loan-to-deposit ratio calculation.
4. Pursuant to Document YJF [2007] No. 84 issued by CBRC, starting from 2008, when calculating the "loan-to-deposit ratio", there is no need to deduct "discount" from "loans" in the numerator.
5. Pursuant to Document YJF [2010] No. 112 issued by CBRC, starting from January 2011, the daily loan-to-deposit ratio per month shall be additionally supervised. The index of the Company's daily average loan-to-deposit ratio of every month has met the supervisory and regulatory requirements.

VI. Changes in Shareholders' Equity during the Reporting Period

Unit: RMB million

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share capital	5,992	4,794	-	10,786
Capital reserve	32,624	622	4,950	28,296
General reserve	9,937	3,850	-	13,787
Surplus reserve	3,403	2,510	-	5,913
Undistributed earnings	40,039	25,505	9,117	56,427
Shareholders' equity attributable to the parent company's shareholders	91,995	37,281	14,067	115,209

VII. Capital Composition and Changes

Unit: RMB million

Item	December 31, 2011	December 31, 2010	December 31, 2009
Net capital	148,715	113,785	77,013
Incl: Core capital	111,591	89,064	57,089
Supplementary capital	38,839	25,659	20,802
Deductions	1,715	938	879
Risk weighted assets	1,344,130	1,002,001	713,057
Market risk capital	258	500	247
Capital adequacy ratio (%)	11.04	11.29	10.75
Core capital adequacy ratio (%)	8.20	8.79	7.91

Note: Data in this table are those of consolidated statements. At the end of 2009, there was no consolidated statement yet, thus hereby is bank data listed.

VIII. Items Measured at Fair Value

Unit: RMB million

Item	December 31, 2010	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	December 31, 2011
Held-for-trading financial assets	5,537	(37)	-	-	8,101
Precious metals	685	(138)	-	-	1,520
Derivative financial assets	2,301	(104)	-	-	2,907
Derivative financial liabilities	2,317		-	-	3,013
Available-for-sale financial assets	147,214	-	(1,332)	-	147,505
Held-for-trading financial liabilities	-	(4)	-	-	10

1. Held-for-trading financial assets: the held-for-trading financial assets are primarily the held-for-trading RMB bonds held for the purpose of market making trading. The Company adjusted the position of its held-for-trading RMB bonds in a dynamical process, based on the trading activity level in the bond market and its judgment on the market movement.

2. Precious metals: based on the overall judgment of the gold market, as of the end time point of the Company's reporting period, the balance in domestic precious metals spot trading increased RMB 835 million compared with the beginning of the period.

3. Derivative financial assets and liabilities: the derivative financial assets and liabilities had increased somehow compared with the beginning of the period, mainly due to the year-on-year increased trading volume of the interest-rate swap. Apart from the interest-rate swap, there were only small changes in other derivative financial assets and liabilities compared with a year ago.

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

5. Held-for-trading financial liabilities: according to the judgment of RMB bond market movement, the Company took part in short sell transaction.

Share Capital Changes and Shareholders

I. Changes in Shares during the Reporting Period

(I) Changes in shares

Unit: share

	Before the change		Changes during the reporting period		After the change	
	Quantity	Percentage (%)	New share issue	Subtotal	Quantity	Percentage (%)
I. Restricted shares						
1. State-owned shares	0	0	0	0	0	0
2. Shares held by state-owned legal persons	0	0	0	0	0	0
3. Shares held by other domestic investors	0	0	0	0	0	0
Incl: Shares held by domestic non-state-owned legal persons	0	0	0	0	0	0
Shares held by domestic natural persons	0	0	0	0	0	0
4. Shares held by foreign investors	0	0	0	0	0	0
Incl: Shares held by foreign legal persons	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
II. Unrestricted floating shares						
1. RMB ordinary shares	5,992,450,630	100	4,793,960,504	4,793,960,504	10,786,411,134	100
2. Domestically listed shares held by foreign investors	0	0	0	0	0	0
3. Overseas listed shares held by foreign investors	0	0	0	0	0	0
4. Others	0	0	0	0	0	0
Total	**5,992,450,630**	**100**	**4,793,960,504**	**4,793,960,504**	**10,786,411,134**	**100**
III. Total shares	**5,992,450,630**	**100**	**4,793,960,504**	**4,793,960,504**	**10,786,411,134**	**100**

Pursuant to the approval of the 2010 general shareholders' meeting of the Company, the Company capitalized capital reserves with a ratio of 8 shares for every 10 shares to all shareholders based on the total share capital 5,992,450,630 shares at the end of 2010. After the capitalization, the total number of shares of the Company was 10,786,411,134 shares, adding by 4,793,960,504 shares.

(II) Share issuance and listing

1. Share issues in the past three years

Share type	Issue date	Issue price (RMB)	Issue quantity (share)	Listing date	Approved volume of listing (share)	End date of transaction
RMB-denominated ordinary shares	May 25-31, 2010	18.00	992,450,630	June 8, 2010	992,450,630	N/A

II. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 257,051 shareholder accounts, and 237,167 accounts at the end of the month prior to the release of this annual report.

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

Unit: share

Name of shareholder	Type of shareholder	Changes during the period	Number of shares held at period end	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares
Finance Bureau of Fujian Province	State authority	1,020,051,487	2,268,115,846	21.03	-	79,603,780 (frozen)
Hang Seng Bank Limited	Overseas legal person	613,526,400	1,380,434,400	12.80	-	0
Tetrad Ventures Pte Ltd.	Overseas legal person	179,344,930	409,024,930	3.79	-	0
Fujian Tobacco Haisheng Investment Management Co., Ltd.	State-owned legal person	134,336,000	294,336,000	2.73	-	0
China National Cereals, Oils and Foodstuffs Corporation	State-owned legal person	5,929,279	161,200,000	1.49	-	0
Longyan Municipal Bureau of Finance, Fujian Province	State authority	67,200,000	151,200,000	1.40	-	63,000,000(pledged) 5,463,005 (frozen)
China Tobacco Hunan Industrial Co., Ltd	State-owned legal person	67,200,000	151,200,000	1.40	-	0
Inner Mongolia Xishui Venture Co., Ltd.	Domestic non-state-owned legal person	51,546,666	130,000,000	1.21	-	128,500,000 (pledged)
China Electronic Information Industry Group Corporation	State-owned legal person	40,952,990	106,777,275	0.99	-	0
China Life Insurance Co., Ltd.-dividends-personal dividend-005L-FH002Shanghai	Domestic non-state-owned legal person	85,356,531	97,137,736	0.90	-	0

Note: Both the Finance Bureau of Fujian Province and Longyan Municipal Bureau of Finance, Fujian Province were local finance authorities. There was no associated relationship among the above shareholders, and they were not parties acting in concert.

(III) Top ten shareholders of non-restricted shares as at the end of the reporting period

Unit: share

Name of shareholder	Number of non-restricted shares	Percentage in total share capital (%)	Stock type
Finance Bureau of Fujian Province	2,268,115,846	21.03	RMB ordinary shares
Hang Seng Bank Limited	1,380,434,400	12.80	RMB ordinary shares
Tetrad Ventures Pte Ltd.	409,024,930	3.79	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	294,336,000	2.73	RMB ordinary shares
China National Cereals, Oils and Foodstuffs Corporation	161,200,000	1.49	RMB ordinary shares
Longyan Municipal Bureau of Finance, Fujian Province	151,200,000	1.40	RMB ordinary shares
China Tobacco Hunan Industrial Co., Ltd	151,200,000	1.40	RMB ordinary shares
Inner Mongolia Xishui Venture Co., Ltd.	130,000,000	1.21	RMB ordinary shares
China Electronic Information Industry Group Corporation	106,777,275	0.99	RMB ordinary shares
China Life Insurance Co., Ltd.-dividends-personal dividend-005L-FH002Shanghai	97,137,736	0.90	RMB ordinary shares

Note: Both the Finance Bureau of Fujian Province and Longyan Municipal Bureau of Finance, Fujian Province are local finance authorities. There is no associated relationship among the top ten shareholders of non-restricted shares, and they were not parties acting in concert.

(IV) Shareholders holding over 5% of the Company's shares

1. The Finance Bureau of Fujian Province is a government institution legal person. Its legal representative is Mr. Chen Xiaoping and the address is 5 Zhongshan Road, Fuzhou. The Finance Bureau of Fujian Province is the largest shareholder of the Company by holding 21.03% shares.

2. Hang Seng Bank Limited was established in 1933, and it is one of the largest Hong Kong-incorporated listed banks by market capitalization. Its legal representative is Ms. Margaret Leung. The registered capital is HKD 11 billion and the legal address is 83 Des Voeux Road, Central, Hong Kong. Hang Seng Bank is a member of the HSBC Group, which indirectly held a 62.14% stake in Hang Seng Bank through its subsidiaries. In May 2007, Hang Seng Bank established a wholly-owned subsidiary in China, which is Hang Seng Bank (China) Co., Ltd.

Directors, Supervisors, Senior Management Members and Employees

I. Directors, Supervisors and Senior Management Members

(I) Basic information

Name	Title	Gender	Birth date	Tenure	Total pre-tax remuneration from the Company during the reporting period (RMB 10,000)	Whether remuneration is received from shareholder companies or other related parties
Gao Jianping	Chairman	Male	1959.07	2010.10.28-2013.10.27	331.4	No
Liao Shizhong	Director	Male	1962.10	2010.10.28-2013.10.27	-	Yes
Andrew H C Fung	Director	Male	1957.07	2010.10.28-2013.10.27	-	Yes
Chua Phuay Hee	Director	Male	1953.09	2010.10.28-2013.10.27	-	No
Lu Xiaodong	Director	Male	1964.09	2010.12.30-2013.10.27	-	Yes
Xu Chiyun	Director	Female	1968.08	2010.12.30-2013.10.27	-	Yes
Li Renjie	Director, President	Male	1955.03	2010.10.28-2013.10.27	321.6	No
Kang Yukun	Director, Vice president	Male	1954.05	2010.10.28-2013.10.27	300.8	No
Chen Dekang	Director, Vice president	Male	1954.09	2010.10.28-2013.10.27	280.1	No
Tang Bin	Director, Board secretary	Male	1957.02	2010.10.28-2013.10.27	241.4	No
Ba Shusong	Independent director	Male	1969.08	2010.10.28-2013.10.27	30.00	No
Xu Bin	Independent director	Male	1944.09	2010.10.28-2013.10.27	30.00	No
Li Ruoshan	Independent director	Male	1949.02	2010.12.06-2013.10.27	30.00	No
Wu Shinong	Independent director	Male	1956.12	2010.12.06-2013.10.27	30.00	No
Lim Peng Khoon	Independent director	Male	1949.08	2010.10.28-2013.10.27	28.00	No
Bi Zhonghua	Chairwoman of Board of Supervisors	Female	1952.07	2010.10.28-2013.10.27	305.2	No
Wu Xiaohui	Supervisor	Female	1961.01	2010.10.28-2013.10.27	-	Yes
Xu Guoping	Supervisor	Male	1968.01	2010.10.28-2013.10.27	-	Yes
Li Zhaoming	Supervisor	Male	1968.07	2010.10.28-2013.10.27	-	Yes
Zhou Yuhan	Supervisor	Female	1968.10	2010.10.28-2013.10.27	-	Yes
Tu Baogui	Supervisor	Male	1953.01	2010.10.28-2013.10.27	294.74	No
Lai Furong	Supervisor	Male	1968.10	2010.10.28-2013.10.27	249.25	No
Wang Guogang	External supervisor	Male	1955.11	2010.10.28-2013.10.27	23.50	No
Zhou Yeliang	External supervisor	Male	1949.06	2010.10.28-2013.10.27	24.00	No
Lin Zhangyi	Vice president	Male	1971.09	2010.10.28-2013.10.27	255.1	No

1. The remuneration for directors, supervisors and senior management members who held full-time positions in the Company during the reporting period has included annual risk fund, of which, the amount for Gao Jianping (Chairman) is RMB 1.1765million, the amount for Li Renjie (Director, President) is RMB 1.144 million, RMB 1.0985 million for Bi Zhonghua (Chairwoman of the Board of Supervisors), RMB 1.0865 million for Kang Yukun (Director, Vice president), RMB 1.0295 million for Chen Dekang (Director, Vice president), RMB 0.975 million for Lin Zhangyi (Vice president), and RMB 0.908 million for Tang Bin (Director, Board secretary). In accordance with the *Measures on Senior Management Members Risk Fund Evaluation and Disbursement* of the Company, the risk fund should be disbursed in three years following evaluation.

2. As at the end of the reporting period, none of the shares in the Company was held by any director, supervisor or senior management members of the Company.

3. The decision-making procedures, criteria for determination and actual payment of remuneration for directors, supervisors and senior management members: remuneration for directors, supervisors and senior management members was set and paid in accordance with *Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Supervisors' Allowance, Measures of Industrial Bank for Performance Evaluation of Senior Management Members and Administrative Measures of Industrial Bank for Remuneration of Senior Management Members*. The specific criteria were as follows: directors and supervisors holding full-time positions in the Company should receive remuneration for the roles they held in the Company; shareholder-appointed directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies in which they held full-time positions; allowance for independent directors and external supervisors was composed of three parts, i.e., basic allowance, committee allowance and work subsidy, which were disbursed in accordance with the provisions set out in the *Regulations of Industrial Bank on Independent Directors' Allowance*, *Regulations of Industrial Bank on External Supervisors' Allowance*; preliminary plans on remuneration package for the Company's executives were prepared by the Remuneration and Evaluation Committee under the Board of Directors and then submitted to the Board of Directors for consideration and approval.

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

Name	Shareholder company	Title
Andrew H C Fung	Hang Seng Bank Limited	Executive director and head of Treasury and Investment
Lu Xiaodong	Fujian Branch, China National Tobacco Corporation	Division chief
	Fujian Tobacco Haisheng Investment Management Co., Ltd.	Director
Wu Xiaohui	China National Cereals, Oils and Foodstuffs Corporation	Chief accountant
Xu Guoping	China Tobacco Hunan Industrial Co., Ltd.	Deputy head of Financial Management Department (Deputy general manager of China Tobacco Hunan Industrial Investment Management Co., Ltd. from January 2012)
Li Zhaoming	China Electronic Information Industry Group Corporation	Deputy head of Finance Department

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

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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Gao Jianping	Bachelor degree, senior economist. He served previously as Deputy General Manager of the General Office of Industrial Bank, Director of the Industrial Bank's Office in Fuzhou Economic and Technological Development Zone, General Manager of the General Office of Industrial Bank, Head of Industrial Bank's Shanghai Branch Preparatory Team, Vice President of Industrial Bank and President of Industrial Bank's Shanghai Branch, Vice President of Industrial Bank (in charge of overall management), Secretary of Communist Party Committee, Chairman and President of Industrial Bank, and currently as Secretary of Communist Party Committee and Chairman of Industrial Bank.	None
Liao Shizhong	Master degree, associate research fellow. He served previously as assistant research fellow, Deputy Director and Associate Research Fellow of Scientific Research Division of Economics Institute of Fujian Provincial Academy of Social Sciences, Deputy Director and Director of Fujian Provincial Institute for Fiscal Science Research, Vice President and Secretary-general of Fujian Provincial Society of Finance; and currently as Vice President of Fujian Provincial Society of Finance.	Vice President of Fujian Provincial Society of Finance
Andrew H C Fung	University graduate. He served previously as Managing Director of Global Financial Market of DBS Bank Ltd., Deputy General Manager and Head of Investment and Insurance of Hang Seng Bank, General Manager and Head of Investment and Insurance of Hang Seng Bank, and currently as Executive Director and Head of Treasury and Investment of Hang Seng Bank.	Director and general manager of Hang Seng Investment Management Ltd., Director of Hang Seng Asset Management Pte Ltd., Hang Seng Bullion, Hang Seng Life and Hang Seng Securities
Chua Phuay Hee	Master degree. He served previously as Director of Insurance and Statistics Department, Manager of Human Resources and Administration Department, Director of Securities Business Department of Monetary Authority of Singapore, General Manager of Investment and Plan Department, Chief Financial Officer, Chief Risk Officer of Keppel TatLee Bank of Singapore, and currently as Executive Director of Wilmar International Limited (Retired as of January 1, 2012).	Executive Director of Wilmar International Limited (Retired as of January 1, 2012).
Lu Xiaodong	University graduate, accountant. He served previously as the Office Secretary and Section Chief of the People's Government of Yongding County, Director and Vice General Manager of Dongxing Mining Development Company of Yongding County, Financial Manager and Office Manager of Longyan Sanhua Color Print Company, Chief of Audit Division, Director of Audit Office of Tobacco Company of Longyan, Division Chief of Fujian Provincial Tobacco Monopoly Bureau (Company); and currently as Division Chief of Fujian Provincial Tobacco Monopoly Bureau (Company) and Director of Fujian Tobacco Haisheng Investment Management Co., Ltd.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xu Chiyun	University graduate, senior accountant. She previously served as Deputy Section Chief, Principal Staff Member, Section Chief of Longyan Municipal Bureau of Finance, Fujian Province, Secretary General of Western Fujian Youth Finance Research Association; and currently as Deputy President and Secretary General of Accountants Society of Longyan.	Deputy President and Secretary General of Accountants Society of Longyan
Li Renjie	Bachelor degree, senior economist. He served previously as Director of Planning Division of Fujian Branch of the People's Bank of China (PBOC), Executive Director of Hong Kong Jiang Nan Finance Ltd., Chairman of Great Wall Securities Co., Ltd., Head of Preparatory Team, President of Industrial Bank's Shenzhen Branch, Vice President of Industrial Bank; and currently as Communist Party Committee Member and President of Industrial Bank.	None
Kang Yukun	Bachelor degree, senior economist. He served previously as Deputy Manager of Industrial Bank's Credit Department, Vice President of Industrial Bank's Putian Branch, Vice President, President of Industrial Bank's Fuzhou Branch, and currently as Communist Party Committee Member and Vice President of Industrial Bank.	None
Chen Dekang	Bachelor degree, senior economist. He served previously as Vice President of Industrial Bank's Ningde Branch, Deputy General Manager, General Manager of Industrial Bank's Business Operation Department, Vice President (in charge of overall management), President of Industrial Bank's Xiamen Branch, and currently as Communist Party Committee Member and Vice President of Industrial Bank.	None
Tang Bin	Bachelor degree, MBA, senior economist. He served previously as Deputy Director of Trade Statistics Department, Deputy Director of Foreign Trade Statistics Department of Fujian Provincial Statistics Bureau, Deputy Director of Integrated Planning Department, Director of Distribution System Department, System Reform Commission, Fujian Province, General Manager of Industrial Bank's General Office, Business Department, Corporate Finance Department, Head of Preparatory Team of Industrial Bank's Hangzhou Branch, General Manager of Secretariat of Industrial Bank's Board of Directors, Board Secretary and General Manager of Board Office of Industrial Bank; and currently as Board Secretary of Industrial Bank.	None
Ba Shusong	PhD degree, research fellow. He served previously as Deputy Division Director of Development and Planning Department of Bank of China Head Office, Vice President of Bank of China's Hangzhou Branch, Assistant General Manager of Bank of China (Hong Kong) Ltd., Director of Development and Strategy Committee of Securities Association of China, Deputy Head of Economic Affairs Department of the Liaison Office of the Central People's Government in HK S.A.R.; and currently as Vice Director, Research Fellow and PhD Tutor of Financial Research Institute of Development and Research Center of the State Council.	Vice Director of Financial Research Institute of Development and Research Center of the State Council, Independent Director of BoCommLife Insurance, Shanghai Great Wisdom, Guosen Securities and Guoyuan Securities

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xu Bin	PhD degree, senior economist. He served previously as Director of PBOC Dandong Municipal Administration Office of Liaoning Province, Vice President of PBOC Dandong Municipal Branch, Vice President of PBOC Liaoning Provincial Branch, Vice Director of State Administration of Foreign Exchange, President, Chairman of China Everbright Bank, Vice Chairman of China Everbright (Group) Corporation, Vice Chairman of Hong Kong China Everbright Group Corporation Limited, Vice Chairman of Hong Kong-listed China Everbright Holding Company Limited; and currently as Director of Sun Life Everbright Life Insurance.	Director of Sun Life Everbright Life Insurance
Li Ruoshan	PhD degree, professor, Chinese Certified Public Accountant. He served previously as Deputy Dean of Accounting Department, School of Economics, Vice President of School of Economics, Xiamen University; Dean of Accounting Department, Dean of Finance Department, School of Management, Vice President of School of Management, Fudan University; currently as MPACC Academic Dean, Professor, PhD tutor, School of Management, Fudan University.	MPACC Academic Dean, Professor, School of Management, Fudan University, Independent Director of Pacific Insurance, Ningbo Guangbo and Zhejiang Wanfeng Auto Wheel
Wu Shinong	PhD degree, professor. He served previously as Director of MBA Center, President of School of Business Administration, Standing Vice President, President of School of Management, Xiamen University; and currently as Vice Chancellor, Professor and PhD Tutor of Xiamen University.	Vice Chancellor, Professor of Xiamen University, Independent Director of Xiamen C&D, Xiamen Iport, Xiamen Bank, and Xiamen Xiangyu, External Director of Fuyao Glass
Lim Peng Khoon	Member of UK Chartered Institute of Bankers, senior member of Malaysia Institute of Bankers. He served previously as Director of Foreign Exchange Reserve Administration Department of the Central Bank of Malaysia, Consultant of Supervision of Markets Division, Hong Kong Securities and Futures Commission, Consultant of Hong Kong/Malaysia HT Consulting Ltd., Consultant of Hong Kong Chinfosys Limited, Senior Consultant of Monetary Management and Financial Infrastructure Department of Hong Kong Monetary Authority; and currently as Consultant of Business Restructuring of Malaysian Bison Group.	Consultant of Business Restructuring of Malaysian Bison Group, Director of Malaysia Electronic Clearing Corp. S/B and Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank)
Bi Zhonghua	Bachelor degree, senior economist. She served previously as Head of Cadre Section of Human Resources Department, Head of Statistics Section of General Planning Department, Deputy Director of Deposits and Remittances Department of Bank of China's Fuzhou Branch, Vice General Manager, General Manager of International Business Department, President Assistant of Industrial Bank and General Manager of International Business Department, Industrial Bank, General Manager of Business Operation Department, Communist Party Committee Member, Director, Vice President of Industrial Bank; and currently as Communist Party Committee Member and Chairwoman of the Board of Supervisors of Industrial Bank.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Wu Xiaohui	Master degree, senior accountant. She served previously as Accountant, Deputy General Manager of Planning & Finance Department of China National Cereals, Oils and Foodstuffs Import and Export Company, General Manager of Planning & Finance Department, Director of Financial Department, China National Cereals, Oils and Foodstuffs Import and Export Corporation; and currently as Chief Accountant of COFCO Group.	Chairwoman of COFCO Trust Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., Aon-COFCO Insurance Brokerage Co., Ltd., COFCO Finance Co., Ltd., COFCO Agricultural Industry Fund Management Co., Ltd. and Director of Longjiang Bank Corporation
Xu Guoping	College graduate, accountant. He served previously as Accountant of Finance Department, Hunan Provincial Tobacco Monopoly Bureau (Company), Accountant of Finance Audit Department, China Tobacco Hunan Industrial Company, Accountant of Financial Management Department, China Tobacco Hunan Industrial Co., Ltd; and currently as Deputy Director of Financial Management Department, China Tobacco Hunan Industrial Co., Ltd. (As of January 2012, he was named the Deputy General Manager of China Tobacco Hunan Industrial Investment Management Co., Ltd.)	None
Li Zhaoming	Bachelor degree, senior accountant. He served previously as Principal Staff Member of Finance Department, Deputy Director of Finance and Asset Management Department, General Manager Secretary and Party Secretary (director-level) of China Electronic Information Industry Group Corporation; currently as Deputy Director of Finance Department, China Electronic Information Industry Group Corporation.	None
Zhou Yuhan	Master degree. She served previously as Deputy Director of ASI Project Development, Executive Director of Asia Pacific Region of iLink Global, Managing Director of China Merchants China Investment Management Limited, Project Leader of CIMC Overseas Development; and currently as Managing Director of China Merchants China Investment Management Limited, Executive Director of China Merchants China Direct Investments Limited and Managing Director of China Merchants Industrial Development (Shenzhen) Limited.	Executive Director of China Merchants China Direct Investments Limited, Managing Director of China Merchants China Investment Management Limited and Managing Director of China Merchants Industrial Development (Shenzhen) Limited.
Tu Baogui	College graduate, senior accountant. He served previously as Deputy Head of Zhenghe County Phosphate Fertilizer Plant, Fujian Province, Deputy Director of Economic Commission of Zhenghe County, Fujian Province, Director of Zhenghe County Finance Bureau, Fujian Province, Section Chief of Finance Bureau of Nanping Region, Fujian Province, Director of Nanping Office, Vice President, President of Nanping Branch, Industrial Bank, General Manager of Saving & Credit Card Division, General Manager of Head Office Operation Department, Industrial Bank, General Manager of Hualin Office of Industrial Bank, President of Fuzhou Branch, President of Shanghai Branch, Industrial Bank; and currently as a supervisor of Industrial Bank.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Lai Furong	Bachelor degree, senior accountant. He served previously as Head of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, Deputy General Manager of Finance and Accounting Department of Industrial Bank, Vice President of Guangzhou Branch of Industrial Bank, Vice General Manager of Planning and Financial Department of Industrial Bank; and currently as General Manager of Audit Department of Industrial Bank.	None
Wang Guogang	PhD degree, research fellow. He served previously as a teacher of Fujian Normal University, Professor of International Business School of Nanjing University, General Manager of Jiangsu Xingda Securities Investment Service Co., Ltd., Chairman of Jiangsu Xingda Certified Public Accountants Limited, Vice President of China Huaxia Securities Co., Ltd., Research Fellow of Chinese Academy of Social Sciences; and currently as Director of Financial Research Institute, Chinese Academy of Social Sciences.	Director of Financial Research Institute, Chinese Academy of Social Sciences
Zhou Yeliang	Bachelor degree. He served previously as Deputy Head of Nanping Region Sub-branch, PBOC, Vice President of Jianyang Region Branch, PBOC, President of Nanping City Branch, PBOC, Vice President of Fujian Provincial Branch, PBOC, Head of Fuzhou Central Sub-branch, PBOC, Head of Hangzhou Central Sub-branch, PBOC; and currently as President of Zhejiang Equity Investment Industry Association, Zhejiang University-Institute of Finance Distinguished Senior Fellow.	President of Zhejiang Equity Investment Industry Association, Zhejiang University-Institute of Finance Distinguished Senior Fellow, and Independent Director of Industrial Trust
Lin Zhangyi	University graduate, master degree, senior economist. He served previously as Deputy Section Chief of General Section of General Office, Industrial Bank, Deputy Head (in charge of general management) of Fuqing Sub-branch, Fuzhou Branch, Industrial Bank, President Assistant and Manager of Personnel & Education of Fuzhou Branch, Industrial Bank, Vice President of Fuzhou Branch, Industrial Bank, Vice President of Shanghai Branch, Industrial Bank, General Manager of General Office, Industrial Bank; and currently as Party Committee Member, Vice President of Industrial Bank, and Chairman of Industrial Bank Financial Leasing Co., Ltd.	Chairman of Industrial Bank Financial Leasing Co., Ltd.

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

During the reporting period, the Company did not have any changes in directors, supervisors, or senior management members.

II. Employees

As at the end of the reporting period, the Company had a total of 34,611 employees and 209 retirees. The particulars of the employees of the Company are listed as follows:

(I) By education

Educational degree	Number of Employees	Percentage(%)
Master and above	2,445	7.06
Bachelor	25,270	73.01
College	6,166	17.82
Technical secondary school and below	730	2.11
Total	**34,611**	**100**

(II) By post category

Post category	Number of Employees	Percentage (%)
Management	2,317	6.69
Business	28,008	80.93
Support	4,286	12.38
Total	**34,611**	**100**

Corporate Governance Structure

I. Corporate Governance Overview

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

During the reporting period, the Board of Directors effectively carried out its strategic decision-making functions, and developed *the Guidelines for 2011-2015 Development Plan* and the *2011 Annual Business Plan*. The business and development plans aimed to strengthen overall capital management, deepen group management and promote pragmatic and professional reform. In addition, directors and supervisors carried out special training and research to gain a comprehensive understanding of the Company's business operations, while ensuring the directors and supervisors perform their duties according to law and the greatest extent of their ability and level of professionalism. The Company systematically amended the *Rules of Procedures for General Shareholders' Meeting, the Rules of Procedures for the Board of Directors*, work rules for special committees under the Board of Directors and work rules for special committees under the Board of Supervisors. The Company also amended the *Administrative Measures on Fees of the Board of Directors*. The formulation of the *Evaluation Measures of the Duties of the Directors, Administrative Measures of Persons with Inside Information* and *Special Inspection Norms of the Board of Supervisors* firmly established management and record keeping of director and supervisor performance, while standardizing corporate governance operations. The Company effectively implemented the feedback and transmission mechanisms for major decisions of the Board of Directors and the Board of Supervisors, accurately conveyed the spirit of the Board of Directors and the Board of Supervisors, and promoted sound, sustainable development to safeguard the interests of all shareholders and stakeholders.

(I) Shareholders and the general shareholders' meeting

During the reporting period, the Company normalized the convening, holding, deliberation and voting procedures of the general shareholders' meeting in accordance with relevant laws and rules, the *Articles of Association* of the Company and the *Rules of Procedures of the General Shareholders' Meeting*, and the statutory rights of its shareholders were fully protected. Meanwhile, the Company took steps to strengthen the ways that it communicated with its shareholders, to listen to its shareholders' opinion and suggestion, and to ensure that the rights of shareholders were safeguarded, namely, the right to be informed, be involved in and to vote on the major issues of the Company by laws and regulations.

The Finance Bureau of Fujian Province is the largest shareholder of the Company by holding 21.03% shares. The Company is totally independent from its largest shareholder in all aspects, including assets, personnel, finance, institutions and business. The major decisions of the Company are made and implemented by the Company itself on an independent basis. None of the Company's major shareholders has possessed the capital of the Company or has requested the Company to act as a guarantor for a third party in any way whatsoever.

(II) Directors and the Board of Directors

The Board of Directors of the Company consisted of 15 directors. 6 were shareholding directors (including 2 foreign shareholding directors), 5 were independent directors and 4 were senior management directors. Geographically speaking, 12 were residents in China whereas the other 3 were from abroad. Five committees were established under the Board of Directors, namely the Executive Committee, the Risk Management Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee and the Remuneration and Evaluation Committee. Except for the Executive Committee, the other four committees were all chaired by independent directors. Fully exercising their professional strength, the committees reviewed and discussed a number of important issues, and submitted their opinion to the Board of Directors for consideration and approval, whereby the corporate governance level and operating efficiency were improved effectively. During the reporting period, 7 meetings of the Board of Directors were convened. The committees under the Board held 21 meetings in total, at which 138 proposals were considered or heard. These meetings effectively put into play the role of the Board of Directors in the development of corporate strategies, and determine the business plan, capital management, while promoting the continued strengthening of the group's decision-making.

(III) Supervisors and the Board of Supervisors

The Board of Supervisors consisted of 9 supervisors, including 4 shareholder representatives, 3 employee representatives and 2 external supervisors. Two specialized committees were set up under the Board of Supervisors, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. Both of the committees were headed by external supervisors. By attaching priority to the interests of shareholders and the Company as a whole, the Board of Supervisors fulfilled its supervision duties by carrying out specific investigations and audits, monitoring the financial activities, compliance and internal control of the Company as well as appraising the due diligence of the Board of Directors and senior management. During the reporting period, a total of 7 meetings of the Board of Supervisors were convened. Those meetings considered and approved 19 proposals and heard 12 reports. The committees under the Board of Supervisors convened 4 meetings in total at which 8 proposals were considered and approved.

(IV) Senior Management

As at the end of the reporting period, the Company had 5 senior management members, including a president and 4 vice-presidents. Authorized by the Board of Directors, the president took responsibility for running the bank, guiding daily operations, overseeing the implementation of resolutions approved by the general shareholders' meetings and the Board of Directors, and formulating annual business plans, investment plans, annual financial budgets and final accounts, profit distribution plans, basic management rules and regulations in accordance with laws, regulations and the *Articles of Association*.

Several committees operated under the senior management, namely the Franchise Management Committee, the Asset and Liability Management Committee, the Risk Management Committee, the Credit Approval Committee, the Internal Control Committee, the Credit Accountability Committee and the Major Purchases Committee.

(V) Related-party transactions

In order to control the risk of related-party transactions and safeguard the overall interests of the Company and its shareholders, while facilitating the stable growth of business, the Company strictly performed the procedures for review and approval of related-party transactions in accordance with *Administrative Measures of Industrial Bank Co., Ltd. for Related-party Transactions (revised in December 2009)* and *Implementation Rules of Industrial Bank Co., Ltd. for Management of Related-party Transactions (revised in December 2009)*, so as to ensure the related-party transactions were priced under the principle of fairness and reasonableness, making compensation for equal value. The respective responsibilities of the head office and branches were defined for the specific management of related-party transactions; the management procedures for related-party transactions were further clarified; and the Company's disclosure system of related-party transactions was improved.

During the reporting period, the Board of Directors received the "Award of Board of Directors" at the Tenth Annual China Corporate Governance Forum, jointly organized by the Shanghai Stock Exchange, SASAC and the Organization for Economic Co-operation and Development (OECD). This was a further indication of the securities markets regulators' and the vast majority of investors' full recognition of the Company's corporate governance building, marking a landmark in the Company's corporate governance advancement. In addition, during the reporting period, the Board of Directors of the Company also won the "Best Board of Directors" award by *Money Week*, and was selected by the *Directors & Boards* magazine as an "Outstanding Board" and etc. The Company was awarded the "2011 Golden Shield Award for Best Investor Relations", "Best Public Image Award of the Seventh Public Securities Cup", and was named one of China's Top 10 Most Valuable Main Board Listed Companies in 2010 by *Securities Times*, and etc. Gao Jianping, Chairman of the Board, received the award for "Chairman with Best Strategic Vision" by the *Directors & Boards* magazine. Tang Bin, the Board Secretary, was named the "Most Creative Board Secretary" and the "Gold Medal Board Secretary", which reflected the wide recognition from the market and investors.

II. Duty Fulfillment of Independent Directors

(I) Attendance of independent directors at meetings of the Board of Directors during the reporting period

Unit: time

Name	Expected attendance	Attendance in-person	Attendance by a proxy	Absence	Reasons for absence and other remarks
Ba Shusong	7	7	0	0	-
Xu Bin	7	7	0	0	-
Li Ruoshan	7	7	0	0	-
Wu Shinong	7	7	0	0	-
Lim Peng Khoon	7	7	0	0	-

(II) During the reporting period, the independent directors did not have any objections against the proposals of the Board or other non-board proposals.

(III) Establishment and main content of independent director working system and performance of independent directors

Since 2004, the Company has established an independent director system. The Company's *Articles of Association* clearly stipulates the rights and duties of the independence of the independent directors, their knowledge, experience, ability, professional structure, and their relevant selection procedures. Independent directors have fiduciary and diligence obligations to the Company and its shareholders. Independent directors must work not less than 15 working days each year for the Company, and should attend at least two-thirds of the total number of board meetings every year. In addition to the authority of that of a director, the independent directors also have the authority to review related-party transactions, propose the employment or dismissal of an accounting firm, propose convening the extraordinary general meeting, propose convening a meeting of the Board, hire independent external audit and advisory entities, and other special authority.

The Board of Directors of the Company has 5 independent directors, representing one third of the total number of directors. The independent directors represent a majority in the Audit and Related Party Transaction Control Committee, the Nomination Committee and the Remuneration and Evaluation Committee under the Board of Directors. The Risk Management Committee, the Audit and Related Transaction Control Committee, the Nomination Committee and the Remuneration and Evaluation Committee are all chaired by independent directors. During the reporting period, the independent directors gave full play to their expertise as they actively participated in the meetings of the Board of Directors and the committees, as well as the surveys and trainings organized by the Company and regulators. In line with the principles of being objective, independent and prudent, and with an aim to safeguard the interests of investors and other stakeholders, they fulfilled their duties by offering independent opinions on profit distribution, performance-oriented remuneration plans for senior management and material related-party transactions, among other important issues. In doing so, they played an important role in enhancing the level of rational decision making by the Board of Directors and promoting the sound, sustainable growth of the Company's business.

III. Corporate Decision Making System

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

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

IV. Performance Appraisal for Senior Management and Mechanism of Incentive and Restriction

The senior management members of the Company are subject to appraisal and supervision by the Board of Directors. The Board of Directors has formulated the *Method of Appraisal of the Operating Results of Senior Management Members* and the *Administrative Measures for the Remuneration of Senior Management Members*. By adopting optimal payment structures for senior management, reasonable and rational appraisal indicators and creating an appraisal mechanism that linked the payment to senior management members with their duties, risks and operating results. The remuneration structure for senior management motivates them to work hard and in line with the Company's interests.

V. Investor Relations and Information Disclosure

During the reporting period, the Company attached great importance to investor relations. Further implemented the concept of responsibility, and actively promoted investor relations, adhered to an attitude of accountability in regards to the majority of investors and other stakeholders; established and maintained diversified communication to adequately listen to the opinions and suggestions from the investors, to actively transmit and highlight the Company's core growth value.

The Company continued to adhere to the principle of taking responsibility for information disclosure. During the reporting period, the Company continued to organize regular reports and information disclosure, and timely and publicly released material information and governance documents, including the complete adoption of balance sheet standards for periodic reporting, and further enriched the data content and improved the quality of information. This exhibited the Company's comprehensive development strategy and operational results. Strengthened management of inside information, developed and improved the insider files registration system, made full efforts to prevent the abuse and disclosure of insider information, and effectively prevented insider trading. On the Company's new insider trading prevention and control column, the Company published the latest prevention and control regulations and regulatory developments, and published the reporting hot-line numbers to encourage external oversight of insider trading. In regard to the training of the staff of head office, branches

and subsidiary companies in 2011 annual listing information disclosure requirements, the Company disseminated the latest laws and regulations to ensure that each entity understood and was familiar with the specific requirements, and was in compliance with said disclosure requirements.

The Company followed the concept of "accessible communication and accurate transmission" to carry out capital marketing, while actively carrying out investor relations and public relations. In 2011, the Company held 6 large meetings, including performance presentations, press conference, business research and investigations meetings, as well as meetings with fund managers. The Company's directors and senior management members attended the meetings, and took the initiative to respond to the market and investors' concerns about hot issues. In order to deliver the Company's value to investors proactively and objectively, the Company participated in 11 investor conferences organized by mainstream domestic and overseas institutional investors, held over 30 one-to-one and one-to-many meetings with institutional investors, carried out 20 on-site surveys by institutional investors, made over 30 conference calls with analysts, replied to over 200 emails from investors and answered over 800 phone calls from investors.

The Company optimized the feedback function for investor relations, improved internal feedback mechanisms through multi-angle solutions. Established important information reporting system to cover market hot topics, analyzed shareholder changes, summarized the questions of investor concerns, and provided feedback reports to the management on a timely basis. The Company maintained its preparation of "Investor Relations Weekly" and "Address of Market Concerns", and compiled the "Monthly Summary of Investor Consultancy" and report to the Asset and Liability Management Committee. Through tireless efforts and good performance, the Company's investor relations was highly recognized and won multiple awards.

VI. Legal and Compliance Management as well as Environmental and Social Risk Control System

The Company has always been upholding the philosophy of prudent and compliant operation. It is committed to the refinement and professionalism of legal and compliance management by complementing its system and mechanism for legal and compliance management, strengthening the communication and trainings about compliance concept, and nurturing a compliance culture. During the reporting period, the Company continuously enhanced its fundamental work for compliance management, implementing and composing compliance risk management strategy, further clarifying the target, principle, organizational structure, execution route, process, regulation system and so on for compliance risk management. The *Announcement of Industrial Bank on Strengthening Overall Compliance Management System Construction and Implementation* was introduced to build up long term renew maintenance mechanism and ensure effective implementation of overall compliance management system. The Company accomplished operation of the phase II comprehensive compliance management system and formulation of *Administrative Rules of Industrial Bank on Overall Compliance Management System*, which provided an information platform support for compliance management. The Company deepened the multi-dimensional pilot program on compliance inspection, broadened data base of compliance inspection and looked for the best practice channel for compliance management. Compliance evaluation and accountability mechanism were pushed ahead, evaluation contents of compliance management were further refined and clarified, and evaluation result was included into overall operation appraisal.

VII. Establishment and Improvement of the Company’s Internal Control System

During the reporting period, the Company continuously strengthened its internal control measures and improved its internal control mechanism. Under the guidance of the Board and its special committees, the Company’s management further promoted the strategic shift of business model and profit model, and further improved internal control. The Company formulated the *Basic Internal Control System of Industrial Bank Co., Ltd*., modified and improved a range of internal control rules, covering internal control environment, risk identification and assessment, internal control activities, information exchange and feedback, internal oversight, etc., in accordance with the evolution of the external macro economics, the changes in legal and regulatory environment, and the requirements of business growth and internal management. Enhanced the overall design of the organizational structure and operating mechanism of internal control, internal control self-assessment mechanism, the compliance department and audit department organized and carried out internal control self-assessment of the entire bank. Organized the operational bodies to carry out internal control self-assessment, required the bodies to supervise and inspect in the entire bank and carry out self-assessment of the effectiveness of internal control design and operation. On the basis of summing up the experience of the preliminary internal control evaluation pilot, the Company established a unified internal control self-assessment template, and promoted it across the entire bank.

The Company has always adhered to the financial authorization principle of “unified leadership, centralized management, segmented accounting, and differentiated authorizations”. The Company constantly improved its financial management system, implemented a comprehensive budget management system, clarified the duties and power of the responsible units for budget management, and standardized procedures for budget preparation, approval, issuance and enforcement, and strengthened the budget constraints. Meanwhile, it strengthened control and management of business processes to ensure that each work segment was assigned clear system requirements, and set-up cross-work-unit reviews, effectively curbing operational risk, focusing on the construction and upgrade of information systems, while increasing accounting operational risk’s control capacity of the hard constraints.

The internal audit division was the inspection and supervision unit for the internal control works of the Company, providing independent, objective supervision, appraisal and consulting of the risk management and internal control works across the bank. In accordance with the principle of “unified leadership and vertical management”, the internal audit division employed a two-level management structure, whereby the Audit Department was set up at the head office while five audit sub-divisions were established regionally in Beijing, Shanghai, Shenzhen, Wuhan and Xiamen. As the subordinates of the Audit Department at the head office, the audit sub-divisions performed the auditing, supervision and appraisal functions for the branches in their respective territories on behalf of the head office, and reported to the Audit Department at the head office. The Audit Department at the head office had sections including the Credit Business Audit, Non-credit Business Audit, Off-site Audit, IT Audit, plus a Quality Control section which conducted unified, overall control over the quality of audit works, thereby creating a relatively independent and vertical quality control system.

The Company continued to improve its internal supervision and inspection system. Firstly, it established and implemented regular and irregular supervision and inspection to grasp the Company’s internal control and compliance management situation. Secondly, the Company’s audit department carried out independent audit and supervision activities, and carried out tracking of the rectification of previously identified problems. Thirdly, regularly carried out internal control evaluation, self-assessment of the effectiveness of internal control design and operation, issued internal control self-assessment analysis reports.

During the reporting period, on the basis of summing up the experience of the preliminary internal control evaluation pilot, according to the *Basic Norms of Internal Control* and supporting guidelines, the Company organized the 2011 internal control self-assessment work for the entire bank. On the enterprise level, process level and IT level, the Company employed walk-through tests, control tests and other evaluation tools and methods to identify and analyze internal control weaknesses; utilized the test results from the three lines of defense - business departments, legal and compliance functions of management, and the audit department to find internal control deficiencies; used the compliance management system platform and other platforms to find defects in the compliance monitoring channels. On this basis, the Company organized bank-wide internal control self-assessment.

During the reporting period, no substantial deficiencies were detected in the mechanism or rules of the Company's internal control in terms of comprehensiveness and reasonable basis.

The Company's Board of Directors has already produced a self-assessment report of internal control, please refer to the Shanghai Stock Exchange website for details.

VIII. Implementation of Management Rules on Persons with Inside Information

In accordance with the requirements in related documents of CSRC and its Fujian Bureau, the Company formulated the *Administrative Measures of Persons with Inside Information* based on its existing rules on information disclosure, in order to enhance the confidentiality of inside information, normalize the internal communication and external disclosure of substantial information, enhance the documentation and registration of insiders, thereby preventing the information from being leaked, better avoiding and eliminating the insider trading or other illegal acts, maintaining the equity principle in information disclosure. Meanwhile, a new insider trading prevention and control column has been added to the Company's website, which publishes the latest prevention and control regulations and regulatory dynamics, and publishes the reporting hot-line numbers to encourage external oversight of insider trading. During the reporting period, the Company strictly enforced the related information disclosure rules and timely submitted to and filing with the securities regulator the information about insiders; and no instance occurred that the insiders traded the stocks by taking advantage of insider information prior to the disclosure of substantial information.

IX. Establishment and Improvement of the Company's Rules on Management of External Information Users

In accordance with the *Administrative Measures for Information Disclosure by Listed Companies of CSRC*, *Requirements of Listed Companies to Establish Insider Information Registration and Management System*, and *the Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Company formulated the *Administrative Measures of Persons with Inside Information* wherein special section was included to set out the procedures concerning the provision and management of external information, in order to reinforce the management of external information users. It was expressly required that the external parties and people with inside information should strictly abide by their confidentiality obligation during their use of the Company's information, whereby the responsibilities of confidentiality were clearly defined. During the reporting period, none of the persons with inside information was found taking advantage of the inside information to trade the shares of the Company.

X. Establishment of the Accountability Rules regarding Material Errors in Annual Report Information Disclosure

The Company continuously enhanced the management of regular reports disclosure issues, to ensure the authenticity, accuracy and completeness of the disclosed information. The contents of regular reports were constantly enriched and the quality of information disclosure was improved. The Company's *Investigative Measures of Significant Errors in Annual Report Disclosure* which urges the relevant personnel to exercise diligence and meet all their obligations during annual report information disclosure, and comply with relevant laws and regulations, accounting standards and disclosure norms, to ensure that the financial statements give a true and fair view of the Company's financial position and operating results, to prevent the significant errors or omissions in the disclosure of information in the annual report. During the reporting period, the Company had no significant accounting errors, significant material omissions, or revisions in its performance forecast, etc.

General Shareholders’ Meeting

The Company held one general shareholders’ meeting during the reporting period, namely the 2010 annual general shareholders’ meeting. Details are given below:

On April 19, 2011, the 2010 annual general shareholders’ meeting was held in Fuzhou (Conference Room, 3rd floor, Block A, Zhongshan Building, 154 Hudong Road). A total of 56 shareholders and authorized representatives of shareholders attended the meeting, representing a total of 2,941,526,819 voting shares or 49.0872% of the Company’s total number of shares, which was in line with the related provisions in the *Company Law of the People’s Republic of China* and the *Articles of Association* of the Company. The meeting was presided over by Chairman Gao Jianping, and the voting was conducted by means of open ballot. The motions adopted included the *2010 Annual Work Report of the Board of Directors, 2010 Annual Work Report of the Board of Supervisors, 2010 Annual Appraisal Report on Duty Performance of Directors, 2010 Annual Appraisal Report on Duty Performance of Supervisors, 2010 Annual Appraisal Report by the Board of Supervisors on the Duty Performance of Directors and Senior Management Members, 2010 Annual Report and Abstract, 2010 Report on Final Financial Accounts & 2011 Financial Budget Plan, 2010 Annual Profit Distribution Plan, Proposal on Appointment of Public Accounting Firms for 2011, Motion on the Issuance of Subordinated Bonds, Motion on the Issuance of Financial Bonds, Motion on the Revision of the “Rules of Procedures of General Shareholders’ Meetings”, Motion on the Revision of the ”Rules of Procedures of the Board of Directors”* and so on. For details please refer to the Company’s announcement dated April 20, 2011.

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

Report of the Board of Directors

I. Management Analysis and Discussion

(I) Review of operations during the reporting period

1. Overall operation of the Company

During the reporting period, despite the complicated macro-economic situation, the increasingly competitive marketplace and strict financial supervisory and regulatory measures, the Company actively implemented the policies of the state and financial regulatory requirements, prospectively analyzed and predicted macro-level changes and development trends, and made dedicated effort with an enterprising spirit, so that all the businesses grew in a steady and orderly manner, and the Company saw considerable improvement in product and service quality as well as corporate profitability, resulting in record-breaking profit performance. Targets set out by the Board of Directors were all fully fulfilled.

(1) Basing on an accurate analysis and assessment of the situation and a well-organized step-by-step implementation plan, all the businesses continued to develop rapidly and healthily. As at the end of the reporting period, the Company's total assets was RMB 2,408.798 billion, up 30.23% from the beginning of the period. The balance of deposits in local and foreign currencies stood at RMB 1,345.279 billion, up 18.76% from the beginning of the period; the balance of loans in local and foreign currencies was RMB 983.254 billion, up 15.09% from the beginning of the period. The net assets balance attributable to the parent company's shareholders was RMB 115.209 billion, up 25.23% from the beginning of the period. The net capital was RMB 148.715 billion, up 30.70%. The capital adequacy ratio reached 11.04%, and the core capital adequacy ratio was 8.20%. The asset-liability ratio was healthy, and all the regulation indicators were in line with the supervisory and regulatory requirements. During the reporting period, the net profit attributable to the parent company's shareholders reached RMB 25.505 billion, up 37.71% year-on-year; the income from intermediary business amounted to RMB 9.635 billion, up 82.41% year-on-year and accounting for 16.09% of the total operating income, up 3.94 percentage points year-on-year; the weighted average ROE rose by 0.03 percentage point year-on-year to 24.67%; the return on total assets increased by 0.04 percentage point year-on-year to 1.20%. Excellent assets quality was successfully maintained. As at the end of the reporting period, the balance of NPLs was RMB 3.715 billion, a slight increase of RMB 99 million as compared with the beginning of the period; and the NPL ratio decreased by 0.04 percentage point to 0.38%. The loan provision coverage ratio reached 385.30%, 59.79 percentage points higher than that at the beginning of the period. The full-year profit of the wholly-owned subsidiary "Industrial Leasing" reached almost RMB 300 million; Union Trust was renamed China Industrial International Trust Co., Ltd., representing steady development of business operation across different sectors. Brand image of the trademark "Xing Ye" was further enhanced.

(2) The Company made efforts to consolidate the existing customer base and business structure optimization, the operation transformation led to increasingly positive results. The customer base was further strengthened, as at the end of reporting period, the Company's corporate customers grew to 299.9 thousand, up 83.6 thousand or 38.66% from the beginning of the period, while the number of core customers of retail banking stood at 1.923 million, up 469.7 thousand or 32.32% from the beginning of the period, and interbank core customers amounted to 179. The business structure continued to be optimized by vigorous development of the loans for medium-sized entity enterprises, small enterprises and personal business operations, reducing loans granted for government financing platforms and real estates, and upgrade of the service for real economy. The Company reinforced interbank cooperation and promoted product innovation, while flexibly carrying out proprietary investment and market-making transaction and scientifically allocating non-credit assets, resulting in increases in business and profit of the whole Company. Meanwhile, great efforts were made to develop key strategic businesses such as supply chain finance, cash management, credit card, etc. and new businesses such as wealth management, private banking, investment banking and assets management, and remarkable progress was achieved. In addition, capital increase of the subsidiary was successfully completed. With improved business management at the subsidiary and increased support, the subsidiary's business maintained rapid and healthy development.

(3) The reform was promoted on all fronts and primary-level business operations were reinforced, resulting in a continuous upgrade of the supporting capacity of the management and operation. The corporate finance specialization system reform was officially initiated and the retail reform deepened as well, in tandem with the implementation of the HR mechanism reform and financial and risk management systems. The Company upgraded the innovation of the instrument and its risk management approach, whereby the non-retail internal rating project was smoothly put into operation, and the establishment of retail internal rating project was launched, leading to continuous improvement in internal risk control. The pilot work of compliance monitoring and internal control gained breakthrough, marking an important milestone in system construction. The investigation of financial compliance was carried out in the whole Company and primary-level operations such as auditing and supervision, internal control of operation, case prevention were all reinforced, so as to further improve the internal risk control system and management standard.

During the reporting period, 11 secondary branches and 59 sub-branches were newly established, making a total of 647 institutions. The counter management system reform in the head office and across different branches was completed on a preliminary basis, while the E-banking management system was further straightened. Along with the optimization of IT management organization, the technology management system of “one department with four centers” mainly based in Shanghai was set up. Meanwhile the new core business system and the new financial management system were put into operation. Key strategic systems such as corporate finance business platform and retail customer relations management were developed, while the construction of IT infrastructure and the building of warning and emergency capability were constantly strengthened. The Zhangjiang data center in Shanghai and the operation center in Chengdu were officially launched.

(4) The Company’s market position and brand influence were significantly enhanced. According to the list of global top 1000 banks released by *The Banker* magazine of UK in 2011, the Company ranked 83rd in terms of tier 1 capital, up 14 places from last year; ranked 75th in terms of total assets, up 18 places from last year. Meanwhile, according to the list of Chinese top 500 enterprises released by *Fortune* of USA in 2011, the Company ranked 84th, while it ranked 11th according to the list of “Top 40 Chinese Companies with the Highest Profit Margin ” and 15th according to the list of “40 Most Profitable Chinese Companies ”. The Company received numerous major national and local awards by various authoritative organizations, including “Annual Best Joint-Stock Bank”, “Award of Board of Directors” by Shanghai Stock Exchange, “Award of Gold Tripod” and “Best Corporate Citizen”, etc. According to the “2011 Best Chinese Brand Value List” released by the world’s largest brand consulting company Interbrand, the Company ranked 24th with 50% increase in its brand value.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB 59.870 billion, and operating profit was RMB 33.532 billion.

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

Unit: RMB million

Region	Operating income	Operating profit
Head office	2,602	(1,788)
Fujian	8,749	5,519
Beijing	5,058	3,585
Shanghai	4,917	3,543
Guangdong	6,532	3,975
Zhejiang	4,138	2,202
Jiangsu	3,235	1,899
Northeast and other regions in Northern China	8,710	5,076
West	7,238	4,447
Central region	8,691	5,074
Total	**59,870**	**33,532**

(2) Regarding the operating income, the amount, proportion and year-on-year changes in loan, interbank placements, due from central bank, due from banks and other financial institutions, financial assets held under resale agreements, bond investment, fee & commission, etc. are listed as follows:

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Year-on-year change (%)
Income from loans	59,149	50.06	38.24
Income from placements	5,816	4.92	1,060.88
Interest income from amount due from central bank	3,698	3.13	45.99
Interest income of due from banks and other financial institutions	1,392	1.18	162.15
Income from financial assets held under resale agreements	26,119	22.11	113.08
Investment income	11,134	9.42	37.85
Fee and commission income	9,418	7.97	80.11
Interest from finance lease	1,463	1.24	1,218.02
Other income	-33	-0.03	-112.09
Total	**118,156**	**100**	**63.43**

3. Financial performance and operating results

(1) Changes in key financial indicators and reasons thereof

Unit: RMB million

Item	December 31, 2011	Change over previous year-end (%)	Brief description
Total assets	2,408,798	30.23	Steady and rapid growth of various asset businesses.
Total liabilities	2,292,720	30.44	Steady and rapid growth of various liability businesses.
Shareholders' equity attributable to the parent company's shareholders	115,209	25.23	Transfer of profit earned in current period.
Item	**2011**	**Year-on-year change (%)**	**Brief Description**
Net profit attributable to the parent company's shareholders	25,505	37.71	Steady and rapid growth of various businesses, leading to rapid growth in total assets; year-on-year increase of deposit-loan spread, and recovered net interest margin; rapid growth of intermediary business; stable asset quality, and the cost-to-income ratio maintained at a low level.
Weighted average ROE (%)	24.67	Up 0.03 percentage point	Net profit attributable to the parent company's shareholders of this year grew 37.71% year-on-year. The weighted average ROE grew 37.50% after the fund raising by means of implementing the scheme of rights issue last year.
Net cash flow from operating activities	(7,885)	(106.70)	The Company intensified asset allocation and increased the utilization efficiency of funds.

(2) Key items of the accounting statement where fluctuations are over 30%

Unit: RMB million

Key accounting item	December 31, 2011	Change over previous year-end (%)	Brief description
Due from banks and other financial institutions	69,425	74.14	The Company took advantage of its traditional strength in interbank business, and expanded the allocation of interbank deposits by capitalizing on market opportunities.
Precious metals	1,520	121.90	Stock position of precious metals increased.
Placements with banks and other financial institutions	228,899	984.88	The Company grasped market opportunities and strengthened the operation of funds from other banks.
Held-for-trading financial assets	8,101	46.31	Investment in held-for-trading bonds increased.
Financial assets held under resale agreements	526,979	40.90	The Company took advantage of its traditional strength in interbank business, expanded its resale business and increased the income from non-credit business by capitalizing on the market opportunities.
Interest receivable	12,924	94.20	The interest receivable for granted loans and advances, financial assets held under resale agreements, due from banks and other financial institutions increased.
Financial lease receivables	21,485	147.15	The financial leasing business of Industrial Leasing increased.
Long-term equity investments	1,159	50.32	The long-term equity investments of Industrial Trust on Zijin Mining Group Finance Co., Ltd. and Guangfa Huafu Securities Co., Ltd. were consolidated.
Other assets	8,400	31.83	The prepayment of Industrial Leasing for purchase of lease assets increased.
Due to banks and other financial institutions	626,831	50.08	The Company enhanced the absorption of deposits from other banks according to the need of asset allocation by capturing the market opportunities.
Placements from banks and other financial institutions	52,752	101.83	Lending of Industrial Leasing increased.
Financial assets sold under repurchase agreements	141,426	57.87	The Company increased the debt capacity according to the need of asset allocation, by capturing market opportunities.
Employee benefits payable	6,085	33.88	All the businesses increased steadily and rapidly, which caused the increase of employee benefits payable.
Tax payable	5,066	45.32	The tax payable increased.
Interest payable	14,803	72.31	The interest payable for absorbed deposits and due from banks increased.
Other liabilities	16,442	125.39	Wealth management fund, rental deposits from Industrial Leasing and other payables increased.

Key accounting item	Year of 2011	Year-on-year change (%)	Brief description
Interest income	108,447	63.21	The size of interest bearing assets was enlarged and the yield increased.
Interest expense	57,713	103.11	The size of interest payment liabilities was enlarged and the ratio of interest payment increased. Because the radix of interest payment ratio of interest payment liabilities was lower than the radix of return of the interest bearing assets, the growth rate of interest expenses would remarkably higher than that of interest income if the interest rate increased concurrently. The Company's growth rate of interest expense was 39.90 percentage points higher than the growth rate of interest income of the whole year, which was further narrowed compared with previous three quarters. In the fourth quarter, the Company's link-relative net interest margin and interest spread rose sharply and the link-relative net interest income increased significantly.
Fee and commission income	9,418	80.11	The income from intermediary business grew rapidly.
Fee and commission expense	573	33.88	The fee and commission expense increased.
Gains (loss) from changes in fair values	(283)	(261.71)	The income from fluctuations in the fair value of precious metals and forward contract of precious metals decreased, while overall gains of the relevant businesses were positive.
Foreign exchange gains	217	309.43	The profitability of exchange rate products was good.
Business taxes and levies	4,291	47.20	The assessable income increased.
General and administrative expenses	18,784	34.10	All the businesses increased steadily and rapidly, which led to increase in general and administrative expenses.
Income tax expenses	8,067	47.10	The profit before tax increased significantly.
Other comprehensive income	610	Negative in the same period a year ago	The income from changes in fair value of financial assets available for sale.

(II) Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Company stood at RMB 2,408.798 billion, up 30.23% from the beginning of the period. Of which, loans increased RMB 128.915 billion or 15.09% from the beginning of the period; placements with banks and other financial institutions increased RMB 207.800 billion or 984.88% from the beginning of the period; and financial assets held under resale agreements increased RMB 152.974 billion or 40.90% during the period.

The details of loans were as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2011	December 31, 2010
Corporate loans	703,948	619,604
Personal loans	260,641	225,007
Discounted bills	18,665	9,728
Total	**983,254**	**854,339**

As at the end of the reporting period, the proportion of corporate loans was 71.59%, down 0.93 percentage point from the beginning of the period; the proportion of personal loans increased by 0.17 percentage point to 26.51%; the proportion of discounted bills increased by 0.76 percentage point to 1.90%. In 2011, guided by the Outlook on Scientific Development, the Company effectively implemented macroeconomic policies of the state and financial regulatory standards, grasped market opportunities in the process of economic adjustments and policy changes, reasonably adjusted both the total amount and pace of credit provision, and maintained rapid, balanced growth in key areas such as corporate and retail banking businesses.

(2) Loan distribution by industry

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

Unit: RMB million

Industry	December 31, 2011			December 31, 2010		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	3,279	0.33	0.00	2,518	0.29	0.08
Mining	29,933	3.03	0.04	22,913	2.68	0.06
Manufacturing	175,078	17.82	0.74	132,235	15.48	0.94
Production and supply of power, gas and water	33,551	3.41	0.05	29,044	3.40	0.07
Construction	38,379	3.90	0.46	32,289	3.78	0.27
Transportation, logistics and postal service	54,067	5.50	0.01	51,994	6.09	0.12
Information transmission, computer services and software	5,447	0.55	4.32	3,542	0.41	1.23
Retail and wholesale	88,127	8.97	1.12	59,281	6.94	1.77
Accommodation and catering	5,134	0.52	0.03	3,570	0.42	0.04
Finance	3,375	0.34	0.15	5,048	0.60	0.10
Real estate	91,454	9.30	0.12	84,835	9.93	0.44
Leasing and commercial services	79,648	8.10	0.49	74,098	8.67	0.38
Scientific research, technical service & geological prospecting	2,424	0.25	0.01	1,011	0.12	0.15
Water, environment and public facilities administration	78,159	7.95	0.00	93,274	10.92	0.00
Residential services and other related services	2,471	0.25	0.00	2,769	0.32	1.57
Education	758	0.08	0.26	771	0.09	0.68
Sanitation, social security and other social services	2,072	0.21	0.00	2,329	0.27	0.00
Culture, sporting and entertainment	2,647	0.27	0.00	2,331	0.27	0.00
Public administration and social organization activities	7,945	0.81	0.00	15,752	1.84	0.00
Personal loans	260,641	26.51	0.19	225,007	26.34	0.17
Discounted bills	18,665	1.90	0.00	9,728	1.14	0.00
Total	**983,254**	**100**	**0.38**	**854,339**	**100**	**0.42**

During the reporting period, following a strategic shift revolving around the business development model and profit model, the Company focused on developing customer groups of medium-sized entity enterprises and supply chain business, and actively diverted credit resources to real economy, livelihood projects, household consumption, energy saving and emission reduction and other fields by continuously speeding up business transformation and upgrade. On the other hand, the Company adopted a cautious approach to fixed assets-related loans, local government financing platforms and real estate enterprises, facilitated sustainable and healthy business development by actively implementing the differential credit policy of "supporting some, controlling some, inhibiting some" and by exerting itself to optimize the structure of customer and investment orientation.

As of the end of the reporting period, the Company's loans were well distributed among different industries. Its assets quality was good, as the NPL ratio remained stable or decreased to a varied extent in almost all the industries, except for the slight increase in NPL ratio from the beginning of the year in "Information transmission, computer services and software", which only accounted for a small part in the total loans, so that a balanced and optimized development of orientation structure and quality in credit industry was achieved.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2011		December 31, 2010	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Fujian	153,431	15.60	132,336	15.49
Guangdong	99,547	10.12	90,264	10.57
Zhejiang	84,014	8.55	77,180	9.03
Shanghai	71,114	7.23	62,948	7.37
Beijing	61,686	6.27	56,101	6.57
Jiangsu	54,646	5.56	47,731	5.59
Head office	24,968	2.54	11,547	1.35
Others	433,848	44.13	376,232	44.03
Total	**983,254**	**100**	**854,339**	**100**

During the reporting period, the Company's loans remained stable in terms of geographical distribution and were located primarily in developed regions such as Fujian, Guangdong, Zhejiang, Shanghai, Beijing and Jiangsu. The relative larger size of the economies in the above regions offered a favorable environment and conditions for the rapid growth of the Company's businesses. In view of the deployment of business outlets and regional features of economic development, the Company actively participated in local economic activities by providing strong support to the pillar industries, key projects and quality enterprises with a competitive edge in the regions. By effectively playing its role as a financial services provider, the Company benefited from local economic development.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2011		December 31, 2010	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	207,240	21.07	199,121	23.31
Guaranteed loans	224,841	22.87	193,113	22.60
Secured by mortgage	473,459	48.15	411,276	48.14
Secured by collaterals	59,049	6.01	41,101	4.81
Discounted bills	18,665	1.90	9,728	1.14
Total	**983,254**	**100**	**854,339**	**100**

During the reporting period, the Company stressed more on using mortgage as an important instrument to mitigate customers' credit risks. The proportion of loans secured by mortgage and collaterals rose 1.21 percentage points from the beginning of the period, suggesting enhanced capability of risk resistance.

(5) Loans granted to the top ten borrowers

As at the end of the reporting period, the top ten borrowers of the Company were Henan Coal and Chemical Industry Group Co., Ltd., Chongqing Yufu Assets Operation and Management Co., Ltd., Tianjin Bohai Assets Operation and Management Co., Ltd., Beijing Land Arrangement and Storage Centre (Chaoyang Branch Centre), Shanghai Xuhui Binjiang Investment and Construction Development Co., Ltd., Beijing Economic-technological Investment & Development CO., Ltd., Minsheng Investment Co., Ltd. of Harbin Investment Group, Shanxi Coal and Chemical Industry Group Co., Ltd., Harbin Urban Construction Investment Group Co., Ltd., and Urumchi Urban Construction Investment Co., Ltd. The outstanding loans to the above borrowers amounted to RMB 33.340 billion, accounting for 3.39% of the total ending balance of loans, which was in conformity with relevant supervisory and regulatory requirements.

As at the end of the reporting period, the largest single borrower of the Company was Henan Coal and Chemical Industry Group Co., Ltd., whose ending balance of loans was RMB 6.3 billion, accounting for 4.45% of the net capital of the Company. This was in compliance with the requirement of the regulatory authority that the loan balance for a single borrower should not exceed 10% of the net capital of a bank.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2011			December 31, 2010		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	174,980	67.14	0.14	178,267	79.23	0.12
Personal business loans	54,762	21.01	0.08	25,812	11.47	0.02
Credit cards	20,002	7.67	0.82	11,330	5.03	1.02
Others	10,897	4.18	0.29	9,598	4.27	0.39
Total	**260,641**	**100**	**0.19**	**225,007**	**100**	**0.17**

During the reporting period, whereas the state continued the macro-level regulation over the real estate industry, the Company took the initiative to adjust and optimize its structure of personal loans accordingly, encouraged high-profit businesses such as personal business loans, while the growth in personal residential and business mortgage loans was curbed, resulting in a more balanced and reasonable structure of personal loans.

During the reporting period, the Company further reinforced risk control regarding personal loans by establishing *Personal Credit Risk Warning Regulations* and strengthening the supervisory control of personal loans flow and the risk monitoring. At the end of the period, the NPL ratios in personal residential and business mortgage loans, credit cards and other personal loans remained at low level.

Details of financial assets held under resale agreements were as follows:

As at the end of the reporting period, the Company's financial assets held under resale agreements was RMB 526.979 billion, increased RMB 152.974 billion or 40.90% from the beginning of the period. The main reason was that the Company actively implemented the differential competition strategy by taking advantage of its traditional strength in interbank business, while further expanding the resale business to increase the income from non-credit business by utilizing market opportunities in an orderly fashion.

Unit: RMB million

Asset type	December 31, 2011		December 31, 2010	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	25,610	4.86	11,206	2.99
Bills	192,664	36.56	287,174	76.78
Beneficial rights of trust	283,120	53.73	1,450	0.39
Credit assets	25,270	4.80	74,175	19.83
Lease receivables	315	0.05	-	-
Total	**526,979**	**100**	**374,005**	**100**

Details of investment were as follows:

As at the end of the reporting period, the net investment of the Company stood at RMB 259.734 billion, up RMB 10.583 billion or 4.25% from the beginning of the period. The specific composition of investment was as follows:

(1) Classification based on accounting item

Unit: RMB million

Item	December 31, 2011		December 31, 2010	
	Balance	Percentage (%)	Balance	Percentage (%)
Held-for-trading	8,101	3.12	5,537	2.22
Available-for-sale	147,505	56.79	147,232	59.09
Receivable	70,205	27.03	61,321	24.61
Held-to-maturity	32,764	12.61	34,290	13.77
Long-term equity investments	1,159	0.45	771	0.31
Total	**259,734**	**100**	**249,151**	**100**

During the reporting period, fund supply on the interbank market was overall tightened. In view of fund-supply conditions and the general trends in the bond market, the Company adjusted its size and structure of the portfolio in a dynamic process to prevent liquidity risks.

(2) Classification based on issuer

Unit: RMB million

Asset type	December 31, 2011		December 31, 2010	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	53,893	20.75	65,993	26.49
Central bank bills and financial bonds	72,327	27.85	79,444	31.89
Other bonds	58,359	22.47	42,257	16.96
Other investments	73,996	28.49	60,686	24.36
Long-term equity investments	1,159	0.44	771	0.31
Total	**259,734**	**100**	**249,151**	**100**

During the reporting period, the Company reduced its holdings of certain government bonds and financial bonds taking into account its asset-liability ratio and its findings in regards with the financial market.

(3) Long-term equity investments and major self-funded investment projects

As at the end of the reporting period, long-term equity investments of the Company totaled RMB 1,159 million, and the details were as follows:

① The Company holds 14.72% equity in Bank of Jiujiang with a book value of RMB 873 million. In accordance with the Document YJF [2008] No.449 issued by the CBRC on 4 November, 2008, the Company acquired 102.2 million shares of Jiujiang City Commercial Bank Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB 2.9 Yuan per share. As a result, the Company held 20% of the total shares of Bank of Jiujiang after it expanded its share capital. In 2009, Bank of Jiujiang increased 4 shares for every 10 shares to all recorded shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Company currently held 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increased its registered capital by RMB 400.66 million, offered privately and subscribed in cash for the price of RMB 3.3 Yuan per share. The Company acquired 80.12 million shares. After the acquisition, the Company held 223.20 million shares and the proportion of equity interest remained 20% of the total shares of Bank of Jiujiang after it expanded its share capital. On 14 December 2011, Bank of Jiujiang increased its registered capital by RMB 400 million, the Company didn't subscribe, and the proportion of equity interest of the Company was diluted to 14.72% after the increase of share capital.

② The Company holds 62.5 million shares of China UnionPay Co., Ltd with a book value of RMB 81 million. The Company became a shareholder of China UnionPay after purchasing 50 million shares at the price of RMB 1 Yuan per share upon the Document YF [2001] No.234 issued by the PBOC. The Company subscribed 12.5 million shares of China UnionPay at the price of RMB 2.5 Yuan per share upon the Document YJF [2008] No.202 issued by CBRC on May 23, 2008.

③ Industrial Trust holds 4.35% equity in Guanfa Huafu Securities Co., Ltd. with a book value of RMB 180 million.

④ Industrial Trust holds 5.00% equity of Zijing Mining Group Financial Co., Ltd. with a book value of RMB 25 million.

(4) Wealth Management Products

Unit: RMB million

Name of trustee	Amount of wealth management products	Starting date of the wealth management product	Ending date of the wealth management product	Determination way of the reward	Amount of the actually recovered principal	Actually acquired income	If legally processed	Amount of the provision for impairment	If it is related trade	If the fund originates from fund-raising	Related party
Minsheng Bank	400	2009-06-18	2012-06-18	Provided by contract	Undue	52.73	Yes	0	No	No	No
Bank of Communications	1,000	2009-06-26	2014-06-26	Provided by contract	Undue	109.93	Yes	0	No	No	No
Bank of Communications	1,000	2009-04-29	2012-03-29	Floating	Undue	113.46	Yes	0	No	No	no
Total	**2,400**	**–**	**–**	**–**	**0**	**276.11**	**–**	**0**	**–**	**–**	**–**
Total amount of overdue principal and income											0

As at the end of the reporting period, the Industrial Trust authorized Aegon-Industrial Fund Management to carry out the management plan of customers' assets with a book value of RMB 80 million, excluding the aforementioned wealth management products. The aforementioned wealth management products were normal investment business of the Company and did not involve fund-raising activities. As at the end of the reporting period, the Company had no entrustment loan or other wealth management businesses.

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB 2,292.720 billion, an increase of RMB 535.042 or 30.44% from the beginning of the period. Of which, the customer deposits increased RMB 212.512 billion from the beginning of the period, up 18.76%; deposits from banks and other financial institutions increased RMB 209.176 billion from the beginning of the period, up 50.08%; financial assets sold under repurchase agreements increased RMB 51.841 billion from the beginning of the period, up 57.87%.

The specific composition of customer deposits was as follows:

Unit: RMB million

Item	December 31, 2011		December 31, 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits	598,852	44.52	552,772	48.80
Incl: Corporate	487,695	36.26	471,562	41.63
Personal	111,157	8.26	81,210	7.17
Time deposits	571,238	42.46	495,167	43.71
Incl: Corporate	457,665	34.02	390,551	34.48
Personal	113,573	8.44	104,616	9.24
Other deposits	175,189	13.02	84,828	7.49
Total	**1,345,279**	**100**	**1,132,767**	**100**

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

As at the end of the reporting period, the Company had a balance of RMB 626.831 billion in deposits from banks and other financial institutions, an increase of RMB 209.176 billion or 50.08% from the beginning of the period. The primary cause was that the Company actively deployed business of non-credit assets when the market interest was high by capitalizing on market opportunities, so that it increased its income from non-credit businesses.

Unit: RMB million

Transaction counterpart	December 31, 2011		December 31, 2010	
	Balance	Percentage (%)	Balance	Percentage (%)
Bank peers	376,048	59.99	215,440	51.58
Non-bank peers	250,783	40.01	202,215	48.42
Total	**626,831**	**100**	**417,655**	**100**

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

As at the end of the reporting period, the Company had a balance of RMB 141.426 billion in financial assets sold under repurchase agreements, increased RMB 51.841 billion or 57.8% from the beginning of the period. The primary cause was that the Company increased matching funds through the repurchase business by seizing market opportunities in terms of capital sources, guided by the principle that fund use must match the sources of the funds, while its non-credit assets increased rapidly.

Unit: RMB million

Type	December 31, 2011		December 31, 2010	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	43,410	30.69	20,927	23.26
Bills	95,444	67.49	68,658	76.64
Others	2,572	1.82	-	-
Total	**141,426**	**100**	**89,585**	**100**

(III) Analysis of income statement

During the reporting period, the Company had seen steady and rapid growth in various businesses, leading to rapid growth in total assets; deposit-loan spread increased by 48bp year-on-year, and net interest margin increased by 16bp year-on-year; flexibly allocated assets by capturing market opportunities; rapid growth of intermediary business; asset quality was good, and the cost-to-income ratio was maintained at low level. The net profit attributable to the parent company's shareholders reached RMB 25.505 billion, up 37.71% year-on-year.

Unit: RMB million

Item	2011	2010
Operating income	59,870	43,456
Net interest income	50,734	38,032
Net non-interest income	9,136	5,424
Business tax and surcharges	(4,291)	(2,915)
Operating and administrative expense	(18,784)	(14,007)
Assets impairment loss	(2,916)	(2,342)
Other operating costs	(347)	(295)
Net non-operating income and expense	132	108
Profit before tax	33,664	24,005
Income tax	(8,067)	(5,484)
Net profit	25,597	18,521
Profit and loss of minority shareholders	92	-
Net profit attributable to the parent company's shareholders	25,505	18,521

1. Interest income

During the reporting period, interest income of the Company was RMB 108.447 billion, up RMB 42 billion or 63.21% year-on-year. The specific composition of interest income was as follows:

Unit: RMB million

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income from corporate and personal loans	57,472	53.00	41,935	63.11
Interest income from discounted bills	1,677	1.55	851	1.28
Interest income from investments	10,810	9.97	7,723	11.62
Interest income from amount due from central bank	3,698	3.41	2,533	3.81
Interest income from placements with banks and other financial institutions	5,816	5.36	501	0.75
Interest income from resale agreement	26,119	24.08	12,258	18.45
Interest income from amount due from banks and other financial institutions	1,392	1.28	531	0.80
Interest from finance lease	1,463	1.35	111	0.17
Other interest income	-	-	4	0.01
Total	**108,447**	**100**	**66,447**	**100**

2. Interest expenses

During the reporting period, interest expense of the Company was RMB 57.713 billion, up RMB 29.298 billion or 103.11% year-on-year. The specific composition of interest expense was as follows:

Unit: RMB million

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest expense on deposits	23,713	41.09	14,595	51.36
Interest expense on bonds issuance	2,656	4.60	2,622	9.23
Interest expense on amount due to banks and other financial institutions	22,919	39.71	7,912	27.84
Interest expense on placements from banks and other financial institutions	1,532	2.65	315	1.11
Interest expense on repurchase agreements	6,529	11.31	2,916	10.26
Other interest expense	364	0.64	55	0.20
Total	**57,713**	**100**	**28,415**	**100**

3. Non-interest net income

During the reporting period, non-interest net income of the Company was RMB 9.136 billion, up RMB 3.712 billion or 68.44% from a year ago, which accounted for 15.26% of operating income. The income from intermediary business (income from fee and commission and exchange gains and losses) was RMB 9.635 billion, up 82.41% year-on-year. The specific composition of non-interest net income was as follows:

Unit: RMB million

Item	2011	2010
Net fee and commission income	8,845	4,801
Investment income	324	354
Gains from changes in fair value	(283)	175
Exchange gains and losses	217	53
Income from other businesses	33	41
Total	**9,136**	**5,424**

Net income from fee and commission: during the reporting period, the Company realized RMB 9.418 billion of fee and commission income, up RMB 4.189 billion or 80.11% year-on-year. The largest proportion of fee and commission income had been taken by the fee income from consulting service, bank cards and agency business.

Unit: RMB million

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	556	5.90	159	3.04
Fee income from bank cards	1,716	18.22	792	15.14
Fee income from agency business	1,655	17.57	1,018	19.47
Fee income from guarantee commitment	557	5.91	309	5.92
Fee income from trading business	102	1.08	47	0.89
Fee income from custody business	515	5.47	230	4.39
Fee income from consulting service	3,467	36.82	2,520	48.20
Fee income from trust business	410	4.35	-	-
Fee income from lease business	111	1.18	13	0.25
Other fee income	329	3.50	141	2.70
Subtotal	**9,418**	**100**	**5,229**	**100**
Fee and commission expenses	573		428	
Net income from fee and commission	**8,845**		**4,801**	

Investment income: during the reporting period, the Company realized RMB 324 million of investment income, a decrease of RMB 30 million year-on-year. The specific composition was as follows:

Unit: RMB million

Item	2011	2010
Gains from precious metals	630	32
Gains from held-for-trading financial assets	(114)	4
Gains from derivative financial instruments	(138)	62
Gains from available-for-sale financial assets	(288)	242
Income recognized from long-term equity investment with equity method	197	90
Income recognized from long-term equity investment with cost method	3	2
Held-for-trading financial liabilities	34	(78)
Total	**324**	**354**

Exchange gains and losses: during the reporting period, the Company realized RMB 217 million of exchange gains and losses, a rise of 309.43% year-on-year. The primary cause was the excellent profitability of business concerning exchange rate.

4. Operating and administrative expense

During the reporting period, operating expense of the Company was RMB 18.784 billion, up RMB 4.777 billion or 34.10% from a year ago. The specific composition was as follows:

Unit: RMB million

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	10,552	56.18	6,314	45.08
Depreciation and amortization	1,039	5.53	875	6.25
Office expense	2,559	13.62	2,591	18.50
Lease expense	1,214	6.46	971	6.93
Publicity expense	1,038	5.53	1,166	8.32
Business entertainment expense	807	4.30	551	3.93
Professional service expense	248	1.32	222	1.58
Other expense	1,327	7.06	1,317	9.41
Total	**18,784**	**100**	**14,007**	**100**

The major reasons for the increase in operating and administrative expense included: (1) higher investment in business development and strategic transformation in line with the enlarged business scale and growing market competition; and (2) higher cost resulting from setup of new branches and sub-branches, combined with associated staffing.

5. Impairment losses of assets

In the reporting period, the Company's impairment losses of assets reached RMB 2.916 billion, a year-on-year increase of RMB 0.547 billion or 24.51%. The specific composition of impairment losses of assets was as follows:

Unit: RMB million

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan impairment losses	2,625	90.02	2,221	94.79
Impairment losses on investment in accounts receivables	52	1.78	17	0.71
Impairment losses on lease payment receivables	212	7.27	99	4.24
Impairment losses on other assets	27	0.93	5	0.26
Total	**2,916**	**100**	**2,342**	**100**

6. Income tax

During the reporting period, the effective income tax rate applying to the Company was 23.96%, up 1.11 percentage points year-on-year and lower than the statutory tax rate by 1.04 percentage points. The differences between income tax expense and the amount calculated according to the 25% statutory tax rate was as follows:

Unit: RMB million

Item	2011
Profit before tax	33,664
Statutory tax rate (%)	25
Income tax calculated at statutory tax rate	8,416
Effect on tax due to adjustment on the following items:	
Tax-exempt income	(469)
Non-deductible items	130
Supplementary income tax	(4)
Effect of lower tax rates applicable in some regions	(6)
Income tax	8,067

(IV) Use of raised capital and changes in application

In May 2010, the Company implemented the A share rights issue plan, whereby all shareholders were offered 2 shares at the price of RMB 18.00 per share for ever 10 shares they held. Through the rights issue, RMB 17.864 billion was raised in a total issue of 992,450,630 shares. All the proceeds were used for capital supplement after deduction of the issue costs.

During the reporting period, the Company had no change to the application of the raised capital.

(V) Major changes in operating environment and macro policies, laws and regulations during the reporting period and the impacts thereof

1. Impact of macroeconomic control

In 2011, the monetary policy changed from moderately loose to stable, where the central bank further tightened its monetary policy and introduced differential reserve real-time management according to the credit size of commercial banks. For example, it raised the statutory deposit reserve ratio once a month for six times in the first half of the year, and since the second half of the year, the signal of policy fine-turning appeared as the debt crisis deteriorated in Europe. During this period, domestic inflationary pressure eased off with a full-scale slow-down in the economy, resulting in the reduction of the statutory deposit reserve ratio in December; besides, the regulatory institution issued new regulatory standards within the year, whereby the regulation of local government financing platform was reinforced, the monitoring of daily average loan-to-deposit ratio was implemented, meaning that the regulatory requirements became higher. Despite the complicated and variable macroeconomic situation, the increasingly competitive marketplace and stricter financial supervisory and regulatory measures, the Company actively implemented the policies and financial regulatory requirements of the state, and prospectively analyzed and predicted the changes and development trends of the macro situation, focusing on deposit increase as the major contradictory and working key point, while developing the core liabilities by means of promotion of the products and allocation of the resources in combination with examination and assessment. As a result, positive results were accomplished. In compliance with the market changes such as tightened control of credit size and rapidly increased funds price, the Company enhanced its pricing management, leading to sharp rises in assets prices. Meanwhile, the Company efficiently controlled the credit size and the releasing pace strictly in accordance with the regulatory requirements, so that all businesses developed steadily and in a good order.

2. Impact of interest rates adjustment

During the reporting period, the central bank raised the benchmark rates for deposits and loans three times and the ratio of required reserve six times, leading to tightened liquidity for the period within the banking system and marked fluctuations in the market interest. As the Company’s demand deposits accounted for around 50% of the total, the rate hikes induced a positive impact on the interest spread of the Company. However, the frequent hikes of ratio of required reserve also had certain negative impacts on the yields of the Company’s interest-bearing assets by reducing the funding available in the bank; on the other hand, it caused an increase in the market interest and the maintenance costs of the liquidity. In general, these impacts offset each other, and the resultant effect was more or less neutralized. As at the end of the reporting period, the 1-month Shibor reached 6.00%, up 153bp from the beginning of the period (January 4, 2011), while the 6-month Shibor reached 5.42%, up 186bp from the beginning of the period (January 4, 2011). Because the Company successfully captured market opportunities in the reporting period to upsize its use of the interbank funding, the rebound of market interest rates was conducive for improving the Company’s net income.

3. Impact of fluctuations in the capital market

During the reporting period, the A share index fluctuated and trended downward. As a result of the sluggish performance of the capital market, investors were not active to participate in trading, which in turn posed major challenges to develop customers’ funds for securities trading and account settlement. The Company adopted a third-party custodian-based marketing approach in response to the major changes in the model of “single customer with multi-banks” in the security transaction, resulting in an increase of 8.6% of online custodian customers as at the end of the period. On the other hand, the market share of acting securities clearing was significantly raised thanks to efforts made to enhance the service efficiency and quality for the securities depository and clearing corporations. Meanwhile, the Company actively engaged in the wealth management business, ranging from personal wealth management to precious metals trading, which led to stable growth in the intermediary business while driving the transformation of earning model and business model.

4. Impacts of exchange rate changes

As at the end of the reporting period, the middle exchange rate of USD to RMB was 6.30, signifying a 5.1% appreciation of RMB from the beginning of the period. During the reporting period, the Company used pricing means of funds transfer to balance the funding sources and applications of foreign exchanges, and supported the quality foreign exchange loan business on a selective basis. As the Company implemented a policy of zero exposure to foreign exchange risks, the risks were generally kept in check.

(VI) Problems and challenges existing in operations and countermeasures

During the reporting period, there were still some problems regarding the Company's operations while the business lines maintained steady and fast growth, which mainly included:

1. The liability business was facing many difficulties and hard to be increased, and the management of the indicator of loan-to-deposit ratio was under pressure. A succession of increases in the ratio of required reserve led to a remarkable fall in money creation capability within the banking system. Given the negative actual interest rates, the financial disintermediation was further intensified. The medium and small-sized banks launched in central cities of all regions and the limited deposit was distributed again, putting considerable competition pressure on deposit development. All aforementioned factors required the Company to enhance the deposit arrangement and strengthen the routine management of loan-to-deposit ratio.

2. Capital supervision and regulation tightened further, which highlighted the pressure on capital. On one hand, the unscheduled risk assets, such as that occupied due to loans for government financing platform and bank-trust cooperative wealth management, were increased due to the stricter regulation. On the other hand, in a bid to meet the needs of comprehensive operation, the Company increased the capital expenditure on equity investment to Industrial Leasing and Industrial Trust. In view of rising capital adequacy ratio requirements and the Company's future needs for operation expansion, the pressure on capital management continued to exist.

3. The market liquidity fluctuated more widely, and higher demands on liquidity management were set. With liquidity-related measures of the central bank such as frequent hikes of the ratio of required reserve and the interest rates, fluctuations in interbank market funds widened and became more frequent, foregrounding the mismatch between funds supply and demand. This in turn raised demanding requirements for the Company in terms of liquidity management.

The Company adopted the following counter-measures to address the above problems and challenges:

1. Adoption of a multi-pronged approach to the development of various deposit businesses in accordance with the regulatory spirit of liquidity management, to ensure that the loan-to-deposit ratio target was fulfilled. Firstly, the liability business mainly started with enhancing service capacity and product innovation. The Company actively changed the business development model and marketing model, while building and consolidating the customer base. At the same time, it promoted the liability business by enhancing product innovation and developing various deposits using new businesses and innovation methods. Secondly, the Company strengthened the development of supply chain financial business as a corporate business, so that the enterprise clearing amount and the retention of clearing margin were efficiently expanded. Thirdly, the Company strengthened efforts in the third-party custodian business marketing in respect of retail finance, and actively developed the "Xing Ye Tong" bill collection business, and promoted private banking services to drive the development of deposit forward. Fourthly, the Company adopted the strategy of managed liability to strengthen the absorption of the agreement

deposit and increase the resources of medium and long-term funds.

2. Enhancing the efficiency of capital allocation and strengthening the refined management of capital. Firstly, the Company exerted itself to adjust and optimize the assets business structure and period structure of the whole company oriented to the yield of risk assets. Secondly, the Company focused on intermediary businesses with low risk and high profit which do not occupy the capital to realize the transformation of profitability model step by step. Thirdly, the Company actively explored various approaches to capital replenishment so that capital was replenished in time by appropriate means to raise the capital adequacy ratio.

3. Optimizing liquidity management and upgrading the refined management. Firstly, the Company predicted the trend of market interest basing on a rational analysis and seized opportunities to adjust the liability structure and re-pricing period. Secondly, the Company implemented the add-point system of daily dynamic adjustment of funds prices to enhance market pricing sensitivity. Thirdly, besides a quarterly measurement of risk pressure of liquidity, the Company constantly corrected and optimized the design of pressure scenarios according to the changes and requirements of the regulatory policy. Fourthly, the Company constantly improved the contingency measures to further enhance the contingency capability, while optimizing contingency system and emergency preplan to ensure the timely availability of liquidity reserve assets and the free flow in the financing channels.

(VII) Outlook for future development of the Company

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

In 2012, the international and domestic situations will be even more complicated and severe. The global economic growth will face various difficulties, and a pattern of turbulence on development will present in the international financial market. As the effect of macro-regulation and control became increasingly visible, and deep-seated problems became increasingly prominent in the irrational economic structure, China’s sustained economic growth will face even greater challenges. In the coming years, China will push the financial reform deeper and wider, with relevant efforts revolving around risk prevention and marketization. The marketization of the interest rate, exchange rate and others will further accelerate the pace, which will have a significant impact on and pose considerable challenges to the pricing management, interest spread income and business strategies of the commercial banks.

In 2012, the Company will continue to take the operation reformation as the main theme and leverage on the effective implementation of different reforms. It will, while maintaining a stable and balanced growth of the business size, pay more attention to the customer base, structure optimization, the input and output and the upgrading of efficiency. Meanwhile the Company will strive to improve professionalism and lean management, to advance operation management onto a new level. Specific ideas are as follows:

(1) Making direction clear and grasping the right business strategy. In the traditional business fields, adhering to the principle of downward operation focus, the Company will divert resources towards the development of small and medium-sized enterprises and retail financing business; with respect to big customers, the Company will gradually meet their needs mainly by means of direct financing and specifically with comprehensive and personalized financial services plans. In areas related to its traditional businesses, it will focus on the development of businesses related to the core functions of banks, including trade finance, cash management, bank-to-bank platform, and emerging payment and settlement business using emerging technological means and emerging payment platform, etc., to make new market breakthroughs and acquire unique advantages. Within emerging business sectors, the Company will develop investment banking, wealth management and assets management businesses to form the alternative and effective motive force for the traditional businesses.

(2) Grasping the focal points, improving methods and strengthening the management of assets, liabilities and capital. Through “core product development” and “foundational customer development”, the Company will expand the core liabilities, and steadily increase the market share of the core liabilities. Additionally, it will actively discover funds application channels with high income, reasonably arrange the asset structure and strengthen pricing management, so that not only its income will be

raised, but also the risk assets size will be effectively controlled, and all kinds of risks will be prevented. The Company will effectively implement the RMB FTP management, and make interest rate risk control independent from the centralized management at the head office, while strengthening the overall liquidity management under the pricing model of funds transfer, to guarantee the safety of bank wide liquidity. Furthermore, it will, adhering to the principle of maximizing output and linked with the annual operating plan and efficiency target, issue the limit of risk assets of all operation institutions by means of “integration of departments and business lines at different levels “.

(3) Promoting the transformation through reforms and efficiently strengthening the endogenous growth and professional competitiveness of the corporate business. The Company will launch a reform on specialization, aiming to achieve rapid growth in the number of the business teams meeting compliance requirements through further dividing existing business teams and active acquisition of external talents. Therefore, the effective capacity will be quickly expanded. Meanwhile, it will optimize the operation process, while discovering how to improve the assessment system of financial services program and upgrade the efficiency and professional services through the organic integration with the credit review and approval process. On the other hand, the Company will, taking entity field as the main target, significantly develop investment banking, supply chain finance, cash management, green finance and other emerging businesses, to promote the flow business with “high returns, high liquidity, low risk, low risk costs, and low capital occupation “ by giving them more resource arrangements.

(4) Continuing to accelerate the pace of retail business development by “grasping customers, grasping products, grasping foundation and grasping input and output”. The Company will, focusing on the customers with “high net worth, high value and high growth”, strive to expand the retail customer base, while developing key products to achieve overall growth across different retail business operations, and enhancing awareness of input-output, to upgrade the different foundational management and service.

2. Operating objectives for 2012

- Total assets to reach RMB 2,800 billion, up 16.2%;

- Balance of customer deposits to increase by RMB 315 billion, up 23.5%;

- Balance of loans to increase by RMB 145 billion, up 14.7%;

- Net profit expected to increase by 17.6% year-on-year;

- Year-end NPL ratio to be controlled below 0.48% (before write-off) according to the “five-category classification”.

3. Funds needed for future development strategy implementation, and funds utilization plan and sources of funds

The Company will adhere to the established business development strategy, strengthen the integrated management of assets and liabilities, and rationally arrange the sources and utilization of funds by taking into account factors such as class, term and price of assets and liabilities. With regard to fund utilization, it will actively implement the macro control policy of the state, rationally control the pace of loan disbursement, continuously optimize asset structure, steadily improve the return on assets, further define credit direction, reinforce the management of new credit direction, and intensify the inclination to the retail loans, the loans for SMEs and energy conservation and emission reduction projects. The Company will reinforce the development of non-credit products and advance a balanced and efficient business development of interbank non-credit assets. As regards funding sources, it will intensify the expansion of core liabilities and focus its efforts on core liabilities; it will strengthen the works on nurturing basic customers and creating professional products, build up its capacity of comprehensive services, effectively driving the constant, stable, rapid growth of core liabilities while progressively increasing its market share with regard to the core liabilities. It will actively continue to expand interbank funds, including the settlement funds of securities trading, and push the interbank liabilities to a new level utilizing the interbank assets business. In light of the current market interest rate and the need of matching assets and liabilities, the Company will develop new liability tools, and broaden the sources of liabilities. The Company will replenish core capital at the appropriate time by financing through the capital market to further raise its capital adequacy ratio.

(VIII) Reasons and impact of changes in accounting policies and accounting estimates, or corrections of significant accounting errors

During the reporting period, the Company made no changes in its accounting policies, accounting estimates, and neither did it correct any significant accounting errors.

II. Business overview

(I) Business units

1. Overview of business units

Unit	Address	Number of outlets	Number of employees	Size of assets (RMB 1 million)
Head Office	154 Hudong Road, Fuzhou	-	2,431	290,958
Financial Markets	168 Jiangning Road, Shanghai	-	139	393,504
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	999	19,877
Assets Custody Department	168 Jiangning Road, Shanghai	-	61	4,182
Investment Banking Department	28 Jianguomen Nei Avenue, Dongcheng District, Beijing	-	49	11
Beijing branch	11 Section three, Anzhen Xili, Chaoyang District, Beijing	38	1,482	172,084
Tianjin branch	219 Yong'an Blvd., Hexi District, Tianjin	20	1,016	78,064
Shijiazhuang branch	37 Ziqiang Road, Qiaoxi District, Shijiazhuang	9	641	45,569
Taiyuan branch	209 Fudong Street, Taiyuan	9	630	39,121
Hohhot branch	5 Xing'an South Road, Xincheng District, Hohhot	4	390	43,949
Shenyang branch	36 Shiyiwei Road, Heping District, Shenyang	12	815	39,940
Dalian branch	136 Zhongshan Road, Zhongshan District, Dalian	8	364	29,897
Changchun branch	309 Changchun Avenue, Changchun	3	445	23,410
Harbin branch	88 Huanghe Road, Nangang District, Harbin	10	523	34,913
Shanghai branch	168 Jiangning Road, Shanghai	38	1,766	199,809
Nanjing branch	63 Zhujiang Road, Nanjing	31	1,837	145,871
Hangzhou branch	40 Qingchun Road, Hangzhou	41	2,034	115,094
Ningbo branch	905 Baizhang East Road, Ningbo	13	715	34,386
Hefei branch	99 Fuyang Road, Hefei	11	691	46,330
Fuzhou branch	32 Wuyi Middle Road, Fuzhou	33	1,126	78,968
Xiamen branch	78 Hubin North Road, Xiamen	24	845	50,642
Putian branch	22 Xueyuan South Road, Chengxiang District, Putian	7	241	16,662
Sanming branch	1 Liedong Street, Meilie District, Sanming	7	273	7,321
Quanzhou branch	Xingye Building, Fengze Street, Quanzhou	27	1,263	46,910
Zhangzhou branch	27 Shengli West Road, Zhangzhou	11	401	17,509
Nanping branch	399 Binjiang Middle Road, Nanping	8	312	7,553
Longyan branch	46 Jiuyi South Road, Longyan	7	284	10,060
Ningde branch	11 Jiaocheng South Road, Ningde	6	257	7,745
Nanchang branch	119 Dieshan Road, Nanjing	10	546	22,589
Ji'nan branch	86 Jingqi Road, Ji'nan	21	1,421	75,887

Unit	Address	Number of outlets	Number of employees	Size of assets (RMB 1 million)
Qingdao branch	7A Shangdong Road, Shinan District, Qingdao	9	491	26,988
Zhengzhou branch	22 Nongye Road, Zhengzhou	22	924	55,214
Wuhan branch	156 Zhongbei Road, Wuchang District, Wuhan	19	824	69,056
Changsha branch	192 Shaoshan North Road, Changsha	21	745	46,942
Guangzhou branch	101 Tianhe Road, Guangzhou	62	2,597	179,853
Shenzhen branch	4013, Shennan Blvd, Futian District, Shenzhen	25	1,280	96,933
Nanning branch	115 Minzu Blvd, Nanning	9	545	28,975
Chongqing branch	1 Honghuang Road, Hongqihegou, Jiangbei District, Chongqing	16	753	68,655
Chengdu branch	936 Shijicheng Road, Gaoxin District, Chengdu	23	818	76,085
Kunming branch	138 Tuodong Road, Kunming	10	429	31,073
Xi'an branch	Block A, Vanmetropolis, 1 Tangyan Road, Xi'an	15	849	81,509
Urumqi branch	37 Renmin Road, Urumqi	8	359	50,795
Netting and summation adjustment within the system				(524,084)
Total		**647**	**34,611**	**2,386,809**

Note: Only level 1 branches (sorted according to the administrative division) which have been in operation as of the end of the reporting period are listed on the above table, while the data of level 2 branches and other sub-branches are included in the data of the level 1 branches in accordance with management structure.

2. Overview of Subsidiaries

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

During the reporting period, Industrial Leasing adhered to the notion of "a large operating platform" for banking corporation operations, and fully leveraged on its structure characterized by "one body, two wings" (一体两翼). Seizing opportunities for development, Industrial Leasing strengthened risk management, while striving to expand the business, thereby achieving excellent results in various operations and management. As of the end of the reporting period, the total assets of Industrial Leasing reached RMB 27.618 billion, representing an increase of RMB 17.035 billion from the beginning of the period, of which, the balance of financial leasing asset was RMB 26.755 billion, represented an increase of RMB 16.814 billion from the beginning of the period; total liabilities was RMB 23.821 billion, represented an increase of RMB 15.24 billion compared with beginning of the period; the five asset classes were all normal classes with the rent recovery of 100%. During the reporting period, the operating net income reached RMB 868 million, the operating profit reached RMB 393 million and the after-tax net profit reached RMB 295 million; the shareholders' equity reached RMB 3.797 billion at the end of the reporting period (including capital increase of RMB 1.5 billion during the reporting period), and the capital adequacy ratio stood at 15.22%.

With respect to the structure of industries, the financial leasing business mainly covered industries such as manufacturing (35.8%), leasing and commercial services (25.1%), electricity, production and supply of power, gas and water (15.8%), water, environment and public facilities administration (12.3%), etc. With respect to the structure of duration, 23% of the projects covered 1-3(inclusive) years, 51% of the projects covered 3-5(inclusive) years, 26% of the projects covered over 5 years. As of the end of the reporting period, Industrial Leasing totally put RMB 8.949 billion in the energy conservation and emission reduction projects, accounting for 33.44% of the total balance of all projects.

(2) China Industrial International Trust Limited

The predecessor of Industrial Trust was Union Trust & Investment Limited. established in March 2003, with its current registered capital standing at RMB 1.2 billion. In January 2011, it became the third trust company controlled by a commercial bank in China, upon approval of the State Council and the CBRC. Also, it is the only trust company in Fujian province (excluding Xiamen special economic zone) and one of the first batch of trust companies in China with foreign strategic investors. The Company now holds registered capital totaling RMB 876 million of Industrial Trust, accounting for 73% of the total shares in Industrial Trust.

During the reporting period, Industrial Trust improved its proactive management capability and core competitiveness by taking “comprehensive, diversified, and featured top trust company” as strategic target in accordance with the strategic regional positioning “based in Fujian, cover the whole country”, thus all businesses achieved a leap-forward development. The main operation indicators reached their best level since the establishment, and significant operation and management results have been gained. As at the end of the reporting period, the total assets of Industrial Trust amounted to RMB 3.357 billion, up 282.09% from the beginning of the period; trust assets under its management hit RMB 152.605 million, up 379.39% from the beginning of the period. During the reporting period, the accumulated operating income amounted to RMB 490 million, meanwhile the total profit reached RMB 276 million, and the net profit reached RMB 204 million, increasing 168.91% year-on-year. Industrial Trust seized the opportunity of capital market development, and increased the intensity of securities trust business development, whereby its business characteristics were preliminarily formed. As at the end of the reporting period, it had offered 130 trust products of securities investment, with their business scale reaching RMB 21.585 billion. During the reporting period, 88 trust products of securities investment were offered with the business scale reaching RMB 16.717 billion, ranking among the leading trust companies in China. Industrial Trust established business relationship with most of the national top 50 first-rate private equity fund companies.

During the reporting period, Industrial Trust received awards such as ”Rising Stars” at the fifth “Trust with Good Faith” hosted by *Shanghai Securities News*; the “China’s Best Trust Company with Regional Influence” at the fourth Chinese Outstanding Trust Award hosted by *Securities Times*, the “Best Trust Plan of Securities Investment” at the “First Industrial Trust • Chengrui Collective Funds Trust Plan of Securities Investmen”; and the “Best Potential Trust Company” at the fifth “2011 Award Ceremony viz. Financial Summit of the First Financial Value (CFV) List” hosted by *China Business News*.

(II) Analysis of business segments

1. Corporate business

(1) Corporate finance business

During the reporting period, as for the corporate finance business, the Company took innovation as the primary driving force and transformation as the main theme, concentrated on the core liabilities, and strengthened the customer base. Meanwhile, it improved products and services, optimized the business structure, and exerted itself to enhance its ability in market penetration, innovation and development and professional service, so that all the corporate finance businesses constantly and steadily developed. Firstly, the Company adjusted and optimized the assets and liabilities structure, and tried its best to establish the new business framework of “one body, two wings”, so that the size of corporate deposits and loans grew steadily, and the market share increased. As at the end of the reporting period, the balance of corporate deposits amounted to RMB 1,120.549 billion, up RMB 173.608 billion or 18.33% over the beginning of the period. Outstanding loans (excluding discounts) amounted to RMB 703.948 billion, up RMB 84.344 billion or 13.61% over the beginning of the period. Secondly, the Company retained its customer orientation, basing its marketing operations on well-defined customer segmentation and refined customer management, resulting in an incessant upgrade of the capacity of professional services and a constant expansion of the customer group. As at the end of the reporting period, the number of customers grew to 299.9 thousand, increasing by 83.6 thousand or 38.66% from the beginning of the period. Thirdly, the Company constantly pushed the establishment of a business system for cash management ahead, and deepened the content of cash management, while stabilizing the customer group foundation of cash management, and increasing the penetration of cash management business to corporate finance customer, to carry the quality of cash management business upward. As of the end of the reporting period, 1,554 new cash management accounts were secured, with a daily average deposit of RMB 18 billion in those accounts; and 2,459 new intelligent notice deposit accounts were secured, with a daily average deposit of RMB 20.6 billion in those accounts; RMB 283.7 billion of comprehensive wealth management products were sold. Fourthly, the Company further exploited the opportunities present in the energy conservation and emission reduction market by promoting its integrated financial services for the whole industry chain; its leading position in that space was consolidated. As at the end of the reporting period, the financing balance of green finance stood at 74.545 billion, increasing RMB 33.610 billion or 82.10% from the beginning of the period. The projects supported by the loans can achieve in China an annual saving of 22,310.6 thousand tons standard coal, together with an annual emission reduction of 63,974.8 thousand tons carbon dioxide, 838.9 thousand tons chemical oxygen demand (COD), 43.6 thousand tons sulfur dioxide, 6.9 thousand tons nitrogen oxides, as well as integrated utilization of 8,162.6 thousand tons solid waste a year and an annual water conservation of 95,635.6 thousand tons. Fifthly, the Company actively achieved the rapid development of trade financing business, by establishing and improving the business operation model and constantly advancing the product innovation. During the reporting period, the amount of supply chain financing business totaled RMB 522.185 billion, while the amount of international settlement business totaled USD 44.045 billion, and the amount of cross-border RMB settlement business totaled RMB 18.493 billion.

During the reporting period, in recognition of its excellent corporate finance services, the Company received “Award of Best Cash Management”, “Award of Best Corporate Wealth Management” “Silver Award of Best Corporate Net”, “Award of Best Green Bank”, and “Silver Award of Finance Service Bank of Outstanding Competitiveness of 2011”.

(2) Investment banking business

By capitalizing on market opportunities of investment banking business, the Company aggressively developed the underwriting business of debt financing instruments issued by non-financial enterprises, such as short-term financing bills, mid-term notes, non-public directional debt financing instruments, and small and medium-sized enterprises collection notes, etc. During the reporting period, the Company offered 127 non-financial enterprise debt financing instruments for 103 enterprises, with a total amount of RMB 109.223 billion, up 65.14% year-on-year, and accounting for 5.95% market share, which took the third place in the banks of the same type.

The Company steadily advanced its M&A loans and syndicate loans businesses, aggressively exploring and conducting new businesses such as IPO financial advisor, financial advisor for refinancing by listed companies, financial advisor for private equity financing, financial advisor for M&A financing, in an effort to expand the spectrum of its investment banking products. During the reporting period, the amount of contracted syndicate loans with the Company as the leading bank totaled RMB 16.366 billion. The Company received the “Award of Best Transaction” at the syndicate loan transaction 2010 election hosted by China Banking Association. The Company enhanced its product and service innovation, and constantly improved the professional service capacity of investment banking. In addition, during the reporting period, certain breakthroughs were achieved in product innovations concerning private equity investment funds, ultra-short term financing bills, and non-public directional debt financing instruments, etc. The Company underwrote, among others, 3 issuance of the ultra-short term financing bills for the Ministry of Railway, State Grid and China Unicom, making a total of RMB 11.5 billion, and 5 issuance of non-public directional debt financing instruments, which accounted for RMB 9 billion in total for China Longyuan Power Group Co., Ltd., Shaanxi Coal and Chemical Industry Group Co., Ltd. and China National Building Materials Group, etc.

(3) Small enterprise business

During the reporting period, the Company operated in strict compliance with the supervisory and regulatory requirements, further promoted the dedicated operation and management of small corporate business by establishing a business institution of small enterprises in 37 branches, resulting in the creation of a small enterprise business system with a rational layout and wide coverage, catering to the needs of businesses at different levels. Following the state's guidance on national macro economy, the Company actively supported the development of the real economy, made an all-out effort to assist in the optimization of industrial structure, and promoted the growth of extensive small enterprise customers, as a result of which financial services for small enterprises stepped onto a new level. As at the end of the reporting period, small enterprise customers in the custom statistics of the Company totaled 231 thousand, up 45.42% from the beginning of the period, posting satisfactory growth in both qualitative and quantitative terms – nearly 3,000 small enterprises grew into medium-sized enterprises with the support of the Company. Thus, the foundation of the business development was further consolidated. During the reporting period, loans for small businesses increased by RMB 40.02 billion, up 66.93%. The NPL ratio was 0.67%, down 0.07 percentage point from the beginning of the period. The Company fully promoted the service brand of the "Industrial Bank Sesame Flowering – Growth and Listing Program for SMEs", whereby the members of the "Industrial Bank Sesame Flowering" reached 2,875 households. At the same time it further enriched business products line for small enterprises by launching the distinctive business products such as Industrial Upgrade Loan, Quick Loan and Point Collection Loan, etc. while efficiently helped small enterprises widening their financing channels and reducing their financing costs, by simplifying the business handling process and providing a broad range of financial services. As a result, this brand was widely recognized and commended by the regulatory authority and the "Industrial Bank Sesame Flowering" Growth and Listing Program for SMEs was honored as the "Distinctive Product of Financial Service of Banking Financial Institutions for Small Enterprises of the Year" by CBRC. The Company also received the award of "Competitive Financial Services for Small Enterprises" in 2011 by *China Business Journal*.

2. Retail business

(1) Retail banking business

During the reporting period, the Company's retail business grew quickly with significantly improved profitability. As at the end of reporting period, its interest income from loans reached RMB14.123 billion, up 45.39%; income from retail intermediary business was RMB 2.999 billion, up 76.69%, which made the retail business income one of the Company's stable sources of sustainable income.

The "Xing Ye Tong" (Industry Prosperity) personal operation loans became the promoter of the marketing development, whereby the amount of retail credit assets stepped on a new stage and the asset quality kept excellent. The Company launched innovative businesses - "inter-city mortgage" and "one account with two loans", to fully support the development of small and micro-enterprises. As at the end of the reporting period, the balance of personal loans was RMB 260.641 billion, up 15.84%; a total of 31,523 personal operation loans were granted under "Xing Ye Tong", totaling RMB 55.496 billion; the NPL ratio of personal loans stood at 0.19%. In virtue of the comprehensive financial services platforms - "deposit with intelligence notice" and "Xing Ye Tong", the products and services continued to promote the personal deposits. As at the end of the reporting period, total personal deposits amounted to RMB 224.73 billion, increasing 20.94%.

The Company continued to focus on the customers, thus the quality of service and cross-marketing ability continued to improve, and the customer base was further consolidated, while customer quality further improved. Meanwhile, it improved customer experience by reforming bank outlet management, and by vigorously promoting the new counter system; 4,897 self-service machines and tools were put into operation to further improve customer service conditions. As at the end of the reporting period, core retail customers amounted to 1.923 million with an increase of 32.32%.

The supply chain for wealth management products was optimized, therefore rapid growth of income from retail intermediary business was realized by focusing on the retail of wealth management products and the trading of precious metals products. As at the end of the reporting period, the sales (not including precious metals) of comprehensive wealth management products reached RMB 387.893 billion, increasing 266.4%; and the amount of precious metals agency business was RMB 429.168 billion, increasing 84.54% year-on-year. The Company won many prestigious awards such as “China Best Bank Wealth Management Product of 2011” from *Money Week*, the “Bank Wealth Management Brand of the Year” from *First Financial*, and the “2011 Users’ Most Trustable Bank Wealth Management Brand” from the bankers’ annual meeting of Desheng Forum of Sohu Finance.

(2) Credit card business

During the reporting period, the credit card business continued to develop with the aim of “increasing size, quality and profitability”, and prioritization of quality while maintaining equal emphasis on “quality” and “quantity”. While product innovation and marketing were strengthened, the integration of retail business and lean management was continuously promoted, resulting in continued improvement in customer structure, product structure and revenues structure. The Company’s competitiveness was constantly upgraded, while its profitability was remarkably increased, and the operating management standards were further raised. As of the end of the reporting period, the Company had issued an aggregate of 9,090.7 thousand credit cards, while 1,889.3 thousand cards were new issues; the NPL ratio of credit cards was 0.82%, down 0.02 percentage point year-on-year and ranking among the top in the industry in terms of the quality of credit card assets. During the reporting period, the transaction amount of credit cards was RMB 114.452 billion, up 72.76% year-on-year; the accumulated income was RMB 2.5 billion, up 111.49% year-on-year; the book profit was RMB 1.01 billion, up 233.82% year-on-year.

(3) Private banking business

During the reporting period, the Company set up the Private Banking Department to firmly focus on the acceleration of business development and customer cultivation. Meanwhile, the core competitiveness of the Company’s private banking business was upgraded in respect of acting assets management, innovative exclusive products, investment consulting, high-end service, cross-sales, and channel construction, etc. by playing advantages of the mechanism and innovating the business modes, whereby the assets management, marketing arrangement and direct operation ability were particularly built up and upgraded. Proactive asset management service was introduced as product innovation, and personalized products were developed for customers with assets of ultra high net value. During the reporting period, the sales of private banking products totaled RMB 11.756 billion, of which RMB 11.43 billion was from sustainable sources. Exclusive private banking products with sales amounting to 2.234 billion were customized and issued to the customers who purchased products with value of above RMB 10 million. The Private Banking Department saw positive profits within the first year of its establishment, contributing intermediate business income of RMB 39.7 million. The private banking team and its products respectively won the “Best R&D Team of Private Banking of the Year” from the Second Session of the Golden Tripod Award of China’s High-end Private Wealth Management hosted by News of Business Daily and the “Best Private Banking and Exclusive Product of the Year” granted by the 2011 Hercynian Investment and Finance Fair. Furthermore, the Company launched the favorable reservation service of Business Jet jointly with Beijing Capital Airline, the nation's largest business jet service provider, which made it one of the commercial banks that earliest launched this service.

3. Interbank business, financial markets and asset management business

(1) Interbank business

During the reporting period, the interbank business grew steadily, while the online customers on the bank-to-bank platform amounted to 238, and the number of online products increased by 136 (not including technology output) bringing the number of accumulated online products to 420; RMB 312.642 billion wealth management products were sold to interbank customers, among which RMB 237.307 billion products were sold to small and medium-sized banks and RMB 10.047 billion products were sold to the end users of the bank-to-bank platform; the coverage of the counter inter-operation network was expanding constantly with 86 interconnected banks online, connecting over 15,300 nodes. 6,028.6 thousand settlement transactions were completed on the bank-to-bank platform, up 52.25% year-on-year, with the transaction amount totaling RMB 809.219 billion, up 55.85% year-on-year. In the information system of commercial bank, 13 new village banks were included, making a total of 29 banks in the system (excluding the one under establishment). The service case for village banks on the bank-to-bank platform won the "2010 Finance Product Marketing Award" granted by *The Banker* magazine, the service as an agent for village banks to access the payment system won the "2010-2011 Award for Outstanding Achievement in Payment and Settlement in Fujian Province" granted by Fuzhou Central Branch of PBOC.

Three securities companies networked for the third party custody service, while the total number of online companies was 95 (excluding 5 companies which went jointly offline), covering 96% in the industry. Five new margin deposit securities companies were included, making a total of 22 online companies, accounting for 88% of the industry. RMB 155.189 billion trust wealth management products were issued and the closing balance was RMB 65.799 billion.

(2) Treasury business

During the reporting period, the Company continued to promote the operation model transformation of the treasury business and actively launched financial innovation, thus the market brand and influence retained a leading position in the market. In respect of principal investment, the Company was accurate in understanding and predicting general market trends despite the complicated economic situation at home and abroad in 2011, while dynamically adjusting the asset structure according to the changes in economic policies, by seizing the band operation opportunity and building an assets portfolio of low risk and high liquidity, to guarantee the safety of liquidity. Meanwhile, it constantly enhanced the standards of proprietary investments and portfolio income, to keep the management business of proprietary investment outperforming the market, while enhancing the managed liability capacity and promoting product innovation. In respect of market making transactions, the Company continued to maintain its mainstream status in the domestic market, while the profitability of proprietary business of precious metals was further enhanced; meanwhile, it actively promoted finance innovation, and developed new profit model, whereby it obtained the qualification for RMB exchange rate option business during the reporting period, and completed the first bond transaction in the exchange market. In respect of asset management business, the creation and issuance of wealth management products had a great leap-forward increase, whereby the sales quota of wealth management business was significantly enhanced by opening the channel of personal online banking. In respect of the broker business, a total amount of RMB 567.3 billion closed-end wealth management products were created and issued during the reporting period, up 197% year-on-year; RMB 448.439 billion was recorded in the precious metals agency business, up 92.82% year-on-year, keeping the No.1 position in the market of agency gold business and making the No. 2 position in the market of agency silver business; the contracted customer number in the agency precious metals trading business was nearly 620,000, increasing by about 50,000 from the beginning of the period. Meanwhile, the phase II of funds trading analysis system (Murex) was successfully put into operation, thus the identification, measurement and control of treasury business risk were further upgraded.

In recognition of its outstanding treasury operations, the Company received honors such as 2011 Brand with “Gold Medal Influence in Gold Exchanges” granted by *Financial Wealth Management* magazine, the “Top 5 (Chinese) Financial Institutions in Market Prediction of the Finance Value Ranking 2010” granted by *First Financial*, and its gold trading management system won the 2011 “2nd Prize of Bank Technology Development” granted by PBOC.

(3) Asset custody business

On the premise of compliance with law and regulations and ensuring the protection of investors’ interests, the asset custody business continued to maintain a rapid growth with its amount exceeding RMB 600 billion, hitting another record high. As at the end of the reporting period, the net value of assets under custody amounted to RMB 623.648 billion, up 169.05% from the beginning of the period. During the reporting period, a total of 2,136 new custody products were launched, and online custody products grew to 2,503; the total income of the whole year reached RMB 690 million, up 93.91% year-on-year. According to the statistics of China Banking Association, as at the end of the reporting period, the Company’s income from custody fee amounted to RMB 515 million, taking the sixth place in all custody banks and the first place in all banks of the same kind; the number of the custody products and the amount of funds under custody took respectively the fifth and the seventh place in all custody banks, and both the second place in all joint-stock banks of the same kind, whereby its market position was remarkably upgraded. During the reporting period, the Company’s launch of QFII asset custody business was officially approved by CBRC.

In respect of the asset custody business, the Company gave full play to the advantages in innovation and service and developed a new style, resulting in a number of innovations: opening trust capital securities accounts by means of umbrella trust; grafting special trust accounts onto special fund accounts to enable them to take part in private placement; connecting wealth management products with orienting programs, to help customers expanding their investment directions; introducing the stock index investment of securities small collection plan, to break through the channel for banking-futures transaction, etc. During the “Ninth Financial Ranking List in 2011” hosted jointly by hexun.com, China Securities Market Research and Design Center, etc., the Company won the “Award of Best Asset Custody Bank”.

(4) Futures finance business

During the reporting period, the Company aggressively expanded the existing business of futures finance and achieved outstanding results. Businesses such as deposit of the futures companies’ own funds and transfer between banks and retailers in the block commodity trading market, etc., achieved a leapfrog growth. As at the end of the reporting period, 62 accounts had been opened for the futures companies’ own funds with their deposit balance amounting to RMB 5.836 billion, presenting an increase by 178% from the beginning of the period, and the average daily balance amounting to RMB 3.496 billion, presenting an increase by 109% from the beginning of the period, whereby the business amount and market share came out on top of the joint-stock commercial banks; the cooperation partners for transfer between banks and retailers in the block commodity trading market increased by 13, totally amounting to 14, with their funds deposit balance amounting to RMB 923 million, up 475% from the beginning of the period, and average daily balance amounting to RMB 467 million, up 219% from the beginning of the period, therefore the customers of transfer between banks and retailers totally amounted to 10,967. During the reporting period, the Company also innovatively introduced the gold leasing service for corporate customers.

(5) Fund finance business

The Company steadily promoted the fund finance business by strengthening research, marketing and management, while promoting the marketing, creation and issuance of products by focusing on the development of product lines, and focusing on training investment and research teams. It created the private placement partnership fund, the structured investment product, the stock yield rights product, the private placement index fund and structured product for off-line subscription of new shares, and so on. For the fund financial sector, a total of 34 wealth management products were created (amounting to RMB 6.321 billion), among which 16 had been issued (amounting to RMB 2.479 billion). The Company kept strengthening the business innovation to enhance the market competitiveness of wealth management products in the categories of equities, whereby during the reporting period, the created and issued wealth management products in equity categories could realize total income from intermediary businesses for RMB 48.447 million.

4. E-banking

Regarding the e-banking business, focusing on enhancing the substitution rate of transaction, improving customer experience and strengthening risk management, the Company focused on business development, improved channel development, launched products, optimized processes and implemented innovation. After the business management mechanism was streamlined and the team building was strengthened, the e-banking business achieved new results. During the reporting period, the substitution rate of e-banking transactions reached 65.2%, up 9.85 percentage points year-on-year, while the e-banking transaction numbers were close to twice the transaction number of all operating nodes of the Company, which effectively reduced the OTC transaction workload, and realized the marked increase in the productivity of the OTC channel.

As at the end of the reporting period, the Company had 100.8 thousand corporate and interbank online banking customers, up 77.78% from the beginning of the period; 4.136 million active personal online banking customers, up 40.45% from the beginning of the period; 7.97 million active telephone banking customers, up 31.52% from the beginning of the period; 3.72 million mobile banking customers, up 40.90% from the beginning of the period. During the reporting period, the number of corporate and interbank online banking transactions (transaction of variation of funds) was 27.342 million, up 56.23% year-on-year, while the transaction amount was RMB 16.71 trillion, up 21.89% year-on-year; the number of personal online banking transaction was 87.968 million, up 72.87% year-on-year, while the transaction amount was RMB 3.46 trillion, up 53.66% year-on-year; the number of telephone banking transaction was 1.377 million, while the transaction amount was RMB 35.761 billion; the number of mobile banking transaction was 4.079 million, while the transaction amount was RMB 19.261 billion. The Company's e-banking business received a number of honors, including "Safest Online Banking Features Award", "Best Online Banking", "Best Mobile Banking", "Award of Best Corporate Online Banking", etc. granted by China Financial Certification Authority, *Securities Times* and hexun.com.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2011		December 31, 2010	
	Balance	Percentage (%)	Balance	Percentage (%)
Pass	973,841	99.04	844,073	98.80
Special mention	5,697	0.58	6,650	0.78
Substandard	1,329	0.14	696	0.08
Doubtful	1,382	0.14	2,010	0.23
Loss	1,005	0.10	910	0.11
Total	**983,254**	**100**	**854,339**	**100**

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB 3.715 billion, up RMB 99 million from the beginning of the period; the NPL ratio was 0.38%, down 0.04 percentage point from the beginning of the period. The special mention loans also dropped in both balance and proportion, as the balance of special mention loans amounted to RMB 5.697 billion, down RMB 953 million from the beginning of the period; the proportion of special mention loans was 0.58%, down 0.20 percentage point from the beginning of the period. The asset quality kept at a healthy level.

During the reporting period, on one hand, the Company conducted ongoing monitoring and prudent classification of potentially problematic credit assets by examining the industries, regions and customers. Disposal plans were prepared in a timely fashion, in conjunction with risk alerts and repeated examinations to prevent and mitigate the risks. On the other hand, asset quality was continuously improved and good results were achieved through a number of measures, including the early urging of payment, reinforcing the accountability of NPLs, and carrying the verification and writing-off of bad debts, etc. in conjunction with various modes such as cash collection, verification and writing-off of bad debts, paying a debt in kind and the restructuring and transformation to accelerate the collection and mitigation of NPLs.

2. Provision for loan impairment and write-off

Unit: RMB million

Item	Amount
Opening balance	11,771
Provision during the reporting period (+)	2,625
Transfer-out of interest on impaired loans (-)	115
Write-back during the reporting period of write-off in previous years	124
Write-back in the reporting period due to other reasons (+)	-
Write-off during the reporting period (-)	91
Ending balance	14,314

As at the end of the reporting period, the balance of the Company's provision for loan impairment stood at RMB 14.314 billion, with the provision coverage ratio at 385.30%.

3. Classification of provision for loan impairment

Unit: RMB million

Provision for loan impairment	December 31, 2011	December 31, 2010
Individually assessed provision for loan impairment	1,868	2,039
Collectively assessed provision for loan impairment	12,446	9,732
Total	**14,314**	**11,771**

4. Changes in overdue loans

Unit: RMB million

Item	December 31, 2011		December 31, 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
1-90 days (inclusive) overdue	2,644	42.45	2,347	41.88
91-360 days (inclusive) overdue	1,076	17.27	598	10.67
361 days – 3 years (inclusive) overdue	1,193	19.15	1,706	30.44
Over 3 years overdue	1,316	21.13	953	17.01
Total	**6,229**	**100**	**5,604**	**100**

As at the end of the reporting period, the balance of overdue loans of the Company was RMB 6.229 billion, decreasing by RMB 625 million from the beginning of the period. The primary causes on one hand was that the few enterprises was significantly influenced by macroeconomic adjustments or there were problems with its operations and management, resulting in difficulties with repayment, and on the other hand the Company adjusted the recovery policies for credit cards in order to develop customer groups that could bring high profit, so that the balance of overdue credit card debts increased to a certain degree. However the Company enhanced the recovery management for credit cards, the risk of conversion to NPL was effectively decreased. As at the end of the reporting period, the NPL ratio of credit card was 0.82% continuously at a low level, and slightly lower than that at the beginning of the year.

5. Balance of restructured loans and the overdue amount thereof

Unit: RMB million

Item	December 31, 2011	Percentage in total loans (%)	December 31, 2010
Restructured loans	675	0.07	2,096
Incl: Loans overdue more than 90 days	162	0.02	341

As at the end of the reporting period, the balance of restructured loans of the Company was RMB 675 million, decreasing by RMB 1,421 million from the beginning of the period, among which the loans overdue more than 90 days decreased by RMB 179 million from the beginning of the period. The balance of restructured loans dropped sharply mainly because the Company strengthened the management of restructured loans with strict access, at the same time reinforced the clearing of the remaining restructured loans, thereby promoted the scheduled clearing or withdraw of a number of large projects.

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

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Item	December 31, 2011	December 31, 2010
Foreclosed assets	571	665
Incl: Buildings	539	618
Land use right	31	42
Others	1	5
Less: Impairment provision	(111)	(117)
Net value of repossessed assets	460	548

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB 26 million, which were mainly housing and land, and recovered RMB 120 million from disposal of foreclosed assets, thereby decreasing the total net book value of foreclosed assets by RMB 94 million. The Company didn't increase the provision for impairment of foreclosed assets, while an amount of provision for impairment of foreclosed assets totaling RMB 5 million was transferred out due to disposal of foreclosed assets, and an amount of provision for impairment of foreclosed assets totaling RMB 1 million was verified and written off, resulting in a decrease of the balance of provision for impairment of foreclosed assets by RMB 6 million.

(V) Major categories of deposits, average daily balance and average annual interest rate of deposits

Unit: RMB million

Item	Average daily balance	Average annual interest rate (%)
Corporate demand deposits	447,665	0.78
Corporate time deposits	435,649	3.24
Savings demand deposits	84,086	0.46
Savings time deposits	108,771	2.51

(VI) Major categories of loans, average daily balance and average annual interest rate of loans

Unit: RMB million

Item	Average daily balance	Average annual interest rate (%)
Loan	929,740	6.35
Incl: Short-term loans	348,974	6.77
Medium and long-term loans	561,965	6.02
Discounted bills	18,801	8.68

(VII) Category and par value of financial bonds held at the end of the reporting period

Unit: RMB million

Item	Par value
Bonds of policy banks	55,829
Bank bonds	3,587
Bonds of non-bank financial institutions	7,931
Total	**67,347**

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

(VIII) Five largest positions of government bonds (including the central bank notes) held at the end of the reporting period

Unit: RMB million

Item	Par value	Maturity date	Interest rate (%)
07 Government bond 01	3,670	2014-02-06	2.93
09 Interest-bearing government bond 15	3,000	2012-07-16	2.22
10 Central bank notes 74	2,220	2013-08-27	2.65
07 Government bond 05	2,020	2012-04-23	3.18
05 Government bond 13	1,921.4	2012-11-25	3.01

(IX) Five largest positions of financial bonds held at the end of the reporting period

Unit: RMB million

Item	Par value	Maturity date	Interest rate (%)
07 CDB 08	5,520	2017-05-29	3.85
07 ADBC 06	3,220	2014-05-18	3.85
10 CDB 23	3,020	2013-08-24	2.68
09 CDB 12	3,010	2019-09-23	4.20
10 EXIMBC 08	3,000	2013-09-21	2.77
10 ADBC 15	3,000	2015-11-19	3.99

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

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Interest rate derivatives	389,637	2,193	2,131
Exchange rate derivatives	129,742	667	665
Precious metals derivatives	9,170	43	205
Credit derivatives	798	4	12
Total		**2,907**	**3,013**

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

Unit: RMB million

<table>
<tr><th>Item</th><th>Opening balance</th><th>Gains and losses in the period from changes in fair value</th><th>Accumulated changes in fair value recognized in equity</th><th>Provision for impairment made in the period</th><th>Ending balance</th></tr>
<tr><td>Held-for-trading financial assets</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Derivative financial assets</td><td>1,055</td><td rowspan="2">(1,708)</td><td rowspan="2">-</td><td rowspan="2">-</td><td>135</td></tr>
<tr><td>Derivative financial liabilities</td><td>125</td><td>913</td></tr>
<tr><td>Investment in accounts receivables</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Available-for-sale financial assets</td><td>1,162</td><td>-</td><td>(18)</td><td>-</td><td>1,038</td></tr>
<tr><td>Held-to-maturity investments</td><td>1,376</td><td>-</td><td>-</td><td>-</td><td>854</td></tr>
</table>

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

1. Internal control system related to measurement of fair value

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

2. Items related to measurement of fair value

Unit: RMB million

Item	December 31, 2011	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	December 31, 2010
Held-for-trading financial assets	5,537	(37)	-	-	8,101
Precious metals	685	(138)	-	-	1,520
Derivative financial assets	2,301	(104)	-	-	2,907
Derivative financial liabilities	2,317		-	-	3,013
Available-for-sale financial assets	147,214	-	(1,332)	-	147,505
Held-for-trading financial liabilities	-	(4)	-	-	10

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

Unit: RMB million

Item	December 31, 2011	December 31, 2010
On-balance-sheet interest receivable	12,924	6,655
Off-balance-sheet interest receivable	1,725	1,596

(XIV) Provision for other receivable impairment

Unit: RMB million

Item	December 31, 2011	December 31, 2010	Impairment provision	Method
Other receivables	1,793	1,400	107	At the end of the accounting period, individual and collective tests were done to other accounts receivable to make provision for impairment in combination with account age analysis

(XV) Overdue outstanding liabilities

The Company had no overdue outstanding liabilities.

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

Unit: RMB million

Item	December 31, 2011	December 31, 2010
Letters of credit	33,325	18,026
Letters of guarantee	12,934	11,000
Bank acceptance	269,164	186,366
Unused credit card commitments	19,751	31,976
Reimbursement refinances	123,067	-

(XVII) Analysis of risks the Company faces and countermeasures

During the reporting period, the Company insisted on the principles of "practical growth, rational management and compliant operations" by researching and analyzing economic and financial situation and the macroeconomic regulation and control policies with extreme sensitivity to the market. It constantly pushed forward the building of overall risk management system, continuously raised the level of professionalism and refinement of risk management, whereby marked results were achieved. Meanwhile, by understanding the actual nature of the risks, initiating specific measures, and innovating risk management instruments and measures, the Company effectively controlled the risks associated with credit, market, operation, liquidity, information technology, reputation, outsourcing and country origin, etc. in order to provide a powerful guarantee to the sustainable and rapid development of the Company's business.

1. Building of risk management system

The Company further promoted its risk management system and sped up the enhancement of the overall risk management. Firstly, a more complete strategic system for the comprehensive risk management had been built, and the Company had revised its risk management strategy and the series of documents, and formulated the new sub-strategies according to the new external regulatory requirements and the Company's new development plan, to further enhance the risk management strategy. Secondly, the Company promoted the reform of risk management organization system. Based on relatively independent checks and balances, it strengthened the combination and connection of risk management and business development, whereby the comprehensive perfection, improvement and optimization were put forward in respect of organization, approach to implementation, management models, working mechanisms and integration, to enhance the professionalism, effectiveness and sensitivity of risk management. Thirdly, the Company constantly enhanced the risk reporting mechanism, by regularly collecting and summarizing the risk reports from branches and departments of the head office, extracting the major risks and recommending the corresponding risk management measures, and then submitting them to the senior management and the Risk Management Committees at two levels under the Board of Directors for decision-making, whereby the communication platform function of the risk management report was brought into full play, and the implementation of the various risk management policies was effectively carried forward. Fourthly, the Company strengthened the building of risk management regulations, by formulating the *Administrative Measures on Outsourcing Risk* , *Administrative Measures on Country of Origin Risks, Administrative Measures on Government Financing Platform Loans*, and *Administrative Measures on Risk Warning for Personal Credit Businesses*, etc. to further complete the regulation system of risk management, and standardize business process management. Fifthly, the Company reinforced the standardized operation of risk management of all branches, by continuously urging the branches to strengthen the standardization of their risk management in respect of the organizational structure, functions, position setting, staffing and personnel quality, to push forward professional and refined management.

2. Credit risk management

The Company adopted various measures to deepen and detail the credit risk management work and good results were achieved. Firstly, the management of credit applications was enhanced. The annual entry rules for credit business were formulated and issued, whereby the livelihood projects, urbanization construction projects, household consumption credit, and energy conservation and emission reduction projects had been supported, the restrictive industrial fields had been specified, which resulted in the constant adjustments to the credit structure. Secondly, concerning the strategic transformation of business development model and profit model, the building of customer base of medium-sized corporate entities and supply chain finance business was significantly pushed forward. Meanwhile, the in-depth research and studies into industry and customer concentration region or on site were carried out to optimize the key business administrative measures and operating processes. Thirdly, the risk control over credit granting process was enhanced, as the "three measures and one guidance" was implemented. The Company improved the implementation of the major issues, such as the new regulation on loans namely entrusted payment, contract amendment of mid and long-term loan, rectification and improvement of collateral and pledge for local government financing platform loans, while strictly managing the uses of loans and monitoring asset application to prevent the funds to enter the stock market and real estate market against the regulations. Fourthly, the Company accelerated the innovation of credit risk management instruments, whereby it developed and used non-retail internal rating-score system to measure the customer default risk and connected it with business permission. Meanwhile, set various limit indexes by combining risk preference with loan related income. The Company added concentration ratio limit and region limit on base of industrial limit by means of internal rating results and regional score card, to realize the reasonable configuration of limited credit resources, and to discover the retail credit risk management measure based on data analysis. Fifthly, the risk management and control in the key industrial fields had been strengthened by virtue of customer risk information such as warning system of enterprise credit and the concentration ratio of the associated set credit, etc., while the related works were also enhanced to identify the risk of loans granted to the "high-energy-consumption and high-pollution" industries, industries with excessive capacity, or the hot industries and fields such as real estate, local government financing platform loans, and private lending, etc., in an effort to control and mitigate the risks in a timely manner.

3. Management of liquidity risk

During the reporting period, the Company made timely adjustments to its asset-liability management policy based on the situation changes of external finance and economy and the state of internal business development, constantly adjusted its liquidity management techniques and methods, thereby having effectively prevented liquidity risks. The specific measures included: enhanced credit line management and strictly controlled the ratio of mid to long-term loans; promoted the development of core liability business to stabilize the liability recourses through multiple channels; communicated to the operation units for the indicators of time-point loan-to-deposit ratio, daily average loan-to-deposit ratio, additional loan-to-deposit ratio and liquidity ratio, etc., reinforced the liquidity management by combining the head office and all branches as well as coordinating all departments in head office. Meanwhile, the Company further reinforced the overall management of asset business being conducted in a rational and orderly manner; while upgrading and retrofitting the liquidity management system such as asset-liability system and position management system, etc. to improve the liquidity management techniques. The Company regularly conducted liquidity pressure test and revised the liquidity contingency plan to enhance the ability of risk identification, monitoring and control.

Unit: %

Indicator	Alert value	Tolerance value	Regulatory value	December 31, 2011	December 31, 2010
RMB excess reserve ratio	⩾2	⩾1	—	5.10	11.42
Liquidity ratio	⩾30	⩾25	⩾25	30.71	38.45
Loan-to-deposit ratio	⩽75	—	⩽75	71.46	71.21

During the reporting period, the liquidity indicators of the Company had shown that liquidity had always been controlled below the regulatory values as well as the alert values and tolerance values set by the Company, therefore the overall risk was under control.

4. Market risk management

The Company went on to enhance market risk management, to achieve maximization of risk-adjusted rate of return by controlling the market risk within acceptable and reasonable extent.

(1) Interest rate risk

During the reporting period, the Company made flexible adjustments to the interest rate risk management measures according to changes in market condition to make sure that interest rate risk was always at a reasonable and controllable level. Facing the complicated and changeable economic situation both at home and abroad and the shortage of market funds, the assessment system was flexibly adjusted in accordance with the guidance of macroeconomic regulations and control policies, to lead the branches to timely adjust their expansion of long-term sources, and to optimize the funds application of fixed rates assets business. Meanwhile the Company strengthened the management of margin of combination of the fund source costs and fund using income, reinforced the matching management of interbank fund business, by adjusting bond assets combination structure, duration and basis point value, to better control the term mismatch.

The interest rate risk of the trading account was managed by the Company mainly by continuously improving the limit system of indicators of risk, while the Company set the authorization for interest risk exposure indicators and the stop-loss limits respectively for different trading accounts, which was implemented by issuing letter of attorney for the business of the year as well as the strategy plan of regular investment. At the same time, the Company introduced the funds transaction and analysis system, in virtue of which it dynamically revaluated the market value of the interest products under the trading accounts and control the trading process, whereby it achieved a real-time monitoring of the interest risk exposure indicators and the stop-loss limits, to ensure the controllability of interest risk of trading accounts.

(2) Exchange rate risk

The Company's exchange rate risk was under centralized control of the Financial Markets Department of head office, and the exchange rate risk exposure which was created at the branches in their transactions was transferred to the Financial Markets Department of head office through the core business system for unified management. The specific risk management measures included diurnal principal exposure limit, closing-day exposure limit and so on, the total amount of which was very small comparing with the absolute assets amount of the Company, and thus its risk was controllable.

The foreign exchange rate risk exposure the Company was subject to was primarily the overall position it had in its RMB market making business and the risk exposure in its foreign exchange capital items. The dual-limit control was implemented on the foreign exchange exposure in accordance with the *Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of the Foreign Exchange Business*. As an active RMB market maker, the Company proactively controlled its exposure limit, while the overnight risk exposure was generally small. With regard to the risk exposure of RMB to foreign exchange rates existing in its foreign capital items, the Company controlled its risk exposure primarily through periodical application to SAFE for capital settlement or foreign exchange profits settlement. The exposure limit was relatively small in aggregate amount to avoid the fluctuant risk of RMB exchange rate.

5. Operational risk management

The Company unceasingly researched the operational risk management, studied and absorbed the methods of operational risk management of domestic mainstream banks. Starting with management instrument, the loss incidents continued to be collected, recorded, monitored and reported. Around the main business activities and key and hot issues, in accordance with the regulatory requirements, and after analyzing the manifestations, causes, forms of loss and others of operational risk in different business fields, the Company recommended, in respect of operational risk-prone business fields, specific risk rectifications and reform measures, and pointed out the types of operational risk to be focus on corresponding different risk incidents. Meanwhile, it promoted the construction of case control system, by launching the activity of deepening the "year of implementation" according to the regulatory requirements on the activity namely 2011 deepening "banking internal control and case prevention system implementation year", whereby an risk investigation was carried out on key businesses and key links such as large NPLs, bill business, deposit and counter business, building of internal control and implementation force, and audit of internal control implementation, etc., and paid close attention to the implementation of "*13 Articles for Prevention of Operational Risk*", while strengthening the implementation force of internal control, and driving the improvement of case prevention, so that the objectives of "zero criminal case" and "zero major operational risk incident" were successfully achieved.

6. Compliance risk management

The Company insisted on the philosophy of compliance management, by actively cultivating the culture of compliance, and constantly improving the compliance mechanism, to strive to enhance the refinement and professionalism of the compliance management. Firstly, the Company systematically assessed the compliance risk. It organized the system identification, assessment and importance sequencing, and established a dynamic updating and maintenance mechanism, to promote the supporting compliance system building, and push forward the constant and effective operation of the comprehensive compliance management system. Secondly, the Company continuously improved the management level of anti-money laundering. It amended the *Administrative Measures of Industrial Bank against Money Laundering*, to further optimized anti-money laundering system and working mechanism. The anti-money laundering monitoring data and reporting system was constantly optimized and enhanced the data quality in the effort to solidify the working base against money laundering. Thirdly, the Company vigorously promoted the construction of compliance management information platform, and successfully completed the upgrade and launch of the second phase of comprehensive compliance management system. Meanwhile, it effectively consolidated the comprehensive compliance management system and evaluation system of internal control, whereby informatization and professionalism level of compliance management were further enhanced. Fourthly, the Company carried out pilot work of internal control evaluation and the compliance monitoring, and timely summed up the advanced experience of the pilot branch, to enhance the demonstration effect; meanwhile it established a database of compliance issues in pilot branches, to promote the establishment of key indicators system of compliance management, and strengthen the compliance monitoring of business data.

7. IT risk management

The Company strengthened the information technology risk management, and realized the comprehensive tracking and monitoring of IT risk by means of normalized IT risk monitoring, warning of and disposal mechanisms. It constantly improved the IT risk assessment and report, strengthened the regular assessment of IT risk incidents and important information system risk, meanwhile timely, comprehensively and objectively reported the state of IT risk management, whereby a daily sustainability management of IT risk was achieved. At the same time the Company continuously implemented comprehensive quality management philosophy, by applying the risk and quality management to the whole process of demanding, developing, operating and so on, and strengthening the IT risk control measures.

8. Management of reputation, outsourcing and country risk

The Company constantly pushed ahead the reputation risk management, by strengthening the investigation of risk from negative public sentiment, and upgrading the operation management level. Meanwhile, it formulated and issued the *Administrative Measures on Outsourcing Risk* to promote the implementation of rules and regulations on outsourcing risk management, and improve the professionalism of outsourcing risk management. On the other hand, it formulated and issued *Administrative Measures on Country Origin Risk* according to the regulatory requirements combined with the actual situation, whereby the country origin risk was contained into the comprehensive risk management system, to specify the framework for country origin risk management and division of responsibilities, and straighten out the business processes. Meanwhile the withdraw policy of provision for country origin risk was formulated, whereby implemented scientific management.

9. Implementation of the New Capital Accord

During the reporting period, the Company accelerated the work related to implementation of the New Capital Accord. In March 2011, the non-retail internal rating program was completed, whereby the construction of a non-retail internal rating system was officially launched nationwide including work such as putting the non-retail internal rating system into operation, rating customers using the new internal rating model. The internal rating results officially applied to credit business authorization, industrial quota, regional quota management and other fields. As the non-retail rating construction gained the intermediate achievement, the Company officially started the construction of retail internal rating project in September 2011. As at the end of the reporting period, positive progress had been made in respect of the development of retail score card model. In addition, two other projects of New Capital Accord, namely the project of regulations on internal model of market risk and the project of measurement of credit risk-weighted assets were on the project approval process, while the corresponding preparation was steadily pushed ahead.

10. Stress test

During the reporting period, the Company formulated and issued *Operation Rules of Industrial Bank on Credit Risk Pressure Test*. By extending to the micro-level of practice, it built a complete pressure test system, so that all institutions had rules to follow in respect of specific operation of pressure test in, whereby the pressure test could be efficiently and standardized carried out, and the work quality and efficiency could be improved. Meanwhile, the Company paid close attention to the macro economic conditions and policy changes. In accordance with the regulatory requirements and business development need, its conducted pressure tests concerning the credit risk, market risk and liquidity risk on both regular and irregular basis. On the other hand, the Company completed the normalization working mechanism of pressure test, and carried out further improvements in respect of the testing scope, stress scenarios and testing models, whereby the test results reflected the true risk state of loans comprehensively, and the corresponding specific measures and management advices were recommended according to the test results, to improve the application performance of pressure test.

III. Routine work of the Board of Directors during the reporting period

(I) Meetings of the Board of Directors

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

The second meeting of the Seventh Board of Directors was convened on January 7, 2011 in Xiamen. The meeting considered and approved proposals including: *Proposal on Amending "Rules of Procedures for General Shareholders' Meeting", Proposal on Amending "Rules of Procedures for Board of Directors", Proposal on Amending Work Rules for all Committees of Board of Directors, Proposal on Amending "Administrative Measures on Due of Board of Directors", Proposal on Formulating "Administrative Measures on Risk of Outsourcing", Proposal on Issuing Subordinated Bonds, Proposal on Formulating "Development Plan of Branch Establishment in 2011"*, etc. For details please refer to the Company's announcement dated January 8, 2011.

The third meeting of the Seventh Board of Directors was convened on March 25, 2011 in Fuzhou. The meeting considered and approved proposals including: *2010 Work Report of Board of Directors, 2010 Work Report of President, 2010 Annual Evaluation Report on Duty Performance of Directors, 2010 Work Report of the Executive Committee under the Board of Directors, 2010 Work Report of the Risk Management Committee under the Board of Directors, 2010 Work Report of the Audit and Related Party Transaction Control Committee under the Board of Directors, 2010 Work Report of the Remuneration and Evaluation Committee under the Board of Directors, 2010 Work Report of the Nomination Committee under the Board of Directors, 2010 Report on Final Financial Accounts & 2011 Financial Budget, 2010 Annual Profit Distribution Proposal, Proposal on Engagement of Public Accounting Firms for 2011, Proposal on Adjusting the Review Procedure of Periodic Report, Proposal on Checking and Ratifying the Verification and Write-off Limit of the Bad Debts in 2011, 2010 Special Report on Deposit and Actual Usage of the Raised Fund, Proposal on Issuance of Financial Bond, 2010 Annual Report and Abstract, 2010 Internal Control Self-assessment Report by the Board of Directors, 2010 Sustainable Development Report, Proposal Regarding the Granting of an Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited), Distribution Plan of 2010 Performance Remuneration to Senior Management, Plan regarding the Disbursement of 2007 Annual Risk Fund to Senior Management, Proposal on Purchasing Equity of Union Trust & Investment Limited. Held by Yong'an Assets Management Co., Ltd., Proposal on Formulating "Administrative Measures on Persons with Inside Information ", 2011 Work Plan of the Board of Directors and Proposal on Convening the 2010 Annual General Shareholders' Meeting, etc. In addition, the meeting also listened to the Introduction to the Work of the Board of Supervisors in 2010 and the 2010 Implementation of Plan for Risk Tolerance Indicators and the Plan for 2011*. For details please refer to the Company's announcement dated March 29, 2011.

The fourth meeting of the Company's Seventh Board of Directors was convened on April 22-27, 2011 by means of correspondence, at which the 2011 Q1 Report was considered and approved.

The fifth meeting of the Company's Seventh Board of Directors was convened on July 8, 2011 in Xi'an. The meeting considered and approved proposals including: *Proposal on Increasing Capital of China Industrial International Trust Limited, Proposal on Increasing Capital of Industrial Bank Financial Leasing Co., Ltd., Self-Examination Work Report Regarding the Special Activity to Regulate Financial Accounting Foundation Work, Proposal on Constructing Operation Office Building of Fuzhou Head Office, Proposal on Increasing Purchase Budget for Beijing Industrial Building, Proposal on Formulating "Administrative Measures on Risk by Country of Origin", 2010 Statement of Capital Management and 2011 Plan for Capital Management*, etc. For details please refer to the Company's announcement dated July 12, 2011.

The sixth meeting of the Company's Seventh Board of Directors was convened on July 13-18, 2011 by means of correspondence, at which the *Proposal Concerning the Changes in Shareholdings of the Finance Bureau of Fujian Province* was considered and approved. For details please refer to the Company's announcement dated July 20, 2011.

The seventh meeting of the Company's Seventh Board of Directors was convened on August 17-22, 2011 by means of correspondence, at which *the 2011 Semi-annual Report and Abstract was considered and approved*.

The eighth meeting of the Company's Seventh Board of Directors was convened on October 28, 2011 in Fuzhou. The meeting considered and approved proposals including *the Proposal on Formulating "Outline of 2011-2015 Development Plan", 2011 Q3 Report and the Proposal on Formulating "Basic System of Internal Control", and also listened to the report such as Report Concerning Increasing Purchase of 7-11 Floors of Guangzhou Industrial Building*, etc. For details please refer to the Company's announcement dated October 29, 2011.

(II) Surveys and trainings of the Board of Directors, investor communications and other activities

1. The training and learning were strengthened, and the legal and professional duty-performing capabilities were enhanced. In March 2011, all directors attended the 2010 annual prudential regulation meeting held by CBRC, understanding the regulation appraisal opinions to the Company by the regulator, supervising and assisting the management in implementing the opinion to rectify and improve the regulation. In May, some directors participated in the Thematic Seminar for Top Management (in Singapore) holding system training for the topics such as art of leadership, economic capital management, performance management, wealth management and logistics bank, etc. to assist in enhancing the professional ability of decision-making and international view. In November, some directors attended training symposium jointly held by CSRC and CBRC, gaining a better understanding about the governance spirit of modern corporations and new regulatory policies to ensure the legal and regulatory compliance of the directors' duties. Besides, the Company also invited two independent directors namely Ba Shusong and Li Ruoshan to give lessons about the economic and finance situation all the year around, and instruct in and analyze the bank financial statements.

2. Thematic research and study were reinforced, and instruction was given for the operation and management work. In March 2011, some directors went to head office to launch the thematic research and study of capital management and liquidity management in combination with the hot issues of the situation, requiring the Company to efficiently make the capital management plan and launch it in order, gain better understanding about the importance of liquidity risk and formulate a good coping strategy. In July, some directors went to Xi'an to launch a thematic research and study, and listen to the branch's implementation of spirit of the Company's Work Meeting, finding out difficulties and problem in operation process so as to enhance pertinence and implementation of directors' decision-making. In October, some directors visited Majiang Operation Center of Payment and Settlement Department, Fuzhou Customer Service Center of Electronic Banking Department and R&D Center of Information Technology Department of the head office to pay an inspection, comprehensively understanding the backstage operation safeguard and providing guidance.

3. The professional talents were brought into play and the related special affairs were satisfactorily completed upon authorization. From January to February 2011, the Audit and Related Party Transaction Control Committee under the Board of Directors was in charge of arranging the employment of annual accounting firms in 2011, whereby some committee members attended the site bid evaluation in February determining the bid-winning accounting firm, and formulated the employment program to submit to the Board of Directors and General Shareholders' Meeting for review and approval after further negotiation about the particular and price of the audit service. In February, some members of the Remuneration and Evaluation Committee under the Board of Directors came to the Company to evaluate the senior management, objectively appraise the performance of management team, approve the annual performance salaries according to the evaluation results and formulate the evaluation and distribution program for performance remuneration to submit to the Board of Directors for review and approval.

4. Some directors attended the Company's four periodic performance conferences in 2011, exchanging opinions of current macro situation and the Company's operation performance face to face with the investors, introducing the Company's situation accurately and objectively and delivering the investment

value of the Company.

(III) Implementation of general shareholders' meeting resolutions by the Board of Directors

1. Implementation of 2010 profit distribution

According to the 2010 annual profit distribution plan approved by the general shareholders' meeting on April 19, 2011, during the reporting period the Company offered a cash dividend of RMB 4.6 (including tax) for every 10 shares to all shareholders based on the total share capital at the end of 2010 amounting to 5,992,450,630 shares, while totally offering dividend amounting to RMB 2,756,527,289.80, increased 4,793,960,504 shares by converting the capital reserve with a ratio of 8 shares for every 10 shares. After the implementation, the total number of shares of the Company was 10,786,411,134.

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

According to the resolution of the 2010 Annual General Shareholders' Meeting, after the Company implemented the 2010 profit distribution plan, the registered capital amount was changed from RMB 5,992,450,630 to RMB 10,786,411,134. The corresponding particulars in Article 6 "Registered Capital" and Article 20 "Capital Structure" of the *Articles of Association* were amended in accordance with the increased total equity, and the formalities for the alteration in industrial and commercial registration were carried out. In July 2011, the alteration in *the Articles of Association* and registered capital of the Company was approved by the CBRC (YJF [2011] No. 249) and the alteration in industrial and commercial registration was completed.

According to the resolution of the 2010 Annual General Shareholders' Meeting on engagement of public accounting firms for 2011, the Board of Directors engaged Deloitte Touche Tohmatsu CPA Ltd. to take charge of the review of the semi-annual financial report and audit of annual financial report and audit of internal control for 2011.

According to the resolution of the 2010 Annual General Shareholders' Meeting on issuance of subordinated bonds, and upon approval of the *Decision of PBOC on Administrative Licensing* (YSCZYZ [2011] No. 84) and *Approval and Reply of CBRC to Industrial Bank Concerning the Issuance of Subordinated bonds* (YJ [2011] No. 181), the Company successfully issued RMB 10 billion of subordinated bonds in June 28-29, 2011 in the interbank bond market, which all belonged to the variety of fixed interest rates for 15 years (at the end of the tenth year, issuers have right of redemption with the prerequisites), with 5.75% coupon rate.

According to the resolution of the 2010 Annual General Shareholders' Meeting on issuance of financial bonds, and upon approval of the *Decision of PBOC on Administrative Licensing* (YSCZYZ [2011] No. 115) and *Approval and Reply of CBRC to Industrial Bank Concerning the Issuance of Financial Bonds* (YJF [2011] No. 464), the Company successfully issued RMB 30 billion of financial bonds especially for small enterprises loans in December 26-28, 2011 in the interbank bond market, which all belonged to the variety of fixed interest rates for 5 years with 4.20% coupon rate.

(IV) Annual report work regulation for independent directors and its implementation

On February 1, 2011, the Company convened the annual report work meeting of independent directors following formation of the preliminary opinions on the Company's 2010 annual audit of its financial statements. All the independent directors conducted communications with the CPAs on the findings in the audit, while they also listened to the report of the Company's management on the 2010 operation and progress in the implementation of material revolutions of the Board of Directors.

On March 24 and 25, 2011, the Audit and Related Party Transaction Control Committee under the Board of Directors and the Board of Directors successively deliberated on the proposal on engagement of public accounting firms for 2011, and the independent directors participated in the process and provided their input.

On December 1, 2011, the ninth meeting of the Audit and Related Party Transaction Control Committee under the Seventh Board of Directors was convened, discussing the auditing plan of Deloitte Touche Tohmatsu CPA Ltd. for the Company's 2011 financial report and the internal control. Other independent directors outside the Audit and Related Party Transaction Control Committee also reviewed the relevant data submitted by the Company and provided written opinions after the meeting.

(V) Summary report on the duty performance of the Audit and Related Party Transaction Control Committee under the Board of Directors

The Audit and Related Party Transaction Control Committee under the Board of Directors seriously fulfilled its duties and actively assisted in the Board of Directors' decisions in strict compliance with the regulatory requirements, *the Articles of Association*, work rules of committees and other applicable documents. During the reporting period, eight meetings were convened (among which four on-site meetings and four teleconferences) reviewing and listening to 29 proposals, and satisfactorily completing various duties, mainly including:

1. Reviewing and approving periodic reports and financial budget and final account plan. During the reporting period, the Committee reviewed and approved the 2010 Annual Report, the 2011 Q1 Report, Semi-annual Report and Q3 Report, and the Company's financial budget and final account plan and the proposal on adjusting the review procedure of periodic report.

2. Selecting and employing accounting firm. According to the *Administrative Measures for Financial Enterprises to Select and Employ Accounting Firms by Bidding* (for Trial Implementation) of the Ministry of Finance, the Committee decided to nominate Deloitte Touche Tohmatsu CPA Ltd. as the auditing agency of the Company in 2011 by meticulously arranging the selecting and employing work and through an open just procedure for selection and employment.

3. Assisting and urging the accounting firm to complete the audit of annual report and review the semi-annual report. During the reporting period, the Committee communicated several times with the accounting firm about the audit of the 2010 annual financial report, the review of the 2011 semi-annual financial report, the audit program of the 2011 annual financial report and internal control.

4. Giving guidance to and supervising the internal control. During the reporting period, the Committee *reviewed 2010 Report on Internal Audit*, *2011 Project Plan of Internal Audit and Work Report on Internal Audit of the First Half of 2011*.

5. Examining and evaluating the internal control. During the reporting period, the Committee reviewed *the Work Program on Launching the Special Activity to Regulate Financial Accounting Foundation Work*, examined and approved *the 2010 Internal Control Self-assessment Report by the Board of Directors, Self-examination Work Report Regarding the Special Activity to Regulate Financial Accounting Foundation Work, Proposal on Constitution of Basic System of Internal Control, and listened to the Rectification Report on the Regulatory Notification of the CBRC*.

6. Regulating the related party transaction matters. During the reporting period, the Committee confirmed the list of the related legal persons at the beginning of every quarter, examined and approved *the Proposal Regarding the Granting of an Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited)*, and reviewed *Report on Related Party Transactions in 2010, and Report on Related Party Transactions in the First Half of 2011.*

(VI) Summary report on the duty performance of the Remuneration and Evaluation Committee under the Board of Directors

In 2011, the Remuneration and Evaluation Committee under the Board of Directors convened two meetings deliberating on and approving *the Proposal on Amending the Work Rules of the Remuneration and Evaluation Committee under the Board of Directors, 2010 Work Report of the Remuneration and*

Evaluation Committee under the Board of Directors, 2010 Evaluation Report on the Duty Performance of Directors, 2010 Performance Remuneration Distribution Plan for Senior Management, and Proposal on Disbursement of 2007 Annual Risk Fund to the Senior Management.

In February 2011, the Remuneration and Evaluation Committee under the Board of Directors reviewed the work reports submitted by eight executives, based on which the appraisal interviews were conducted respectively with the eight executives and part of mid-level cadres. The Committee collectively discussed and determined the 2010 appraisal levels for the Company's senior management team and the performance remuneration of every executive, following the work report review, interviews and indicator calculations.

IV. The Company's profit distribution plan

(I) 2011 annual profit distribution plan

The 2011 annual profit distribution plan is as follows: according to the provisions of the *Company Law* and the *Articles of Association*, the statutory surplus reserve amounting to RMB 2,510,197,527.94 is to be set aside as 10% of the annual profit in 2011. RMB 3,850,780,257.82 is to be set aside as general reserve. Based on the total shares of 10,786,411,134 as at the end of 2011, while a cash dividend of RMB 3.7 (including tax) is to be offered for every 10 shares, and the remaining undistributed earnings will be carried forward to the next year.

The above profit distribution plan is to be implemented within two months after it is reviewed and approved at the Company's 2011 Annual General Shareholders' Meeting.

(II) Dividends payout in the previous three years or share capital and dividends converted from surplus

Unit: RMB million

Year	Amount of bonus shares for every 10 shares	Amount of dividend payout for every 10 shares (including tax)	Amount of converted shares for every 10 shares	Amount of cash dividends (including tax)	Net profit attributable to the listing company's shareholders in the annual combined statements of the dividends distribution year	Percentage (%) of the net profit attributable to the listing company's shareholders in the combined statements
2010	-	4.60	8	2,757	18,521	14.89
2009	-	5.00	-	2,500	13,281	18.82
2008	-	4.50	-	2,250	11,385	19.76

It is prescribed in the Article 245 of the Company's *Articles of Association*: the Company may distribute dividends in cash or in stock, while an interim cash dividend distribution is also possible. The Company's profit shall be distributed in correspondence with the reasonable investment return of the investors. And the policies on profit distribution shall keep its continuity and stability. The Company distributed cash dividends in the previous successive three years, and the total profit distributed in cash exceeded 30% of the average distributable profit achieved in the previous three years, relevant dividend distribution proportion and the decision procedure of which are all in conformity with the provisions in the Company's *Articles of Association*.

Report of the Board of Supervisors

I. Meetings of the Board of Supervisors during the Reporting Period

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

On January 6, 2011, the second meeting of the Fifth Session of Board of Supervisors was convened in Xiamen. The meeting discussed *2011 Work Direction of Board of Supervisors*. For details please refer to the Company's announcement dated January 8, 2011.

On March 24, 2011, the third meeting of the Fifth Session of Board of Supervisors was convened in Fuzhou. At the meeting, the following reports were considered and approved: *2010 Work Report of the Board of Supervisors, 2010 Evaluation Report on the Performance of Supervisors, Assessment Report of the Board of Supervisors on the Performance of Directors and Senior Management in 2010, Motion on Formulating the "Evaluation of the Board of Directors Performance of their Duties (Trial)", the 2010 Annual Work Report of the Supervision Committee under the Board of Supervisors, 2010 Annual Work Report of the Nomination, Remuneration and Evaluation Committee under the Board of Supervisors, 2010 Annual Report on Operating Results and Final Financial Accounts, 2010 Annual Report and Abstract, 2010 Special Report on Fund Raising Deposits and Actual Use, 2010 Internal Control Self-assessment Report by the Board of Directors, Investigation Report on Audit of Emerging Business Risk Management and 2011 Annual Work Plan of the Board of Supervisors*. The meeting also listened to *the Notes of Fujian Huaxing Certified Public Accountants Co., Ltd. on Audit of the 2010 Annual Report*. For details please refer to the Company's announcement dated March 29, 2011.

The fourth meeting of the Company's Fifth Session of Board of Supervisors was convened from April 22 to 27, 2011, by means of correspondence, at which the *2011 Q1 Report* was considered and approved.

The fifth meeting of the Company's Fifth Session of Board of Supervisors was convened on July 7, 2011 in Xi'an, at which *the Survey Report for the Follow-up Audit of Capital Adequacy Ratio Management, Motion on the Amendments to the Rules of the Committee of the Board of Supervisors' Work, and Motion to Formulate "Special Inspections of the Board of Supervisors and Special Inspections Specification" were considered and approved*. For details see the Company's announcement dated July 11, 2011.

The sixth meeting of the Company's Fifth Session of Board of Supervisors was convened from August 17 to 22, 2011, by means of correspondence, at which *the 2011 Interim Report was considered and approved*.

The seventh meeting of the Company's Fifth Session of Board of Supervisors was convened on October 27, 2011, in Fuzhou, at which *2011 Q3 Report* was approved. For details please see the Company's announcement dated October 29, 2011

The eighth meeting of the Company's Fifth Session of Board of Supervisors was convened on December 16, 2011, in Guangzhou, at which *the Audit Survey Report of the Internal Control of Remote Branches* was approved. For details please see the Company's announcement dated December 20, 2011.

II. Special inspections made by the Board of Supervisors

During the reporting period, the Board of Supervisors carried out special audit investigations around the key work areas, visited the related branches for surveys and inspections, in order to promote the legal operation of the Company and strengthen the internal control. The details are given below:

From April to May 2011, the Board of Supervisors launched a follow-up audit survey on capital adequacy ratio management, and analyzed and evaluated the reasonability and effectiveness of capital management work, and kept track of the follow-up and rectification of the 2008 capital adequacy ratio management audit survey. According to the investigation, the Board of Supervisors recommended that management should accurately understand the capital appropriation, and reasonably control risk and asset size; strengthen active capital management, advocate development of business under fixed capital to take the initiative to guide the rational allocation of capital and the optimization of risk asset structure.

From August to September 2011, the Board of Supervisors conducted an audit investigation into the risk management of remote branch businesses, and gained in-depth knowledge about the rationalism and reasonableness of the Company's risk management policies for such businesses, and the practicality and effectiveness of the implementation of risk management control. The survey highlighted the major problems existing in the Company's risk management of remote businesses, suggesting the management to enhance its study of the risks of emerging businesses, further improve the risk management system for emerging businesses, progressively explore and establish a risk management model with the orientation of risk capital, reinforce the systematic planning of the emerging business development, promote the system building, normalize the business operation and continuously improve the risk management of emerging businesses. According to the issues discovered by the survey, the Board of Supervisors recommended that management further clarify internal control management responsibilities of the head office, tier 1 branches and tier 2 branches in remote institutions. Also, the Board of Supervisors recommended to strike a good balance of centralized management and decentralized management at different levels, so as to avoid overlapping management or lapses of management; and proposed to increase the level of middle and back office management support, so that the management model can achieve effective convergence.

From November to December 2011, the Board of Supervisors organized an audit investigation of counter management system to find out the present situation and progress of the reform of the Bank's counter management system. The investigation focused on the organization and management of the counter, business processes and risk control and other aspects of the reforms and changes. In regards to issues found during the investigation, the Board of Supervisors recommended the reform and strengthening of risk management for the counter system; enhanced post-evaluation of operating room reform so as to discover problem and sum up experience.

In 2011, the Board of Supervisors organized its members to conduct surveys at Xi'an and Guangzhou branches, thereby learning about the business development at the branches since their commencement of operation. The Board of Supervisors listened to the operating units' statement of their local economic and financial environment, operating conditions, risk and internal control reporting. In addition, some of the supervisors were also organized to visit Wuhan Branch, Majiang Operation Center of Payment and Settlement Department in head office, Fuzhou Customer Service Center of Electronic Banking Department and Fuzhou R&D Center of Information Technology Department and other institutions to carry out research.

III. Independent opinions of the Board of Supervisors on relevant issues

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

(I) Legal operation

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

(II) Inspection on financial statements

During the reporting period, the Company's annual financial statements truly, fairly and completely reflected the Company's financial conditions and operating results. The annual financial statements had been audited by Deloitte Touche Tohmatsu Co. Ltd and a standard and unqualified auditor's report was issued.

(III) The Company's acquisition and sales of assets

During the reporting period, no insider transactions, or transactions detrimental to the interests of shareholders or causing the loss of assets of the Company was found in the acquisition or sales of assets.

(IV) Use of raised funds

During the reporting period, the use of raised proceeds was in conformity with the purpose disclosed in the rights issue prospectus; the deposit and use of raised funds was in compliance with the provisions of CSRC and Shanghai Stock Exchange concerning the administration of raised funds.

(V) Related party transactions

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

(VI) Internal control system

During the reporting period, no substantial defects were detected in the mechanism or rules of the Company's internal control in terms of completeness and reasonableness. The Board of Supervisors reviewed the *2011 Internal Control Self-assessment Report by the Board of Directors* and had no objections.

(VII) Implementation of general shareholders' meeting resolutions

During the reporting period, the members of the Board of Supervisors legally attended the general shareholders' meetings. The Board of Supervisors had no objection to any of the proposals submitted to the general shareholders' meeting for review. The Board of Supervisors monitored and inspected the implementation of the relevant resolutions made by the 2010 Annual General Shareholders' Meeting, and it was in the belief that the Board of Directors had seriously implemented the resolutions made by the general shareholders' meetings.

Corporate Social Responsibility and Sustainable Financial Practice

I. The Company's philosophy on sustainable development

In recent years, the Company has proposed a concept for sustainable growth which says "implementing the Outlook on Scientific Development, increasing the understanding of banks towards sustainable growth through corporate social responsibility, actively exploring many ways to help the bank carry out corporate social responsibility, and promote harmony between humanity, nature, environment, and society itself". The Company also has carried out the organic integration of corporate social responsibility with the businesses of the bank, and carried out guidance and administration of the corporate social responsibility of banks, conforming to the three principles of "appropriateness", "growth", and "profit boosting", thus advocating public service innovation. The putting of corporate social responsibility into practice while maintaining sustainable growth will be gradual and adapted to local conditions. It shall also be promoted, and the changes will be in-depth.

II. Management mechanism on the Company's sustainable development

Since 2006, the Company has been exploring the effective financing for green technology and innovation in energy conservation and emission reduction. Till 2008, the Company adopted the Equator Principles to proceed with gradually achieving leapfrog growth in sustainable finance through internal control and interacting with external regulators concerning areas such as system, process, products and service innovation. This could be expected to benefit the Company's endeavour to enforce "righteousness in making profits" corporate social responsibility. Within the reporting period, the Company continued to strive for further enhancing the administration and integration of corporate social responsibility with sustainable growth, and continue to explore and realize the benefits of the mutual contiguity of corporate social responsibility and profit growth.

(I) Social responsibility strategy

The Company has ultimately placed priority on putting corporate social responsibility into practice, incorporating the formulation of corporate social responsibility strategies and the enforcement of related practices into the key responsibilities of the Board of Directors while fully considering the demands of many stakeholders. With that in mind, the long term goals of the Company is to "turn CIB into the best bank running till the next century", and strive to achieve "sound management, standardized administration, rapid growth, novelty and uniqueness, and highest returns" for the bank.

(II) Framework for corporate social responsibility tasks

The Company has a Leading Small Group to carry out corporate social responsibility tasks, which is in charge of leading of the corporate social responsibility tasks. The Group is led by Chairman Gao Jianping, while the deputy group leaders are President Li Renjie and Bi Zhonghua, the Chairwoman of the Board of Supervisors. The branches and head office work hand in hand while carrying out their respective duties to actively organize and implement tasks relevant to corporate social responsibility as directed by the Group. The office of the Group is set up in the head office's Legal and Compliance Department to direct and manage the daily corporate social responsibility-related operations.

(III) Overall management of corporate social responsibility

Pushed forward from top to bottom, the Company incorporates the concept of "corporate social responsibility while maintaining sustainable growth" into its management principles. Through innovations in aspects such as management framework, business processes, financial products and services, and information disclosure, the Company promotes a transition in business model, where the new model shall be geared towards the refining of marketing, professional operations, and intensification. The Company establishes a differentiated competitive “green brand” while focusing on environmental and social issues during the process of business management. The Company is also centred on safeguarding the rights of staff and customers and raising their value, supporting public welfare, and seeking long-term harmonious sustainable growth.

(IV) Corporate culture merged with corporate social responsibility

The Company merges corporate culture and corporate social responsibility by establishing a culture system driven by mission, vision, core values, and corporate spirit. The correct value is inculcated within the Company to form moral standards for all staff, spreading the concept of corporate social responsibility, and forming a healthy banking image.

III. The Company’s sustainable finance practice

(I) Capture credit granting, optimize allocation of social resources

1. Support the economic growth of local economies

During the reporting period, the Company strived to implement the State’s macro-economic policies and industrial structure adjustment policies, focused on the national industrial and regional planning including changes in industry trends, and increased the investment of borrowings into the State’s key fields or key construction projects. The Company incorporated the spirit of “rendering of services and support to key construction projects”, “development of new growth regions”, “city construction”, “town reform and development”, and “livelihood projects” into the Company’s 2011 Haixi construction tasks and services rendered were aspects of Haixi’s leapfrog growth. The Company actively implemented the State’s strategy for the development of West China, and continued to support the regional economic growth of West China.

2. Strengthen support for the three dimensional rural issues

The Company continued to increase credit support to the three dimensional rural issues, targeting the agricultural sector and agricultural companies, fully using trade financing and products such as “Industrial Bank Sesame Flowering”, to provide a full range of financial support for the agricultural sector and agricultural companies. Within the reporting period, through joint products such as agency access payment system and information systems outsourcing, the Company loosened the bottleneck on payments and settlements in rural areas, which improved the quality of financial services rendered. In addition, the Company still provided value added services such as training in system operations towards rural banks, improving the efficiency in the payments and settlements of rural banks and customer service.

3. Increase support for SMEs

During the reporting period, the Company actively explored and optimized the credit mechanisms of risk control and sales of products catered to SMEs. The Company established differentiated risk control mechanisms operating on the principle of standardized credit standards, professional risk management, and hierarchical approval procedures, improving the quality and efficiency of credit services rendered to SMEs. At the same time, the Company also placed more focus on the need of small enterprises, and strived to establish the service brand “Sesame Flowering – Growth and Listing Plan for SMEs”, further improved the product services rendered to small enterprises, focusing on launching products such as “Industrial Upgraded Loans”, “Industrial Express Loans”, mortgage loans for the self-built industrial plants of small businesses, mortgage loans for equipments of small businesses, use right pledges for small business commercial spaces, and small business joint guarantee loans, striving to help small businesses expand their financing channels and lower their financing costs.

4. Increase support for livelihood financing

During the reporting period, the Company continued to focus on the livelihood of the people, increased financial services and efforts toward indemnificatory housing, shanty town reconstruction and city zone reconstruction. The Company actively supported the growth of the health and medical care business, financially supported the construction of primary health infrastructure and the improvements of medical conditions. The Company paid attention to the development of education businesses by striving to expand cooperation with education institutions. The Company targeted the small secured loans businesses which provided small secured loans to the unemployed to address the financing issues faced by the unemployed when concerning entrepreneurship and employment.

(II) Promote financial innovation and sustainable financial products and services

During the reporting period, the Company continued to push forward financial innovation, improve its unique products and services, promote businesses such as financing services for energy conservation and emission reduction, China low carbon credit card, “Xing Ye Tong” integrated service scheme and the “Golden Cube” cash management service scheme. At the same time, the Company launched new financial services and products such as personal wealth management, cash management, precious metals business, credit cards, investment banking, private banking, and green finance. The Company also launched “Industrial Express Loans” to spur the growth of small and micro-enterprises, and it was the first company in China to launch the carbon asset pledged credit service. The Company launched the self-management agency asset management products, and also innovated and developed the carbon financing and emission rights financing business. The Company continued to promote management models based on the Equator Principles and improve the system framework, strengthen the digitization of the process flow and effectively control the project financing environment and social risks. Based on this, the Company gradually refined and expanded the sustainable financing concepts and practice. As of the end of the reporting period, the Company recognized 112 projects that applied the Equator Principles, with investments totalled RMB 150.6 billion and 111 clients. This included 32 projects granted by 16 branches of the Company. In addition, the Company’s first project was the only project where the Equator Principles were voluntarily applied, and the total amount invested was RMB 320 million, which had been successfully implemented in Xi’an, Shaanxi.

(III) Strive to develop a bank-to-bank platform, and promote the sharing of financial resources

During the reporting period, the Company developed the bank-to-bank platform where the focus was centred on agricultural credit agencies at provincial level, and convened a provincial level associated press symposium at Changbai Mountain. The bank-to-bank platform products came online in the provincial level associates Jilin, Jiangxi, Fujian, Inner Mongolia and so on. The number of intranet-based service counters rose significantly to contribute to the improvement of the new agricultural financial system. At the same time, the Company continued to strive to innovate products for the bank-to-bank platform, and sped up the opening of payment and settlement platforms that were under the bank-to-bank platform and the research and development in portal-based wealth management products, and upgraded the bank-to-bank platform-based wealth management portal, improved the portal-based wealth management product structure, and ultimately maintain the platform innovation advantages and market leader position of the bank-to-bank platform. In addition, technological advancements was sped up whereby for the setup and outsourcing partnerships for the establishment of rural banking information systems for 13 rural banks, a total of 29 banks came online, and the systems were operating smoothly. The core systems for a majority of partner banks were 100% usable. Nearly 60 rural banks established partnerships regarding agency-access payment systems, which included the centralized agency-access payment system services started by HSBC in China for 11 rural banks, which had sparked widespread reaction throughout the industry.

(IV) Promoting sustainable financial philosophy

During the reporting period, the Company actively developed public education services, where it tried to propagate and popularize financial knowledge, strengthen the risk consciousness of consumers, advocating rational spending, and encouraging customers to become familiar with banking and financial services, and encouraging the financial and harmonious growth of the social economy. The Company also set up a section called “Joy of a Low-carbon Lifestyle” in its official micro-blog, and specially set up an “Industrial Bank Equator Principles Micro-blog”, encouraging more companies and individuals to care more for the environment, effectively managing social performance while also promoting energy conservation and emission reduction, effectively promoting the Equator Principles and green finance concepts. By continuing to promote *Administrative Provisions for Office Energy Conservation*, and organizing events such as “Earth Hour” and promotional events such as the “Equator Principles and Green Finance” to promote low-carbon office practices and green-focus corporate culture, the Company guided every staff to apply the sustainable financial concepts into their everyday life and everyday business development activities. In the process of promoting green credit and applying the Equator Principles in construction projects, the Company strengthened communication and relationship between governments, regulatory departments, and other domestic and international industry peers, eventually got associated with international norms, and promoted the relevant international standards such as the Equator Principles and the Global Reporting Initiative (GRI). The Company also communicated with NGOs, and actively explored and encouraged the practice of sustainable finance concept in Chinese banking sector.

IV. The Company’s other public welfare activities

The Company carried out public welfare activities such as donations to schools, setting up of charity scholarships, supporting the alleviation of poverty and organizing other volunteer activities to help students from poor families to complete their studies, providing material and financial support to group of people with difficulties. During the reporting period, the Company made RMB 10 million of external public welfare donations for donations to schools, alleviating the poor, and other forms of support. The Company also actively sent staff to participate in volunteer activities. On Nov 2011, the Company continued to work with the Fujian Provincial Charity Federation and planned to donate another RMB 10 million to five schools.

Owing to the fulfilment of corporate social responsibility and sustainable financial innovation, the Company received widespread recognition. During the reporting period, the Company was awarded from its many different stakeholders a variety of accolades which were “The People’s Corporate Social Responsibility Award for Listed Companies”, “Low Carbon Pioneer Bank”, “Best Corporate Social Responsibility Institution Award”, “Best Green Finance Award”, “2011 Excellent and Competitive Corporate Social Responsibility Financial Organization”, “China’s Best Corporate Citizen”, and “Asia’s Best Green Financial Service Bank for 2011”.

The Company has disclosed the *2011 Report on Sustainable Development*. Please refer to the Shanghai Stock Exchange website or the Company's official website for the full report.

Significant Issues

I. Material lawsuit and arbitration

As of the end of the reporting period, there was no any material lawsuit or arbitration case against the Company that was required to be disclosed.

II. Material asset transactions

1. Acquisition of Industrial Trust. During the reporting period, with the approval of CBRC, the Company acquired 51.18% stake of Industrial Trust (formerly Union Trust & Investment Limited before its renaming) jointly held by New Hope Group, Sichuan New Hope Agribusiness Co., Ltd. and Fujian Huatou Investment Co., Ltd. (formerly Fujian Huaqiao Investment (Holding) Company). Industrial Trust became the Company's subsidiary and was included under mergers in the financial statements. With the approval of the Company's third meeting of the Seventh Session of the Board of Directors and the approval of the Fujian Bureau of CBRC, the Company acquired 4.9% stake in Industrial Trust held by Yong'an Asset Management Co., Ltd. and increased its shareholding to 56.08%.

2. Capital increase in Industrial Trust. With the approval of the fifth meeting of the Seventh Session of the Board of Directors, the Company decided to increase the capital of its subsidiary Industrial Trust by no more than RMB2 billion. This was a premium capital increase that was approved by CBRC. The Company's subscribed capital was RMB590 million, its contribution to the capital increase was RMB1.9234 billion. National Australian Bank's subscribed capital was RMB100 million, its contribution to the capital increase was RMB326 million. Other shareholders of Industrial Trust declined participation in the capital increase. After the capital increase was completed, Industrial Trust's registered capital increased from RMB510 million to RMB1.2 billion, of which the Company's share of capital contribution increased from 56.08% to 73%.

3. Capital increase in Industrial Leasing. With the approval of the fifth meeting of the Seventh Session of the Board of Directors, the Company decided to increase the capital of its wholly-owned subsidiary Industrial Leasing by RMB3 billion, of which RMB1.5 billion was contributed in 2011, and the remaining RMB1.5 billion, on the premise that capital management requirements were fulfilled, would be contributed in 2012. During the reporting period, with the approval of the Tianjin Bureau of CBRC, the Company increased the capital of its wholly-owned subsidiary Industrial Leasing by RMB1.5 billion. After the capital increase was completed, Industrial Leasing's registered capital increased from RMB2 billion to RMB3.5 billion.

During the reporting period, the Company did not carry out any other material acquisitions, sales of assets or takeover and merger.

III. Material related party transactions

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

During the reporting period, material transactions involving transactions with related natural persons amounting over RMB300,000, or transactions with related legal persons amounting over RMB3 million and more than 0.5% of the latest audited net asset value of the Company were as follows:

1. On March 25, 2011, the Company's third meeting of the Seventh Session of the Board of Directors considered and approved the *Proposal Concerning the Granting of an Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited)*, and agreed to extend an internal line of credit of RMB2 billion to Hang Seng Bank (including Hang Seng Bank (China) Ltd.), with the credit period being one year. The abovementioned related party transaction arose from the needs of normal business activities, and the conditions and interest rate of the transaction should be implemented in accordance with the Company's general provisions for business management. For details please refer to the Company's announcement dated March 29, 2011.

2. With the approval of the 18th meeting of the Sixth Session of the Board of Directors, the Company transferred a total of 120,640,000 shares of Industrial Securities Co., Ltd. as held by Fuzhou Branch and Xiamen Branch to the Finance Bureau of Fujian Province in 2009, at a total transfer price of RMB804,699,000. In accordance with the equity transfer agreement, payment for the transfer should be made in installments. During the reporting period, the Finance Bureau of Fujian Province had paid and fully settled the payment for the abovementioned equity transfer. For details please refer to the Company's announcement dated May 20, 2011.

Please refer to "Related Party Relationships and Transactions" under the Notes to the Financial Statement for further details on other related party transactions.

IV. Material contracts and performance thereof

(I) Material custody, lease and undertaking issues

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

(II) Material guarantees

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

(III) Entrusting others with cash assets management

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

(IV) Other material contracts

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

V. Special statement and independent opinion of independent directors concerning the Company's external guarantee

In accordance with the relevant provisions of the CSRC, the Company carefully verified its guarantee to external parties in 2011. The Company's external guarantee business was approved by PBOC and CBRC and it was part of the Company's regular business operations. As of the end of the reporting period, the balance of the Company's guarantee business was RMB12.934 billion, with an increase of RMB1.934 billion and growth of 17.58% from the beginning of the reporting period. No advances were made under the Company's guarantee business, and no illegal guarantee besides the normal guarantee business was discovered.

The Company always adhered to the principal of prudence when conducting its external guarantee business, at the same time, it strengthened the manner in which carried out its risk monitoring, management, site assistance, offsite inspection and other procedures, uncovering potential risks and issuing risk warnings in a timely manner, and putting preventive measures in place. During the reporting period, under the effective supervision and management of the Board of Directors, the Company's guarantee business operated normally and its overall risk was under control.

VI. Performance of undertakings

Excluding performance pertaining to the related party transactions as described in Article III of this chapter, the Company and its shareholders holding over 5% (inclusive) of the Company's shares made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

VII. Appointment and dismissal of accounting firms

During the reporting period, in accordance with the resolution of the 2010 Annual General Shareholders' Meeting, the Company appointed Deloitte Touche Tohmatsu CPA Ltd. to audit the 2011 Annual Financial Report and review the 2011 Semi-annual Financial Report as prepared by the Company in accordance with the *Accounting Standards for Business Enterprises*, with the audit fees being RMB4.66 million. As of the end of the reporting period, Deloitte Touche Tohmatsu CPA Ltd. had provided one year of auditing services to the Company.

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

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

IX. Equity owned by the Company in other listed companies or financial firms

(I) Equity owned by the Company in other listed companies

Unit: RMB million

Name of target	Initial investment cost	Number of shares held	Percentage in total share capital(%)	Book value at period end
VISA INC	-	10,866	-	7
Shandong Jiufa Edible Fungus Co., Ltd.	6	939,176	0.37	7
Total	**6**	**-**	**-**	**14**

(II) Equity owned by the Company in non-listed financial enterprises and to-be-listed companies

Unit: RMB million

Name of target	Initial investment cost	Number of shares held	Percentage in total share capital(%)	Book value at period end
Bank of Jiujiang Co., Ltd.	561	223,200,000	14.72	873
GuangFa Huafu Securities Co., Ltd.	180	-	4.35	180
Zijin Mining Group Co., Ltd.	25	-	5	25
Total	**766**	**-**	**-**	**1,078**

Note: Equity of the abovementioned GuangFa Huafu Securities Co., Ltd. and Zijin Mining Group Co., Ltd. was held by Industrial Trust.

X. Other important issues

1. Issuance of subordinated bonds: with the approval of CBRC and PBOC, the Company issued RMB10 billion worth of subordinated bonds on the national interbank bond market on June 28, 2011, all issued bonds were 15-year fixed rate bonds, with the issuer having the right of redemption at the end of the tenth year subject to conditions; the bonds' annual coupon rate was 5.75%. In accordance with applicable laws and as approved by regulatory authorities, the funds raised shall be used to replenish the Company's supplementary capital. For details please refer to the Company's announcement dated 29 June, 2011.

2. Issuance of special financial bonds for small enterprises loans: with the approval from CBRC and PBOC, the Company successfully issued RMB30 billion worth of special financial bonds for small enterprises loans from December 26-28, 2011, all issued bonds were 5-year fixed rate bonds; the bonds' annual coupon rate was 4.2%. The funds raised shall be used specifically for small enterprises loans, so as to further promote the development of the Company's small enterprises financial business and raise its service standards. For details please refer to the Company's announcement dated 29 December, 2011.

3. Private placement plan: in accordance with the resolution as made during the ninth meeting of the Seventh Session of the Board of Directors that convened on March 2, 2012, the Company intended to conduct an A share private placement comprising no more than 2,072,255,800 shares that shall raise no more than RMB26,379,816,334. After deducting the related issuance costs, the remaining portion will be fully used to replenish the Company's core capital. Said plan still requires deliberation at the Company's annual general shareholders' meeting and approval from CBRC and CSRC before it may be implemented, and shall be based on the final plan as approved by CSRC. Please refer to the Company's announcement dated March 6, 2012 for details concerning the issuance price, issuance target, lock-up period arrangements and other items.

XI. Reference of information disclosure during the reporting period

Item	Date of publicity
Announcement on resolution adopted at the second meeting of the seventh session of the Board of Directors	2011-01-08
Announcement on the second meeting of the fifth session of the Board of Supervisors	2011-01-08
Work rules for special committees under the Board of Directors of Industrial Bank (revised in 2011)	2011-01-08
Industrial Bank 2010 preliminary results	2011-01-18
Industrial Bank Articles of Association (Revised)	2011-01-18
Industrial Bank announcement concerning acquisition of Union Trust & Investment Limited	2011-02-10
Announcement on resolutions adopted at the third meeting of the seventh session of the Board of Directors and convening of the 2010 annual general shareholders' meeting	2011-03-29
Announcement on resolutions adopted at the third meeting of the fifth session of the Board of Supervisors	2011-03-29
Industrial Bank 2010 Annual Report	2011-03-29
Industrial Bank 2010 Annual Report Abstract	2011-03-29
Industrial Bank Announcement on Related-party Transactions	2011-03-29
Industrial Bank internal control self-assessment report by the Board of Directors	2011-03-29
Industrial Bank 2010 Sustainable Development Report	2011-03-29
Note on fund occupancy by Industrial Bank's controlling shareholders and other related parties	2011-03-29
Industrial Bank administrative measures of persons with inside information	2011-03-29
Materials for 2010 Annual General Shareholders' Meeting	2011-04-12
Announcement on resolutions adopted at the 2010 Annual General Shareholders' Meeting	2011-04-20
Letter of Legal Opinions for the 2010 Annual General Shareholders' Meeting	2011-04-20
Announcement on implementation of 2010 annual profit distribution plan and conversion of capital reserve into share capital	2011-04-28
Industrial Bank 2011 Q1 Report	2011-04-29
Announcement on Industrial Bank's completion of settlement of equity transfer with the Finance Bureau of Fujian Province	2011-05-20
Announcement on renaming of Industrial Bank's subsidiary	2011-05-28
Announcement on approval of Industrial Bank's issuance of subordinated bonds	2011-06-24
Announcement on completion of Industrial Bank's issuance of subordinated bonds	2011-06-29
Announcement on resolutions adopted at the fifth meeting of the fifth session of the Board of Supervisors	2011-07-11
Work rules for special committees under the Board of Supervisors of Industrial Bank (revised in 2011)	2011-07-11
Announcement on resolutions adopted at the fifth meeting of the seventh session of the Board of Directors	2011-07-12
Announcement on approval of equity transfer by Industrial Bank's shareholders	2011-07-13
Industrial Bank Articles of Association (revised in 2011)	2011-07-15
Announcement on resolutions adopted at the sixth meeting of the seventh session of the Board of Directors	2011-07-20
Industrial Bank 2011 Semiannual Report	2011-08-24
Industrial Bank 2011 Semiannual Report Abstract	2011-08-24
Announcement on changes to equity of Industrial Bank's subsidiary	2011-10-13

Item	Date of publicity
Industrial Bank 2011 Q3 Report	2011-10-29
Announcement on resolutions adopted at the eighth meeting of the seventh session of the Board of Directors	2011-10-29
Announcement on resolutions adopted at the seventh meeting of the fifth session of the Board of Directors	2011-10-29
Announcement on approval of equity transfer by Industrial Bank's shareholders	2011-11-11
Announcement on completion of equity transfer by Industrial Bank's shareholders	2011-12-07
Announcement on resolutions adopted at the eighth meeting of the fifth session of the Board of Supervisors	2011-12-20
Announcement on approval of Industrial Bank's issuance of special financial bonds for small business loans	2011-12-20
Announcement on approval of establishment of Industrial Bank's Guiyang Branch	2011-12-24
Announcement on completion of Industrial Bank's issuance of special financial bonds for small business loans	2011-12-29

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

Financial Statements

The Company's 2011 financial statements has been audited by Deloitte Touche Tohmatsu CPA Ltd., and signed by Certified Public Accountants Tao Jian and Gu Jun, who have issued a standard and unqualified auditor's report (No. P0232). For full text of the financial statements, please refer to the appendix.

Documents Available for Reference

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

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

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

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

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

Chairman of the Board: Gao Jianping

Board of Directors of Industrial Bank Co., Ltd.

March 16, 2012

真诚服务 相伴成长

兴业银行
INDUSTRIAL BANK CO.,LTD.


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AUDITOR'S REPORT

De Shi Bao (Shen) Zi (12) No.P0232

To the Shareholders of Industrial Bank Co., Ltd.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank") and its subsidiaries (hereinafter collectively refer to as the "Group"), which comprise the Bank's and consolidated balance sheets as at 31 December 2011, and the Bank's and consolidated income statements, the Bank's and consolidated statements of changes in shareholders' equity and the Bank's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1.Management's responsibility for the financial statements

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

2.Auditor's responsibility

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3.Opinion

In our opinion, the financial statements of the Group present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2011, and the Bank's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA Ltd.

Chinese Certified Public Accountant

Tao Jian

Gu Jun

Shanghai, China

16 March 2012

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

THE BANK'S AND CONSOLIDATED BALANCE SHEETS

At 31 December 2011 | Unit: RMB million

		The Group		The Bank	
	Note VIII	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Assets					
Cash and balances with central bank	1	296,591	288,641	296,372	288,641
Due from banks and other financial institutions	2	69,425	39,867	69,423	39,867
Precious metals		1,520	685	1,520	685
Placements with banks and other financial institutions	3	228,899	21,099	228,899	21,099
Held-for-trading financial assets	4	8,101	5,537	8,101	5,537
Derivative financial assets	5	2,907	2,301	2,907	2,301
Financial assets held under resale agreements	6	526,979	374,005	526,979	374,005
Interest receivable	7	12,924	6,655	12,841	6,649
Loans and advances to customers	8	968,940	842,568	968,740	842,568
Available-for-sale financial assets	9	147,505	147,232	147,006	147,232
Held-to-maturity investments	10	32,764	34,290	32,764	34,290
Debt securities classified as receivables	11	70,205	61,321	70,092	61,321
Finance lease receivables	12	21,485	8,693	-	-
Long-term equity investments	13	1,159	771	7,311	2,771
Fixed assets	14	5,240	3,847	5,212	3,845
Construction in progress	15	2,664	3,080	2,664	3,080
Intangible assets		281	319	278	319
Goodwill	16	446	-	-	-
Deferred tax assets	17	2,363	2,390	2,310	2,389
Other assets	18	8,400	6,372	3,390	5,224
Total assets		**2,408,798**	**1,849,673**	**2,386,809**	**1,841,823**

(continued)

THE BANK'S AND CONSOLIDATED BALANCE SHEETS

At 31 December 2011 — Unit: RMB million

		The Group		The Bank	
	Note VIII	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Liabilities					
Borrowings from central bank		-	365	-	365
Due to banks and other financial institutions	20	626,831	417,655	629,905	418,386
Placements from banks and other financial institutions	21	52,752	26,137	32,422	18,598
Held-for-trading financial liabilities	22	10	-	10	-
Derivative financial liabilities	5	3,013	2,317	3,013	2,317
Financial assets sold under repurchase agreements	23	141,426	89,585	141,426	89,585
Due to customers	24	1,345,279	1,132,767	1,345,279	1,132,767
Employee benefits payable	25	6,085	4,545	5,980	4,534
Tax payable	26	5,066	3,486	4,904	3,479
Interest payable	27	14,803	8,591	14,582	8,575
Debt securities issued	28	81,013	64,935	81,013	64,935
Other liabilities	29	16,442	7,295	13,302	6,289
Total liabilities		**2,292,720**	**1,757,678**	**2,271,836**	**1,749,830**
Shareholders' equity					
Share capital	30	10,786	5,992	10,786	5,992
Capital reserve	31	28,296	32,624	28,465	32,624
Surplus reserve	32	5,913	3,403	5,913	3,403
General and regulatory reserve	33	13,787	9,937	13,787	9,937
Retained earnings	34	56,427	40,039	56,022	40,037
Equity attributable to equity holders of the Bank		**115,209**	**91,995**	**114,973**	**91,993**
Minority interests		869	-	-	-
Total shareholders' equity		**116,078**	**91,995**	**114,973**	**91,993**
Total liabilities and and shareholders' equity		**2,408,798**	**1,849,673**	**2,386,809**	**1,841,823**

The accompanying notes form part of the financial statements.

The financial statements on pages 104 to 217 were signed by the following:

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

THE BANK'S AND CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2011 — Unit: RMB million

	Note VIII	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
1. Operating income		59,870	43,456	58,527	43,325
Net interest income	35	50,734	38,032	49,991	37,943
Interest income	35	108,447	66,447	106,963	66,334
Interest expense	35	(57,713)	(28,415)	(56,972)	(28,391)
Net fee and commission income	36	8,845	4,801	8,274	4,760
Fee and commission income	36	9,418	5,229	8,843	5,185
Fee and commission expense	36	(573)	(428)	(569)	(425)
Investment income	37	324	354	296	354
Including: income from investments in an associate		197	90	197	90
(Losses) gains from changes in fair values	38	(283)	175	(283)	175
Foreign exchange gains		217	53	217	53
Other operating income		33	41	32	40
2. Operating expenses		(26,338)	(19,559)	(25,657)	(19,411)
Business taxes and levies	39	(4,291)	(2,915)	(4,217)	(2,908)
General and administrative expenses	40	(18,784)	(14,007)	(18,473)	(13,965)
Impairment losses of assets	41	(2,916)	(2,342)	(2,620)	(2,243)
Other operating expenses		(347)	(295)	(347)	(295)
3. Operating profit		33,532	23,897	32,870	23,914
Add: Non-operating income	42	166	193	163	173
Less: Non-operating expenses	43	(34)	(85)	(33)	(84)
4. Profit before tax		33,664	24,005	33,000	24,003
Less: Income tax expenses	44	(8,067)	(5,484)	(7,898)	(5,484)
5. Net profit		25,597	18,521	25,102	18,519
Attributable to:					
Equity holders of the Bank		25,505	18,521	25,102	18,519
Minority interests		92	-	-	-
6. Earnings per share:					
Basic earnings per share (RMB Yuan)	45	2.36	1.82		
7. Other comprehensive income	46	610	(1,314)	635	(1,314)
8. Total comprehensive income		**26,207**	**17,207**	**25,737**	**17,205**
Attributable to:					
Equity holders of the Bank		26,127	17,207	25,737	17,205
Minority interests		80	-	-	-

THE BANK'S AND CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2011 | Unit: RMB million

	Note	The Group		The Bank	
	VIII	2011	2010	2011	2010
Cash flows from operating activities:					
Net increase in due to customers and due to banks and other financial institutions		421,688	412,682	424,031	413,414
Net increase in borrowings from central bank		-	326	-	326
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		78,456	68,049	65,665	60,510
Cash receipts from interest, fee and commission		100,808	67,572	98,853	67,323
Other cash receipts relating to operating activities		11,698	3,077	9,661	2,121
Sub-total of cash inflows from operating activities		**612,650**	**551,706**	**598,210**	**543,694**
Net increase in loans and advances to customers		128,808	152,615	128,691	152,615
Net increase in finance leases		16,776	9,878	-	-
Net increase in balances with central bank and due from banks and other financial institutions		78,029	64,013	77,845	64,013
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		319,404	157,194	319,404	157,194
Net decrease in borrowings from central bank		365	-	365	-
Cash payments to interest, fee and commission		49,472	29,526	48,931	29,518
Cash payments to and on behalf of employees		9,029	5,947	8,922	5,940
Cash payments of various types of taxes		10,986	7,377	10,823	7,370
Other cash payments relating to operating activities		7,666	7,505	7,543	7,396
Sub-total of cash outflows from operating activities		**620,535**	**434,055**	**602,524**	**424,046**
Net cash flow from operating activities	47	**(7,885)**	**117,651**	**(4,314)**	**119,648**
Cash flows from investing activities:					
Cash receipts from recovery of investments		639,863	592,283	639,515	592,283
Cash receipts from investment income		10,843	7,831	10,822	7,831
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		32	-	32	-
Other cash receipts relating to investing activities		-	108	-	108
Sub-total of cash inflows from investing activities		**650,738**	**600,222**	**650,369**	**600,222**
Net cash payments to acquire investments		649,598	645,056	648,946	645,056
Cash payments for acquisitions of subsidiaries and other business units		517	264	4,136	2,264
Net cash payments to acquire fixed assets, intangible assets and other long-term assets		2,289	2,320	2,282	2,317
Sub-total of cash outflows from investing activities		**652,404**	**647,640**	**655,364**	**649,637**
Net cash flow from investing activities		**(1,666)**	**(47,418)**	**(4,995)**	**(49,415)**
Cash flows from financing activities:					
Cash receipts from capital contributions		326	17,864	-	17,864
Including: cash receipts from capital contributions from minority owners of subsidiaries		326	-	-	-
Cash receipts from issue of bonds		40,000	3,000	40,000	3,000
Sub-total of cash inflows from financing activities		**40,326**	**20,864**	**40,000**	**20,864**
Cash repayments of borrowings		23,920	7,000	23,920	7,000
Cash payments for distribution of dividends or profits or settlement of interest expenses		5,361	5,191	5,360	5,191
Other cash payments relating to financing activities		81	181	-	181
Sub-total of cash outflows from financing activities		**29,362**	**12,372**	**29,280**	**12,372**
Net cash flow from financing activities		**10,964**	**8,492**	**10,720**	**8,492**
Effect of foreign exchange rate changes on cash and cash equivalents		**(159)**	**(158)**	**(159)**	**(158)**
Net increase in cash and cash equivalents	47	**1,254**	**78,567**	**1,252**	**78,567**
Add: Opening balance of cash and cash equivalents		261,391	182,824	261,391	182,824
Closing balance of cash and cash equivalents	47	**262,645**	**261,391**	**262,643**	**261,391**

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011

Unit: RMB million

		Attributable to owners of the Bank						
	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Minority interests	Total
As at 1 January 2011		5,992	32,624	3,403	9,937	40,039	-	91,995
Changes for the year								
(I) Net profit		-	-	-	-	25,505	92	25,597
(II) Other comprehensive income	46	-	622	-	-	-	(12)	610
(III) (Decrease) increase in acquisition for the year		-	(156)	-	-	-	789	633
Subtotal		**-**	**466**	**-**	**-**	**25,505**	**869**	**26,840**
(IV) Profit distribution		-	-	2,510	3,850	(9,117)	-	(2,757)
1. Transfer to surplus reserve		-	-	2,510	-	(2,510)	-	-
2. Transfer to general and regulatory reserve		-	-	-	3,850	(3,850)	-	-
3. Dividends recognised as distribution		-	-	-	-	(2,757)	-	(2,757)
(V) Transfers within shareholders' equity		4,794	(4,794)	-	-	-	-	-
1. Capitalisation of capital reserve		4,794	(4,794)	-	-	-	-	-
As at 31 December 2011		**10,786**	**28,296**	**5,913**	**13,787**	**56,427**	**869**	**116,078**

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011

Unit: RMB million

		Attributable to owners of the Bank						
	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Minority interests	Total
As at 1 January 2010		5,000	17,239	3,403	8,101	25,854	-	59,597
Changes for the year								
(I) Net profit		-	-	-	-	18,521	-	18,521
(II) Other comprehensive income	46	-	(1,314)	-	-	-	-	(1,314)
Subtotal		**-**	**(1,314)**	**-**	**-**	**18,521**	**-**	**17,207**
(III) Shareholders' contribution in capital		992	16,699	-	-	-	-	17,691
(IV) Profit distribution		-	-	-	1,836	(4,336)	-	(2,500)
1. Transfer to general and regulatory reserve		-	-	-	1,836	(1,836)	-	-
2. Dividends recognised as distribution		-	-	-	-	(2,500)	-	(2,500)
As at 31 December 2010		**5,992**	**32,624**	**3,403**	**9,937**	**40,039**	**-**	**91,995**

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011 Unit: RMB million

	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 1 January 2011		5,992	32,624	3,403	9,937	40,037	91,993
Changes for the year							
(I) Net profit		-	-	-	-	25,102	25,102
(II) Other comprehensive income	46	-	635	-	-	-	635
Subtotal		**-**	**635**	**-**	**-**	**25,102**	**25,737**
(III) Profit distribution		-	-	2,510	3,850	(9,117)	(2,757)
1. Transfer to surplus reserve		-	-	2,510	-	(2,510)	-
2. Transfer to general and regulatory reserve		-	-	-	3,850	(3,850)	-
3. Dividends recognised as distribution		-	-	-	-	(2,757)	(2,757)
(IV) Transfers within shareholders' equity		4,794	(4,794)	-	-	-	-
1. Capitalisation of capital reserve		4,794	(4,794)	-	-	-	-
As at 31 December 2011		**10,786**	**28,465**	**5,913**	**13,787**	**56,022**	**114,973**

	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 1 January 2010		5,000	17,239	3,403	8,101	25,854	59,597
Changes for the year							
(I) Net profit		-	-	-	-	18,519	18,519
(II) Other comprehensive income	46	-	(1,314)	-	-	-	(1,314)
Subtotal		**-**	**(1,314)**	**-**	**-**	**18,519**	**17,205**
(III) Shareholders' contribution in capital		992	16,699	-	-	-	17,691
(IV) Profit distribution		-	-	-	1,836	(4,336)	(2,500)
1. Transfer to general and regulatory reserve		-	-	-	1,836	(1,836)	-
2. Dividends recognised as distribution		-	-	-	-	(2,500)	(2,500)
As at 31 December 2010		**5,992**	**32,624**	**3,403**	**9,937**	**40,037**	**91,993**

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

I. GENERAL INFORMATION

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

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

The principal activities of the Bank and its subsidiaries (hereinafter referred to as "the Group") comprise the provision of banking services, which include deposits taking; provision of short-term, medium-term and long-term loans; domestic and international settlement; bills acceptance and discounting; issuing financial bonds; agency issuing, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issuing quoted securities except equity, trading and agency trading of quoted securities except equity; asset custody business; inter-bank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments, safe-box services, financial consulting, credit investigation, consulting, witness business; financial leasing leasing; trustee services and other banking activities approved by the CBRC.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group has adopted the Accounting Standards for Business Enterprises (the "ASBE") issued by the Ministry of Finance (the "MoF") on 15 February 2006.

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

Basis of accounting and principle of measurement

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

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank's and consolidated financial position as of 31 December 2011, and the Bank's and consolidated results of operations and cash flows for the year then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

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

2. Functional currency

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

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

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

3.1 Business combinations involving enterprises under common control

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

3.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

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

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

4. Preparation of consolidated financial statements

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

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

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

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

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

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

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

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

5. Recognition criteria of cash and cash equivalents

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

6. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies

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

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

7. Financial instruments

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

7.1 Determination of fair value

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

7.2 Effective interest method

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

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

7.3 Classification, recognition and measurement of financial assets

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

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

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

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

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

7.3.2 Held-to-maturity investments

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

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

7.3.3 Loans and receivables

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

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

7.3.4 Available-for-sale financial assets

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

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

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

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

7.4 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

7.4.1 Impairment of financial assets measured at amortised cost

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

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

7.4.2 Impairment of available-for-sale financial assets

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

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

7.4.3 Impairment of financial assets measured at cost

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

7.5 Transfer of financial assets

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

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

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

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

7.6 Classification, recognition and measurement of financial liabilities

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

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

7.6.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

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

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

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

7.6.2 Other financial liabilities

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

7.6.3 Financial guarantee contracts and loan commitments

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

7.7 Derecognition of financial liabilities

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

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

7.8 Derivatives and embedded derivatives

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

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

7.9 Offsetting financial assets and financial liabilities

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

7.10 Equity instruments

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

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

8. Precious metal

Non-trading precious metal is initially measured at cost at acquisition, and subsequently measured at the lower of cost and net realisable value. Trading precious metal is initially measured at fair value at acquisition, and subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

9. Long-term equity investments

9.1 Determination of investment cost

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

9.2 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

9.2.3 Acquisition of minority interests

Prepare consolidated financial statements, the difference between (i) the additional long term equity investment from the acquisition of minority interests and (ii) the share of the subsidiary's net assets cumulatively calculated from the acquisition date according to the additional proportion of ownership interest is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

9.2.4 Disposal of long-term equity investments

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

9.3 Basis for determining joint control and significant influence over investee

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

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

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

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

10. Fixed assets

10.1 Recognition criteria for fixed assets

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

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

10.2 Depreciation of each category of fixed assets

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

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

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

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

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

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

10.4 Other explanations

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

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

11. Construction in progress

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

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

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

12. Intangible assets

12.1 Intangible assets

Intangible assets include land use rights, franchising, etc.

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

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

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

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

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

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

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

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

13. Long-term prepaid expenses

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

14. Assets transferred under repurchase agreements

14.1 Financial assets purchased under resale agreements

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

14.2 Financial assets sold under repurchase agreements

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

15. Provisions

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

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

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

16. Interest income and expense

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

17. Fee and commission income

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

18. Government grants

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

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

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

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

19. Deferred tax assets/ deferred tax liabilities

19.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits which are used to calculate current tax expenses are calculated from adjusted before-tax profits according to related tax laws.

19.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

19.3 Tax expenses

Tax expenses include current and deferred tax expenses or income.

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

19.4 Offsetting income tax

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

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

20. Fiduciary activities

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

21. Lease

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

The Group as lessee under operating leases

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

The Group as lessor under finance leases

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

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

22. Other significant accounting policies and accounting estimates

22.1 Foreclosed asset

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

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

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

22.2 Employee benefits

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

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

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

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

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

1. Impairment losses on loans and advances to customers

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

2. Fair value of financial instruments

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

3. Impairment of available-for-sale financial assets

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

4. Classification of held-to-maturity investments

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

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

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

6. Taxes

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

VI. TAXATION

1. Enterprise income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax is calculated and settled at the tax rate of 25%, except Shenzhen whose tax rate is 24%.

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

2. Business tax

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

3. City maintenance and construction tax

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

4. Education surcharge

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

VII. SUBSIDIARIES AND CONSOLIDATION RANGE

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

Name of entity		Date of establish-ment	Place of establish-ment	Proportion of equity interest (%)	Principal activities	Authorised capital/paid-in capital	Proportion of voting power on the board of directors (%)
Industrial Bank Financial Leasing Co., Ltd.	1	2010	Tianjin	100.00	Financial Leasing	RMB 3,500million	100.00
China Industrial International Trust Limited	2	2003	Fuzhou	73.00	Trust	RMB 1,200million	73.00

1. Industrial Bank Financial Leasing Co., Ltd. is wholly owned and opened in year 2010 by the Bank in accordance with Approval of preparation of financial leasing company of the Industrial Bank Co., Ltd. (YJF [2010] No. 98) and Approval of opening of Industrial Bank Financial Leasing Co., Ltd. (YJF [2010] No. 401) approved by the CBRC.

2. China Industrial International Trust Limited (the "Industrial Trust") is previously called Union Trust Limited. After approval of Fujian branch of the CBRC, State Administration of Industry and Commerce and Fujian Provincial Administration of Industry and Commerce, Industrial Trust renamed as China Industrial International Trust Limited on 8 June, 2011.

Acquisition of Union Trust Limited is a business combination not involving enterprises under common control. Approved by the PBOC with YF [2003] No. 24, Industrial Trust established in Fuzhou, Fujian Province on 30 January, 2003. Industrial Trust obtained business license issued by Fujian Provincial Administration of Industry and Commerce on 18 March, 2003, and started business from 2 June, 2003. The approved business period of Industrial Trust is 50 years, and the registered capital is RMB 360 million. Approved by Fujian Branch of the PBOC with MYJ [2003] No. 26, Industrial Trust increased registered capital to RMB 510 million in December 2003. The main business of Industrial Trust is trusted business.

The Bank has acquired 51.18% shares of the Union Trust Limited from the New Hope Group Co., Ltd., the Sichuan South Hope Industrial Co., Ltd. and the Fujian Huatou Investment Co., Ltd. , (previous known as Fujian Overseas Chinese Investment (Holding) Company) with the price of RMB 852 million in September 2009. The Bank received the Approval of the Changes in Equity and Equity Structure of the Union Trust Limited (YJF [2011] No. 35) from the CBRC on 1 February, 2011. After the completion of the acquisition on 1 February 2011, the Bank held 51.18% shares of Industrial Trust, as a subsidiary of the Bank. Please refer to "Note VIII(48) Consolidation" for the details.

In August 2011, the Bank signed the equity transfer agreement with Yongan assets management Co., Ltd., which agreed that the Bank would acquire 4.9% shares of Industrial Trust with RMB 82 million. The Bank received the Approval of adjustment for equity structure of Industrial Trust (MYJF (2011) No. 418) on 6 September, 2011. After the completion of the acquisition on 12 October, 2011, the Bank held 56.08% shares of Industrial Trust.

On 8 July, 2011, approved at the fifth meeting of the seventh board of directors, the Bank decided to inject capital to Industrial Trust by not more than RMB 2,000 million. This capital contribution was at a premium. Approved by the CBRC, the capital contribution by the Bank was RMB 1,923.4 million, which increased the paid-in capital of Industrial Trust with RMB 590 million. The capital contribution by National Australia Bank Ltd. was RMB 326 million, which increased the paid-in capital with RMB 100 million. The other shareholders of Industrial Trust gave up this capital injection. After the completion of the capital injection, the registered capital of Industrial Trust reached to RMB 1,200 million from RMB 510 million, and the proportion of the equity interest of the Bank increased from 56.08% to 73.00%.

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Cash	4,922	3,568	4,922	3,568
Statutory reserves deposits with central bank	228,094	159,637	227,875	159,637
Surplus reserve deposits with central bank	63,417	125,221	63,417	125,221
Other deposit with central bank	158	215	158	215
Total	**296,591**	**288,641**	**296,372**	**288,641**

(1) The Group places statutory deposit reserves mainly with the PBOC, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred without the PBOC's approval. On 31 December 2011, the ratio of the Bank's RMB deposit reserves is 19% (31 December 2010:16.5%), the ratio of foreign deposit reserves is 5% (31 December 2010:5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing.

(2) Surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

(3) Other deposit mainly presents the fiscal deposits placed with the PBOC. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Due from banks and other financial institutions

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Banks in mainland China	66,595	36,793	66,594	36,793
Other financial institutions in mainland China	1,592	1,356	1,591	1,356
Banks outside mainland China	1,259	1,739	1,259	1,739
Subtotal	**69,446**	**39,888**	**69,444**	**39,888**
Less: Provisions for impairment	(21)	(21)	(21)	(21)
Net Value	**69,425**	**39,867**	**69,423**	**39,867**

3. Placements with banks and other financial institutions

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Banks in mainland China	201,467	3,221
Other financial institutions in mainland China	27,511	17,730
Banks outside mainland China	-	265
Subtotal	**228,978**	**21,216**
Less: Provisions for impairment	(79)	(117)
Net Value	**228,899**	**21,099**

4. Held-for-trading financial assets

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Government bonds	597	443
The central bank bills and financial bonds	1,872	1,851
Corporate bonds	5,632	3,243
Total	**8,101**	**5,537**

5. Derivative financial instruments

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

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

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

Unit: RMB Million

	The Group and the Bank					
	12/31/2011			12/31/2010		
		Fair Value			Fair Value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	389,637	2,193	2,131	277,048	1,277	1,183
Exchange rate derivatives	129,742	667	665	153,637	1,020	1,117
Precious metal derivatives	9,170	43	205	8,433	-	14
Credit derivatives	798	4	12	1,447	4	3
Total		**2,907**	**3,013**		**2,301**	**2,317**

6. Financial assets held under resale agreements

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Bonds	25,610	11,206
Bills	192,664	287,174
Beneficial rights of trust	283,120	1,450
Credit assets	25,270	74,175
Lease receivables	315	-
Total	**526,979**	**374,005**

7. Interest receivable

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Due from central bank and financial institutions	632	186	632	186
Placements with banks and other financial institutions	2,790	40	2,790	40
Bonds	2,411	2,254	2,404	2,254
Financial assets held under resale agreements	4,464	2,415	4,464	2,415
Loans and advances to customers	2,374	1,627	2,374	1,627
wealth management products and beneficial rights of trust	175	110	175	110
Others	78	23	2	17
Total	**12,924**	**6,655**	**12,841**	**6,649**

8. Loans and advances to customers

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

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Personal loans and advances				
Residential and business mortgage loans	174,980	178,267	174,980	178,267
Credit cards	20,002	11,330	20,002	11,330
Others	65,659	35,410	65,659	35,410
Subtotal	**260,641**	**225,007**	**260,641**	**225,007**
Corporate loans and advances				
Loans and advances	703,948	619,604	703,748	619,604
Discounted bills	18,665	9,728	18,665	9,728
Subtotal	**722,613**	**629,332**	**722,413**	**629,332**
Gross loans and advances	**983,254**	**854,339**	**983,054**	**854,339**
Less: Loan loss provisions	(14,314)	(11,771)	(14,314)	(11,771)
-Individually assessed	(1,868)	(2,039)	(1,868)	(2,039)
-Collectively assessed	(12,446)	(9,732)	(12,446)	(9,732)
Loans and advances to customers	**968,940**	**842,568**	**968,740**	**842,568**

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

Unit: RMB Million

	The Group				The Bank			
	12/31/2011		12/31/2010		12/31/2011		12/31/2010	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Manufacturing	175,078	17.82	132,235	15.48	175,078	17.82	132,235	15.48
Water, environment and public facilities administration	78,159	7.95	93,274	10.92	78,159	7.95	93,274	10.92
Real estate	91,454	9.30	84,835	9.93	91,454	9.30	84,835	9.93
Leasing and commercial services	79,648	8.10	74,098	8.67	79,648	8.10	74,098	8.67
Retail and wholesale	88,127	8.97	59,281	6.94	88,127	8.97	59,281	6.94
Transport, logistics and postal service	54,067	5.50	51,994	6.09	54,067	5.50	51,994	6.09
Construction	38,379	3.90	32,289	3.78	38,379	3.90	32,289	3.78
Production and supply of power, gas and water	33,551	3.41	29,044	3.40	33,551	3.41	29,044	3.40
Mining	29,933	3.03	22,913	2.68	29,733	3.03	22,913	2.68
Public administration and social organization activities	7,945	0.81	15,752	1.84	7,945	0.81	15,752	1.84
Other corporate industries	27,607	2.80	23,889	2.79	27,607	2.80	23,889	2.79
Bill discounted	18,665	1.90	9,728	1.14	18,665	1.90	9,728	1.14
Personal loans	260,641	26.51	225,007	26.34	260,641	26.51	225,007	26.34
Gross loans and advances	**983,254**	**100.00**	**854,339**	**100.00**	**983,054**	**100.00**	**854,339**	**100.00**
Less: Loan loss provisions	(14,314)		(11,771)		(14,314)		(11,771)	
-Individually assessed	(1,868)		(2,039)		(1,868)		(2,039)	
-Collectively assessed	(12,446)		(9,732)		(12,446)		(9,732)	
Loans and advances to customers	**968,940**		**842,568**		**968,740**		**842,568**	

(2) Analysis of loans and advances to customers by geographical area:

Unit: RMB Million

	The Group				The Bank			
	12/31/2011		12/31/2010		12/31/2011		12/31/2010	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Head office	24,968	2.54	11,547	1.35	24,968	2.54	11,547	1.35
Fujian	153,431	15.60	132,336	15.49	153,231	15.59	132,336	15.49
Beijing	61,686	6.27	56,101	6.57	61,686	6.27	56,101	6.57
Shanghai	71,114	7.23	62,948	7.37	71,114	7.23	62,948	7.37
Guangdong	99,547	10.12	90,264	10.57	99,547	10.13	90,264	10.57
Zhejiang	84,014	8.55	77,180	9.03	84,014	8.55	77,180	9.03
Jiangsu	54,646	5.56	47,731	5.59	54,646	5.56	47,731	5.59
Others (Note 1)	433,848	44.13	376,232	44.03	433,848	44.13	376,232	44.03
Gross loans and advances	**983,254**	**100.00**	**854,339**	**100.00**	**983,054**	**100.00**	**854,339**	**100.00**
Less: Loan loss provisions	(14,314)		(11,771)		(14,314)		(11,771)	
-Individually assessed	(1,868)		(2,039)		(1,868)		(2,039)	
-Collectively assessed	(12,446)		(9,732)		(12,446)		(9,732)	
Loans and advances to customers	**968,940**		**842,568**		**968,740**		**842,568**	

Note 1: As at 31 December 2011, the Bank has 37 tier-1 branches, apart from the tier-1 branches mentioned above, the rest are concluded in “Others”.

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

Unit: RMB Million

	The Group							
	12/31/2011				12/31/2010			
	Within 1 year (including 1 year)	1 year to 5 years (including 5 years)	Over 5 years	Total	Within 1 year (including 1 year)	1 year to 5 years (including 5 years)	Over 5 years	Total
Unsecured loans	119,623	58,836	28,781	207,240	84,655	90,710	23,756	199,121
Guaranteed loans	165,287	45,763	13,791	224,841	121,808	55,403	15,902	193,113
Collateralised loans	203,267	107,231	222,010	532,508	140,232	97,245	214,900	452,377
-Secured by mortgage	163,734	95,725	214,000	473,459	119,195	84,728	207,353	411,276
-Secured by collaterals	39,533	11,506	8,010	59,049	21,037	12,517	7,547	41,101
Discounted bills	18,665	-	-	18,665	9,728	-	-	9,728
Gross loans and advances	**506,842**	**211,830**	**264,582**	**983,254**	**356,423**	**243,358**	**254,558**	**854,339**
Less: Loan loss provisions	(8,348)	(2,741)	(3,225)	(14,314)	(6,212)	(2,790)	(2,769)	(11,771)
-Individually assessed				(1,868)				(2,039)
-Collectively assessed				(12,446)				(9,732)
Loans and advances to customers	**498,494**	**209,089**	**261,357**	**968,940**	**350,211**	**240,568**	**251,789**	**842,568**

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

Unit: RMB Million

	The Bank							
	12/31/2011				12/31/2010			
	Within 1 year (including 1 year)	1 year to 5 years (including 5 years)	Over 5 years	Total	Within 1 year (including 1 year)	1 year to 5 years (including 5 years)	Over 5 years	Total
Unsecured loans	119,423	58,836	28,781	207,040	84,655	90,710	23,756	199,121
Guaranteed loans	165,287	45,763	13,791	224,841	121,808	55,403	15,902	193,113
Collateralised loans	203,267	107,231	222,010	532,508	140,232	97,245	214,900	452,377
-Secured by mortgage	163,734	95,725	214,000	473,459	119,195	84,728	207,353	411,276
-Secured by collaterals	39,533	11,506	8,010	59,049	21,037	12,517	7,547	41,101
Discounted bills	18,665	-	-	18,665	9,728	-	-	9,728
Gross loans and advances	**506,642**	**211,830**	**264,582**	**983,054**	**356,423**	**243,358**	**254,558**	**854,339**
Less: Loan loss provisions	(8,348)	(2,741)	(3,225)	(14,314)	(6,212)	(2,790)	(2,769)	(11,771)
-Individually assessed				(1,868)				(2,039)
-Collectively assessed				(12,446)				(9,732)
Loans and advances to customers	**498,294**	**209,089**	**261,357**	**968,740**	**350,211**	**240,568**	**251,789**	**842,568**

(5) Past due loans

Unit: RMB Million

	The Group and the Bank									
	12/31/2011					12/31/2010				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	501	110	49	48	708	150	40	106	57	353
Guaranteed loans	254	463	719	622	2,058	220	238	657	425	1,540
Collateralised loans	1,889	503	425	646	3,463	1,977	320	943	471	3,711
-Secured by mortgage	1,776	469	402	471	3,118	1,971	308	767	388	3,434
-Secured by collaterals	113	34	23	175	345	6	12	176	83	277
Total	**2,644**	**1,076**	**1,193**	**1,316**	**6,229**	**2,347**	**598**	**1,706**	**953**	**5,604**

Note: If either a loan's principal or interest was past due by 1 day in any period, the whole loan is classified as past due loan.

(6) Loan loss provisions

Unit: RMB Million

	The Group and the Bank					
	2011			2010		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	2,039	9,732	11,771	1,776	7,859	9,635
Credit/(charge) for the year	(135)	2,760	2,625	348	1,873	2,221
Write-offs	(33)	(58)	(91)	(71)	-	(71)
Transfer in/out	(3)	12	9	(14)	-	(14)
-Recoveries of loans and advances written off in previous years	101	23	124	107	-	107
-Unwinding of discount on allowance	(104)	(11)	(115)	(130)	-	(130)
-Transfer in due to other reasons	-	-	-	9	-	9
Closing balance	**1,868**	**12,446**	**14,314**	**2,039**	**9,732**	**11,771**

9. Available-for-sale financial assets

Listed by types:

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Bond investment:				
Government bonds	35,821	37,809	35,821	37,809
The central bank bills and financial bonds	56,335	63,448	56,335	63,448
Bonds issued by banks and other financial institutions	4,892	5,074	4,892	5,074
Corporate bonds	36,410	33,861	36,163	33,861
Subtotal	**133,458**	**140,192**	**133,211**	**140,192**
Wealth management products (Note 1)	80	7,010	-	7,010
Trust fund plans (Note 2)	13,886	-	13,781	-
Equity instrument	81	30	14	30
Total	**147,505**	**147,232**	**147,006**	**147,232**

Note 1: Wealth management products are the products issued by other financial institutions which are designated as available-for-sale financial assets when initially invested by the Group, which gradually reach the maturity this year.

Note 2: Trust fund plans are the beneficial rights of trust which are designated as available-for-sale financial assets when initially invested by the Group. These products' investment directions are mainly the trust loans run by the trust companies as entrusted fund administrators. According to the requirements of liquidity management, these beneficial rights of trust will be probably on sale.

10. Held-to-maturity investments

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Government bonds	16,499	27,741
The central bank bills and financial bonds	2,737	3,038
Bonds issued by banks and other financial institutions	19	86
Corporate bonds	13,635	3,557
Total	**32,890**	**34,422**
Less: Provisions	(126)	(132)
Net Value	**32,764**	**34,290**

11. Debt securities classified as receivables

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Government bonds	976	-	976	-
Bonds issued by banks				
and other financial institutions	6,472	5,947	6,472	5,947
Corporate bonds	2,808	1,728	2,808	1,728
Wealth management products (Note 1)	2,400	18,741	2,400	18,741
Trust fund plans (Note 2)	57,624	34,928	57,511	34,928
Total	**70,280**	**61,344**	**70,167**	**61,344**
Less:Provisions	(75)	(23)	(75)	(23)
Net Value	**70,205**	**61,321**	**70,092**	**61,321**

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

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

12. Finance lease receivables

The Group

Analysis by nature:

Unit: RMB Million

	12/31/2011	12/31/2010
Financel lease receivables	25,867	10,763
Less: unrealized financing income	(4,071)	(1,971)
Total	**21,796**	**8,792**
Less: Provision for finance lease	(311)	(99)
-Collectively assessed	(311)	(99)
Net Value	**21,485**	**8,693**

List as follows:

Unit: RMB Million

	12/31/2011	12/31/2010
1st year subsequant to the balance sheet date	6,502	1,675
2nd year subsequant to the balance sheet date	6,923	2,359
3rd year subsequant to the balance sheet date	5,194	2,375
Subsequant periods	7,248	4,354
Total	**25,867**	**10,763**
Unrealized financing income	(4,071)	(1,971)
Total	**21,796**	**8,792**
Less: Provision for finance lease	(311)	(99)
-Collectively assessed	(311)	(99)
Net Value	**21,485**	**8,693**
-Finance lease receivables due less than 1 year	4,835	1,353
-Finance lease receivables due more than 1 year	16,650	7,340

13. Long term equity investments

Breakdown of long term equity investments:

Unit: RMB Million

Investee	The Group									
	Accounting method	Initial investment RMB Million	12/31/2010 RMB Million	Additions RMB Million	12/31/2011 RMB Million	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explaination on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions RMB Million	Cash dividends for this year RMB Million
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	690	183	873	14.72	14.72	Not Applicable	-	14
China Unionpay Co., Ltd.	Cost method	81	81	-	81	2.13	2.13	Not Applicable	-	2
GF HUAFU SECURITIES CO., LTD. (2)	Cost method	180	-	180	180	4.35	4.35	Not Applicable	-	-
Zijin Mining Group Finance Limited (2)	Cost method	25	-	25	25	5.00	5.00	Not Applicable	-	1
Total			**771**	**388**	**1,159**				**-**	**17**

Investee	The Bank									
	Accounting method	Initial investment RMB Million	12/31/2010 RMB Million	Additions RMB Million	12/31/2011 RMB Million	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explaination on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions RMB Million	Cash dividends for this year RMB Million
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	690	183	873	14.72	14.72	Not Applicable	-	14
China Unionpay Co., Ltd	Cost method	81	81	-	81	2.13	2.13	Not Applicable	-	2
Industrial Bank Financial Leasing Co., Ltd. (Note 7)	Cost method	2,000	2,000	1,500	3,500	100.00	100.00	Not Applicable	-	-
China Industrial International Trust Limited (Note 7)	Cost method	852	-	2,857	2,857	73.00	73.00	Not Applicable	-	-
Total			**2,771**	**4,540**	**7,311**				**-**	**16**

(1) In accordance with the YJF [2008] No.449, approved by the CBRC on 4 November, 2008, the Bank has acquired 102.2 million shares of Bank of Jiujiang Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB2.9 yuan per share. As the result, the Bank holds 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. In 2009, Bank of Jiujiang increases 4 shares for every 10 shares to all recorded shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Bank currently holds 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increases its registered capital 400.66 million, offered privately and subscribed in cash for the price of RMB3.3 yuan per share. The Bank has acquired 80.12 million shares. After the acquisition, the Bank holds 223.20 million shares and the proportion of equity interest remains 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. On 14 December 2011, Bank of Jiujiang increased its registered capital by RMB400 million, the Bank didn't subscribe, the proportion of equity interest of the Bank was diluted to 14.72% after the increase of share capital. The equity invesment is accounted for using the equity method, as the Bank sent a director to the Bank of Jiujiang and has significant influnce over the Bank of Jiujiang.

(2) GF HUAFU SECURITIES CO., LTD.and Zijin Mining Group Finance Limited is the investees of Industrial Trust Company's long-term investments.

(3) There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December 2011.

14. Fixed Asset

Unit: RMB Million

	The Group				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2011	3,367	271	2,568	245	6,451
Increased by a subsidiary acquisition	16	-	5	5	26
Purchase	32	3	691	74	800
Transfers from constructions in progress	1,139	75	14	-	1,228
Sales/disposals	(6)	(3)	(190)	(34)	(233)
12/31/2011	4,548	346	3,088	290	8,272
Accumulated depreciation					
1/1/2011	1,013	136	1,353	99	2,601
Depreciation for the year	139	32	439	32	642
Eliminated on sales/disposals	(1)	(3)	(180)	(30)	(214)
12/31/2011	1,151	165	1,612	101	3,029
Net value					
1/1/2011	2,354	135	1,215	146	3,850
12/31/2011	3,397	181	1,476	189	5,243
Provision for impairment					
1/1/2011	(3)	-	-	-	(3)
Recognised in profi t or loss	-	-	-	-	-
Eliminated on sales/disposals	-	-	-	-	-
12/31/2011	(3)	-	-	-	(3)
Net carrying amount					
1/1/2011	2,351	135	1,215	146	**3,847**
12/31/2011	**3,394**	**181**	**1,476**	**189**	**5,240**

All the buildings of the Group are located in the PRC. Buildings cost RMB 792 million are in use but the legal ownership registration were still in process as at 31 December, 2011(31 December 2010: RMB 103 million).

14. Fixed Asset

Unit: RMB Million

	The Bank				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2011	3,367	271	2,567	243	6,448
Increased by a subsidiary aqusition	32	3	688	73	796
Purchase					
Transfers from constructions in progress	1,139	75	14	-	1,228
Sales/disposals	(6)	(3)	(190)	(34)	(233)
12/31/2011	4,532	346	3,079	282	8,239
Accumulated depreciation					
1/1/2011	1,013	136	1,352	99	2,600
Depreciation for the year	138	32	437	31	638
Eliminated on sales/disposals	(1)	(3)	(180)	(30)	(214)
12/31/2011	1,150	165	1,609	100	3,024
Net value					
1/1/2011	2,354	135	1,215	144	3,848
12/31/2011	3,382	181	1,470	182	5,215
Provision for impairment					
1/1/2011	(3)	-	-	-	(3)
Recognised in profi t or loss	-	-	-	-	-
Eliminated on sales/disposals	-	-	-	-	-
12/31/2011	(3)	-	-	-	(3)
Net carrying amount					
1/1/2011	2,351	135	1,215	144	3,845
12/31/2011	**3,379**	**181**	**1,470**	**182**	**5,212**

All the buildings of the Bank are located in the PRC. Buildings cost RMB 792 million are in use but the legal ownership registration were still in process as at 31 December 2011(31 December 2010: RMB 103 million).

15. Construction in progress

The Group and the Bank

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

Unit: RMB Million

	12/31/2011			12/31/2010		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
CIB building, Beijing	1,098	-	1,098	828	-	828
Branch building, Nanjing	513	-	513	463	-	463
CIB building, Chengdu	322	-	322	294	-	294
CIB building, Guangzhou	142	-	142	332	-	332
Office building of Zhengzhou branch	138	-	138	131	-	131
Office building of Taizhou branch	89	-	89	89	-	89
Retail sale center of Wuxi branch	57	-	57	-	-	-
Office building of Luzhou branch	53	-	53	-	-	-
Zhangjiang operation centre, Shanghai	11	-	11	469	-	469
Office building of Jinan branch	10	-	10	125	-	125
Others	231	-	231	349	-	349
Total	**2,664**	**-**	**2,664**	**3,080**	**-**	**3,080**

(2) Changes in significant construction in progress:

Unit: RMB Million

	2011				
	1/1/2011	Increase	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2011
CIB building, Beijing	828	270	-	-	1,098
Branch building, Nanjing	463	50	-	-	513
CIB building, Chengdu	294	29	1	-	322
CIB building, Guangzhou	332	219	409	-	142
Office building of Zhengzhou branch	131	7	-	-	138
Office building of Taizhou branch	89	-	-	-	89
Retail sale center of Wuxi branch	-	57	-	-	57
Office building of Luzhou branch	-	53	-	-	53
Zhangjiang operation centre, Shanghai	469	46	504	-	11
Office building of Jinan branch	125	14	129	-	10
Others	349	355	185	288	231
Total	**3,080**	**1,100**	**1,228**	**288**	**2,664**

16. Goodwill

Unit: RMB Million

Investee	The Group				
	12/31/2010	Increase	Decrease	12/31/2011	12/31/2011 Provision
China Industrial International Trust Limited	-	446	-	446	-

In Feburary 2011, the Group accomplished the acquisition of Union Trust Limited (renamed as China Industrial International Trust Limited in June 2011) at a cost of RMB852 million in accordance with 51.18% of the equity. On the acquisition date, the fair value of Industrial Trust's identifiable net assets were RMB794 million. The difference between the cost of combination and the Bank's interest in the fair value of Industrial Trust's identifiable net assets is treated as an asset and recognised as goodwill, which is measured at cost of RMB446 million on initial recognition.

At the end of this year, the Group takes impairment test on goodwill, by Industrial Trust's future profit forecast and equity market price of the related financial institutions, and doesn't identify any indication of impairment.

17. Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities before offset

Unit: RMB Million

	The Group				The Bank			
	12/31/2011		12/31/2010		12/31/2011		12/31/2010	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax asset								
Impairment losses on assets	2,892	723	3,945	986	2,763	691	3,945	986
Fair value changes of derivative financial instruments	106	26	16	4	106	26	16	4
Fair value changes of held-for-trading financial instruments	67	16	26	7	67	16	26	7
Fair value changes of available-for-sale financial assets	1,332	333	2,174	544	1,327	332	2,174	544
Accrued but not paid staff cost	4,604	1,151	3,099	775	4,524	1,131	3,097	774
Fair value changes of precious metals	132	33	-	-	132	33	-	-
Others	323	81	305	76	323	81	305	76
Subtotal	**9,456**	**2,363**	**9,565**	**2,392**	**9,242**	**2,310**	**9,563**	**2,391**
Deferred tax liabilities								
Fair value changes of precious metals	-	-	(6)	(2)	-	-	(6)	(2)
Subtotal	**-**	**-**	**(6)**	**(2)**	**-**	**-**	**(6)**	**(2)**

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

Unit: RMB Million

	The Group	The Bank
	2011	2011
Opening balance of net value	2,390	2,389
-Deferred tax assets	2,392	2,391
-Deferred tax liabilities	(2)	(2)
Increased by a subsidiary acquisition	(2)	-
Net changes of deferred tax recognised in income tax expenses	181	133
Net changes of deferred tax recognised in other comprehensive benefit	(206)	(212)
Closing balance of net value	**2,363**	**2,310**
-Deferred tax assets	2,363	2,310
-Deferred tax liabilities	-	-

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

18. Other assets

Unit: RMB Million

		The Group		The Bank	
		12/31/2011	12/31/2010	12/31/2011	12/31/2010
Other receivables	(1)	1,793	1,400	1,667	1,399
Prepaid purchase cost of finance lease assets		4,874	1,147	-	-
Foreclosed assets	(2)	460	548	460	548
Items in the process of clearance and settlement		200	1,512	200	1,512
Long term deferred assets	(3)	1,046	884	1,036	884
Continuous involved assets		27	881	27	881
Total		**8,400**	**6,372**	**3,390**	**5,224**

(1) Other receivables

Listed by account age:

Unit: RMB Million

Account age	The Group				The Bank			
	12/31/2011		12/31/2010		12/31/2011		12/31/2010	
	Amount RMB Million	Proportion (%)	Amount RMB Million	Proportion (%)	Amount RMB Million	Proportion (%)	Amount RMB Million	Proportion (%)
Within 1 year	1,668	87.79	595	38.99	1,550	87.37	594	38.95
1-2years	122	6.42	842	55.18	114	6.43	842	55.21
2-3years	26	1.37	44	2.88	26	1.47	44	2.89
Over 3 years	84	4.42	45	2.95	84	4.73	45	2.95
Total	**1,900**	**100.00**	**1,526**	**100.00**	**1,774**	**100.00**	**1,525**	**100.00**
Less: Provision for bad debts	(107)		(126)		(107)		(126)	
Net Value	**1,793**		**1,400**		**1,667**		**1,399**	

(2) Foreclosed assets

Analyzed by nature of the foreclosed assets:

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Buildings	539	618
Land use rights	31	42
Others	1	5
Subtotal	**571**	**665**
Less: Provision for losses	(111)	(117)
Net Value	**460**	**548**

(3) Long term deferred assets

Unit: RMB Million

	The Group			
	12/31/2010	Increase	Amortization	12/31/2011
Leasehold improvements	831	459	292	998
Others	53	15	20	48
Total	**884**	**474**	**312**	**1,046**

Unit: RMB Million

	The Bank			
	12/31/2010	Increase	Amortization	12/31/2011
Leasehold improvements	831	447	290	988
Other	53	15	20	48
Total	**884**	**462**	**310**	**1,036**

19. Provision for impairment losses of assets

Unit: RMB Million

	2011					
	The Group					
	1/1/2011	Charge/ (credit)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2011
Loss provision for due from banks and other financial institutions	21	-	-	-	-	21
Loss provision for placement with banks and other financial institutions	117	(38)	-	-	-	79
Loss provision for loans and advances to customers	11,771	2,625	9	(91)	-	14,314
Loss provision for held-to-maturity investments	132	-	-	-	(6)	126
Loss provision for debt securities classified as receivables	23	52	-	-	-	75
Loss provision for finance lease receivables	99	212	-	-	-	311
Loss provision for fixed assets	3	-	-	-	-	3
Loss provision for foreclosed assets	117	-	(5)	(1)	-	111
Loss provision for other assets	126	65	-	-	-	191
Total	**12,409**	**2,916**	**4**	**(92)**	**(6)**	**15,231**

Unit: RMB Million

	2011					
	The Bank					
	1/1/2011	Charge/ (credit)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2011
Loss provision for due from banks and other financial institutions	21	-	-	-	-	21
Loss provision for placement with banks and other financial institutions	117	(38)	-	-	-	79
Loss provision for loans and advances to customers	11,771	2,625	9	(91)	-	14,314
Loss provision for held-to-maturity investments	132	-	-	-	(6)	126
Loss provision for debt securities classified as receivables	23	52	-	-	-	75
Loss provision for fixed assets	3	-	-	-	-	3
Loss provision for foreclosed assets	117	-	(5)	(1)	-	111
Loss provision for other assets	126	(19)	-	-	-	107
Total	**12,310**	**2,620**	**4**	**(92)**	**(6)**	**14,836**

20. Due to banks and other financial institutions

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Analyzed by counterparty:				
Domestic banks	376,048	215,440	376,048	215,440
Domestic other financial institutions	250,783	202,215	253,857	202,946
Total	**626,831**	**417,655**	**629,905**	**418,386**

21. Placements from banks and other financial institutions

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Domestic banks	51,863	25,877	31,533	18,338
Domestic other financial institutions	700	-	700	-
Overseas banks	189	260	189	260
Total	**52,752**	**26,137**	**32,422**	**18,598**

22. Held-for-trading financial liabilities

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Sale of bonds outright repo	10	-

23.Financial assets sold under repurchase agreements

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Bonds	43,410	20,927
Bills	95,444	68,658
Others	2,572	-
Total	**141,426**	**89,585**

24. Due to customers

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Demand deposits		
Corporate	487,695	471,562
Personal	111,157	81,210
Subtotal	**598,852**	**552,772**
Term deposits (including call deposits)		
Corporate	457,665	390,551
Personal	113,573	104,616
Subtotal	**571,238**	**495,167**
Guaranteed and margin deposits	172,724	83,516
Others	2,465	1,312
Total	**1,345,279**	**1,132,767**

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

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Bank acceptances	105,570	62,309
Reimbursement refinance	24,687	-
Letters of credit	13,052	3,444
Guarantee	1,729	1,341
Others	27,686	16,422
Total	**172,724**	**83,516**

25. Employee benefits payable

Unit: RMB Million

	The Group					The Bank			
	12/31 /2010	Increase from a subsidiary aquisition	Incre- ase	Decre- ase	12/31 /2011	12/31 /2010	Incre- ase	Decre- ase	12/31 /2011
Salaries and bonus	4,179	15	8,459	(7,051)	5,602	4,169	8,306	(6,970)	5,505
Labour union expenditure and staff educational funds	301	1	365	(260)	407	301	361	(256)	406
Social insurance	65	1	1,326	(1,316)	76	64	1,299	(1,294)	69
Supplmentary pension funds	-	-	402	(402)	-	-	402	(402)	-
Total	**4,545**	**17**	**10,552**	**(9,029)**	**6,085**	**4,534**	**10,368**	**(8,922)**	**5,980**

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

26. Tax payable

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Income tax	3,521	2,447	3,391	2,446
Business tax	1,249	844	1,226	839
City maintenance and construction tax	89	57	87	56
Others	207	138	200	138
Total	**5,066**	**3,486**	**4,904**	**3,479**

27. Interest payable

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Interest of due to banks and other financial institutions	3,193	1,414	3,193	1,414
Interest of placement from banks and other financial institutions	278	43	57	26
Interest of debt securities issued	1,054	1,002	1,054	1,002
Interest of financial assets sold under repurchase agreements	929	449	929	449
Interest of due to customers	9,349	5,680	9,349	5,680
Others	-	3	-	4
Total	**14,803**	**8,591**	**14,582**	**8,575**

28. Debt securities issued

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Long term subordinated bonds	22,941	12,960
Financial bonds	54,072	47,975
Hybrid capital bonds	4,000	4,000
Total	**81,013**	**64,935**

Debt securities issued by the Group include long-term subordinated bonds, financial bonds, hybrid capital bonds. The hybrid capital bonds are issued to meet the requirement of hybrid capital instrument (debt, equity) according to The Basel Capital Accord, whose liquidation sequence is behind subordinated debts.

Detailed information for debt securities issued as follows:

Unit: RMB Million

Type	Issuing Date	Maturity	Interest payable fruequency	12/31/2011	12/31/2010
Long-term subordinate bonds					
09 CIB 01(1)	2009-09-09	10 years	Yearly	2,005	2,005
09 CIB 02(2)	2009-09-09	15 years	Yearly	7,995	7,995
10 CIB 01(3)	2010-03-29	15 years	Yearly	3,000	3,000
11 CIB 01(4)	2011-06-28	15 years	Yearly	10,000	-
Less: unamortized issuance cost				(59)	(40)
Subtotal				**22,941**	**12,960**
Financial bonds					
06 CIB 01	2006-03-31	5 years	Yearly	-	5,000
06 CIB 03	2006-12-15	5 years	Yearly	-	8,000
06 CIB 03(5)	2006-12-15	10 years	Yearly	8,000	8,000
07 CIB 02 fixed(6)	2007-03-27	5 years	Yearly	7,000	7,000
07 CIB 03 floating(7)	2007-03-27	5 years	Yearly	5,000	5,000
08 CIB 01 fixed	2008-08-07	3 years	Yearly	-	5,655
08 CIB 02 floating	2008-08-07	3 years	Yearly	-	5,265
08 CIB 03 floating(8)	2008-08-07	5 years	Yearly	4,080	4,080
11 CIB 01(9)	2011-12-28	5 years	Yearly	30,000	-
Less: unamortized issuance cost				(8)	(25)
Subtotal				**54,072**	**47,975**
Hybrid capital bonds					
06 CIB 02 fixed(10)	2006-09-28	15years	Yearly	3,000	3,000
06 CIB 02 floating(11)	2006-09-28	15years	Yearly	1,000	1,000
Subtotal				**4,000**	**4,000**
Total				**81,013**	**64,935**

(1) In September 2009, the Group issued RMB2,005 million subordinated bond with a 10-year maturity, a fixed interest rate and a redemption option in the end of the fifth year. The annual coupon rate in first five interet-bearing years is 4.30%, and the rate in late five years is 7.30% if the issuer does not exercise the option of redemption.

(2) In September 2009, the Group issued RMB7,995 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption option in the end of the tenth year. The annual coupon rate in first ten interet-bearing years is 5.17%, and the rate in late five years is 8.17% if the issuer does not exercise the option of redemption.

(3) In March 2010, the Group issued RMB3,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate in first ten interet-bearing years is 4.80%, and the rate in late five years is 7.80% if the issuer does not exercise the option of redemption.

(4) In June 2011, the Group issued RMB10,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate is 5.75% consistently.

(5) In December 2006, the Group issued RMB8,000 million financial bond with a 10-year maturity and a fixed interest rate. The annual coupon rate is 3.75%.

(6) In March 2007, the Group issued RMB7,000 million financial bond with a 5-year maturity and a fixed interest rate. The annual coupon rate is 3.78%.

(7) In March 2007, the Group issued RMB5,000 million financial bond with a 5-year maturity and a floating interest rate. The benchmark interest rate refers to the interest rate for fixed amount and period deposit with a term of one year stipulated by the PBOC, which is applicable on the inaugural date and the value date of other interest years. The basic margin is 0.65%.

(8) In August 2008, the Group issued RMB4,080 million financial bond with a 5-year maturity and a floating interest rate. The benchmark interest rate refers to the interest rate for fixed amount and period deposit with a term of one year stipulated by the PBOC, which is applicable on the issuance date and the repricing date. The basic margin is 1.25%.

(9) On 28 December 2011, the Group issued RMB30,000 million special financial bond for small enterprises with a 5-year maturity and a fixed interest rate. The annual coupon rate is 4.20%.

(10) In September 2006, the Group issued RMB3,000 million hybrid capital bond with a 15-year maturity and a fixed interest rate. The Bank has an option to redeem all of the bonds at face value from the eleventh year to maturity day. The annual coupon rate of the first ten years is 4.94%. If the Bank does not exercise this option, the annual coupon rate of the bonds will be 7.74% for the next five years.

(11) In September 2006, the Group issued RMB1,000 million hybrid capital bond with a 15-year maturity and a floating interest rate. The Bank has an option to redeem all of the bonds at face value from the eleventh year to maturity day. Annual interest rate is the summation of the benchmark interest rate and the basic margin; The benchmark interest rate refers to the interest rate for fixed amount and period deposit with a term of one year stipulated by the PBOC, which is applicable on the issuance date and repricing date. The basic margin of the first ten years (the original basic margin) is 1.82%. If the Bank does not exercise this option, the basic margin will be the original basic margin plus 1% during the period from the 11th year to the maturity of the bond.

29. Other liabilites

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Bank promissory notes	164	152	164	152
Items in the process of clearance and settlement	846	1,823	846	1,823
Dividend payables	4	4	4	4
Continuous involved liabilities	27	881	27	881
Rental deposit	2,352	785	-	-
Wealth management fund	8,495	1,751	8,495	1,751
Other payables	4,554	1,899	3,766	1,678
Total	**16,442**	**7,295**	**13,302**	**6,289**

30. Share capital

Unit: RMB Million

	The Bank		
	1/1/2011	Change for the year Capitalisation of reserve	12/31/2011
Shares without limit sales restrictions			
RMB ordinary shares (A shares)	5,992	4,794	10,786
Total shares	**5,992**	**4,794**	**10,786**

In January 2007, the Bank issued 1,001 million A shares with par value of RMB1 Yuan per share each at offer price of RMB15.98 Yuan. The share capital increased to RMB5,000 million after issuances.

In June 2010, the Bank implemented a share allotment program of 992 million shares with price of RMB 18 Yuan per share. The share capital increased to RMB5,992 million after allotment. The new shares started trading on the Shanghai Stock Exchange on 8 June, 2010.

In May 2011, based on 5,992 million total shares, the Bank capitalized capital reserves with a ratio of 8 shares for every 10 shares based on the total share capital at the end of 2010 for the registered shareholders on the date of record, increasing share capital of 4,794 million shares. The exercise date of capitalization is 5 May, 2011. The share capital after the capitalisation is RMB10,786 million, increasing the share capital of RMB4,794 million. Fujian Huaxing Certified Public Accountants Co., Ltd. verified the new share capital and issued a capital verification report with number of Minhuaxingsuo (2011)Yanzi G-001.

As at 31 December 2011, the share capital of the Bank is RMB10,786 million (31 December 2010: RMB5,992 million) with par value of RMB1 Yuan per share.

31. Capital reserve

Unit: RMB Million

	The Group				The Bank			
	1/1/2011	In-crease	Decrease (Note)	12/31/2011	1/1/2011	In-crease	De-crease	12/31/2011
Equity premium	34,225	-	(4,950)	29,275	34,225	-	(4,794)	29,431
Changes in fair value of available-for-sale financial assets, after tax	(1,630)	622	-	(1,008)	(1,630)	635	-	(995)
Others	29	-	-	29	29	-	-	29
Total	**32,624**	**622**	**(4,950)**	**28,296**	**32,624**	**635**	**(4,794)**	**28,465**

Note: During the year of 2011, the Group reduces capital reserve by RMB4,794 million due to capitalisation of capital reserve, and reduces capital reserve by RMB156 million due to increased holding shares of Industial Trust.

32. Surplus reserve

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Statutory surplus reserve	5,616	3,106
Discrentionary surplus reserve	297	297
Total	**5,913**	**3,403**

Pursuant to the Company Law, the Bank is required to transfer 10% of its net profit to the statutory surplus reserve. The statutory surplus is no longer appropriated when the accumulated amount exceeds 50% of the bank's registered capital.

33. General and regulatory reserve

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
General and regulatory reserve	13,787	9,937

Pursuant to CJ [2005] No. 49 Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general and regulatory reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

34. Retained earnings

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Opening balance	40,039	25,854	40,037	25,854
Net profit for the year	25,505	18,521	25,102	18,519
Appropriations to statutory surplus reserve	(2,510)	-	(2,510)	-
Appropriations to general and regulatory reserve	(3,850)	(1,836)	(3,850)	(1,836)
Dividend recognised as distributions	(2,757)	(2,500)	(2,757)	(2,500)
Closing balance	**56,427**	**40,039**	**56,022**	**40,037**

(1) Pursuant to the resolution of "2011 Profit Distribution Proposal of Industrial Bank" approved by the Board of Directors on 16 March 2012 and sent to the Annual General Meeting of the Bank for approval:

(i) Transfer RMB2,510 million to statutory surplus reserve based on the net profit, RMB25,102 million. As at 31 December 2011, the statutory surplus reserve recommended to transfer has been included in the surplus reserve.

(ii) Transfer RMB3,850 million to general and regulatory reserve. As at 31 December 2011, the general and regulatory reserve recommended to transfer has been included in the general and regulatory reserve.

(iii) Distribute a cash dividend of RMB0.37 per ordinary share (tax inclusive) on the basis of 10,786,411,134 ordinary shares in the end of 2011.

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

(2) Pursuant to the resolution of "2010 Profit Distribution and Capitalisation of Reserve Proposal of Industrial Bank" approved at the Annual General Meeting of the Bank on 19 April 2011:

(i) Distributed a cash dividend of RMB0.46 per ordinary share (tax inclusive) to the registered shareholders on 5 May 2011 on the basis of 5,992,450,630 ordinary shares at the end of 2010. The total cash dividend distributed was RMB 2,756,527,289.80. The cash dividend per ordinary share after tax is RMB 0.414.

(ii) Capitalized capital reserves with a ratio of 8 shares for every 10 shares to the registered shareholders on 5 May 2011 based on the total share capital at the end of 2010. After the capitalization, the total shares of the Bank is 10,786,411,134 shares, increased by 4,793,960,504 shares.

(iii) As at 31 December 2010, the statutory surplus reserve exceeded 50% of the Bank's registered capital. So the Bank did not appropriate statutory surplus reserve that year.

(3) Surplus reserves and risk reserves appropriated by subsidiaries

As at 31 December 2011, the balance of the Group's retained earnings contained surplus reserves appropriated by subsidiaries: RMB 50 million (31 December 2010: 0.16 million) and risk reserves (including general and regulatory reserve, trust compensation reserve, etc.) appropriated by subsidiaries: RMB 17 million (31 December 2010: 0.02 million).

35. Net interest income

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Interest income:				
Balances with central bank	3,698	2,533	3,698	2,533
Due from banks and other financial instituions	1,392	531	1,390	529
Placements with banks and other financial institutions	5,816	501	5,816	501
Financial assets held under resale agreements	26,119	12,258	26,119	12,258
Loans and advances to customers	59,149	42,786	59,130	42,786
Including: Corporate	43,349	32,221	43,330	32,221
Personal	14,123	9,714	14,123	9,714
Bill discount	1,677	851	1,677	851
Interest from bonds and other investment	10,810	7,723	10,810	7,723
Interest from finance lease	1,463	111	-	-
Others	-	4	-	4
Subtotal	**108,447**	**66,447**	**106,963**	**66,334**
Interest expense:				
Due to banks and other financial institutions	(22,919)	(7,912)	(22,959)	(7,922)
Placement from banks and other financial intitutions	(1,532)	(315)	(755)	(281)
Financial assets sold under repurchase agreements	(6,529)	(2,916)	(6,529)	(2,916)
Due to customers	(23,713)	(14,595)	(23,713)	(14,595)
Debt securities issued	(2,656)	(2,622)	(2,656)	(2,622)
Others	(364)	(55)	(360)	(55)
Subtotal	**(57,713)**	**(28,415)**	**(56,972)**	**(28,391)**
Net interest income	**50,734**	**38,032**	**49,991**	**37,943**
Including: Interest income accrued on impaired financial assets	115	130	115	130

In the year 2011, the Group offsets the interest income of bill discount and the interest expense of rediscount and inter-bank discount, the comparative figures have been treated as the same. The interest expense of rediscount and inter-bank discount of 2011 is RMB 8,497 million (2010: RMB 4,529 million).

36. Net fee and commission income

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Fee and commission income				
Settlement and clearing fees	556	159	556	159
Bank card fees	1,716	792	1,716	792
Agency commissions	1,655	1,018	1,655	1,018
Guarantee and commitment commissions	557	309	557	309
Transactional service fees	102	47	102	47
Custodian fees	515	230	515	230
Consultancy and advisory fees	3,467	2,520	3,413	2,492
Trust service fees	410	-	-	-
Lease service fees	111	13	-	-
Others	329	141	329	138
Subtotal	**9,418**	**5,229**	**8,843**	**5,185**
Fee and commission expense	(573)	(428)	(569)	(425)
Total	**8,845**	**4,801**	**8,274**	**4,760**

37. Investment income (loss)

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Precious metal	630	32	630	32
Held-for-trading financial assets	(114)	4	(106)	4
Derivative financial instruments	(138)	62	(138)	62
Available-for-sale financial assets	(288)	242	(323)	242
Long-term equity investment (equity method)	197	90	197	90
Dividend declared by investee (cost method)	3	2	2	2
Held-for-trading financial liabilites	34	(78)	34	(78)
Total	**324**	**354**	**296**	**354**

38. Gains (losses) from changes in fair value

Unit: RMB Million

	The Group and the bank	
	2011	2010
Net gains (loss) on previous metals	(138)	7
Net gains (loss) on held-for-trading financial assets	(37)	(19)
Net gains (loss) on derivative financial instruments	(104)	187
Net gains (loss) on held-for-trading financial liabilites	(4)	-
Total	**(283)**	**175**

39. Business tax and levies

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Business tax	3,824	2,632	3,759	2,626
City maintenance and construction tax	267	176	263	175
Education surcharge	170	95	166	95
Others	30	12	29	12
Total	**4,291**	**2,915**	**4,217**	**2,908**

40. General and administrative expenses

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Staff costs	10,552	6,314	10,368	6,297
Depreciation and amortization	1,039	875	1,033	875
Office expenses	2,559	2,591	2,534	2,587
Lease expenses	1,214	971	1,197	970
Promotion	1,038	1,166	1,021	1,164
Enterainment	807	551	785	550
Professional service fee	248	222	240	221
Others	1,327	1,317	1,295	1,301
Total	**18,784**	**14,007**	**18,473**	**13,965**

41. Impairment losses of assets

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Loans and advances to customers	2,625	2,221	2,625	2,221
Debt securities classified as receivables	52	17	52	17
Finance lease receivables	212	99	-	-
Others	27	5	(57)	5
Total	**2,916**	**2,342**	**2,620**	**2,243**

42. Non-operating income

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Gains from disposal of non-current assets	15	49	15	49
Including: Gains from disposal of fixed assets	5	13	5	13
Gains from disposal of foreclosed assets	10	36	10	36
Penalties and fines received	3	1	2	1
Gains from dormant accounts	15	2	15	2
Government grants	89	20	87	-
Others	44	121	44	121
Total	**166**	**193**	**163**	**173**

The credit card center of the Bank received Financial Contribution Award of RMB 87 million from Shanghai Municipal People's Government under "the supplementary notice about implementation details of several opinions of supporting financial institutions development in Shanghai" (HJRBT [2007] No.1) on 15 December, 2011; The subsidiary of the Bank, Industrial Bank Financial Leasing Co., Ltd, received financial support fund of RMB 2 million from Tianjin Municipal People's Government under " the finance and tax preferential policies on promoting the development of modern service industry in Tianjin" (JCJ [2006] No.22) on 22 December, 2011.

43. Non-operating expenses

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Losses on disposal of non-current assets	1	3	1	3
Including: losses on disposal of fixed assets	1	2	1	2
losses on disposal of foreclosed assets	-	1	-	1
Donation expenses	10	64	10	64
Penalties and fines paid	6	3	6	3
Others	17	15	16	14
Total	**34**	**85**	**33**	**84**

44. Income tax expenses

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Current income tax	8,252	5,727	8,035	5,727
Deferred income tax	(181)	(113)	(133)	(113)
Adjustment income tax for previous year	(4)	(130)	(4)	(130)
Total	**8,067**	**5,484**	**7,898**	**5,484**

The tax charges for the year ended 31 December 2011can be reconciled to the profit as follows:

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Profit before tax	33,664	24,005	33,000	24,003
Tax calculated at applicable statuory tax rate of 25%	8,416	6,001	8,250	6,001
Adjustments on income tax:				
Income not taxable for tax purpose	(469)	(478)	(469)	(478)
Expenses not deductible for tax purpose	130	103	127	103
Adjustment on income tax for previous year	(4)	(130)	(4)	(130)
Effect of different tax rates in certain geographical area	(6)	(12)	(6)	(12)
Total	**8,067**	**5,484**	**7,898**	**5,484**

45. Earnings per share

	The Group	
	2011	2010
Net profit attributable to ordinary shareholders of the Bank (RMB million)	25,505	18,521
Weighted average ordinary shares issued by the Bank (shares in million)	10,786	10,163
Basic earnings per share (RMB Yuan)	2.36	1.82

Note 1: As the capitalisation of surplus is made in May 2011, the earnings per share of each reporting period is recalculated based on the adjusted number of shares.

Note 2: As at 31 December 2011 and 31 December 2010, there is no dilutive potential ordinary share of the Group.

46. Other comprehensive income

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
Profit (loss) generated from available-for-sale financial assets	940	(1,815)	960	(1,815)
Tax impact from available-for-sale financial assets	(206)	439	(212)	439
Net value recognised in comprehensive income in last period and currently transferred to profit and loss	(124)	62	(113)	62
Total	**610**	**(1,314)**	**635**	**(1,314)**

47. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	25,597	18,521	25,102	18,519
Add: Provision for impairment losses of assets	2,916	2,342	2,620	2,243
Depreciation of fixed assets	642	537	638	537
Amortisation of intangible assets	85	83	85	83
Amortisation of long-term prepaid expenses	312	255	310	255
Gains from disposal of fixed assets, intangible assets and other long-term assets	(14)	(46)	(14)	(46)
Interest income of bonds and other investments	(10,810)	(7,723)	(10,810)	(7,723)
Interest income of impairment financial assets	(115)	(130)	(115)	(130)
Gains (losses) from changes in fair value	283	(175)	283	(175)
Investment income	(324)	(354)	(296)	(354)
Interest expense for debt securities issued	2,656	2,622	2,656	2,622
Increase in deferred tax assets	(183)	(113)	(135)	(113)
Decrease in deferred tax liabilities	2	-	2	-
Increase in receivables of operating activities	(546,263)	(386,643)	(528,987)	(384,545)
Increase in payables of operating activites	517,331	488,475	504,347	488,475
Net cash flow from operating activities	**(7,885)**	**117,651**	**(4,314)**	**119,648**
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	262,645	261,391	262,643	261,391
Less: opening balance of cash and cash equivalents	261,391	182,824	261,391	182,824
Net increase of cash and cash equivalents	**1,254**	**78,567**	**1,252**	**78,567**

(2) Composition of cash and cash equivalents

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Cash on hand	4,922	3,568	4,922	3,568
Balances with central bank	63,417	125,221	63,417	125,221
Deposits with banks and other financial institutions with original maturity of less than three months	49,199	29,304	49,197	29,304
Placements with banks and other financial institutions with original maturity of less than three months	6,820	4,226	6,820	4,226
Financial assets held under resale agreements with original maturity of less than three months	137,848	99,072	137,848	99,072
Bonds investment with original maturity of less than three months	439	-	439	-
Closing balance of cash and cash equivalents	**262,645**	**261,391**	**262,643**	**261,391**

48. Business combination

The Group as the acquirer in a business combination not involving enterprises under common control

During this year, basic information about the Group's business combination not involving enterprises under common control is as follows:

(1) Basic information of the acquiree:

Please refer to Note VII.2 for basic information of the acquiree.

(2) Key financial information of the acquiree

Unit: RMB Million

	02/01/2011	
	Carrying amount	Fair value
Identifiable assets:		
Cash and balances with banks	149	149
Held-for-trading financial assets	3	3
Interest receivable	3	3
Loans and advances to customers	84	84
Available-for-sale financial assets	334	334
Long-term equity investments	205	205
Fixed assets	25	25
Other assets	43	43
Sub-total	**846**	**846**
Identifiable liabilities:		
Employee benefits payable	15	15
Tax payable	25	25
Deferred tax liabilities	2	2
Other liabilities	10	10
Sub-total	**52**	**52**
Total net assets	**794**	**794**
Including: Minority interests	388	388
Equity attributable to the shareholders of the Bank	406	406
Acquisition consideration	852	852
The difference between initial investment cost and fair value of net assets according to equity proportion- Goodwill	446	446

The acquisition date is the date on which the Bank effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer.

The consideration of the acquisition was settled by cash. The carrying amount and fair value of the settlement for the acquisition on the acquisition date are:

Unit: RMB Million

	Carrying amount	Fair value
Acquisition consideration		
Cash and cash equivalents	852	852

Unit: RMB Million

	Amount
Acquisition consideration in cash and cash equivalents	852
Less: Cash and cash equivalents of the acquiree	114
Net outflow of cash and cash equivalents paid upon acquisition of a subsidiary	738

(3) Operating results and net cash flows of the acquiree from the acquisition date to the end of the year of 2011:

Unit: RMB Million

	From the acquisition date to the end of the year 2011
Operating income	476
Operating expenses	(207)
Profit before tax	269
Net profit	200
Net cash flow from operating activities	130
Net cash flow from investing activities	(335)
Net cash flow from financing activities	2,249
Net increase in cash and cash equivalents	2,044

IX. SEGMENT REPORTING

The Group's senior management evaluates the operations of the Group in accordance with their economic locations of the respective branches and subsidiaries. Each branch mainly serves its local customers and very few customers in other regions. The Group has no deep dependence on a single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

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

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

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

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

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

Unit: RMB Million

	The Group											
	2011											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Elimi-nations	Total
Operating income	2,602	8,749	5,058	4,917	6,532	4,138	3,235	8,710	7,238	8,691	-	**59,870**
Net interest income	78	7,781	4,565	4,190	5,586	3,800	2,603	7,784	6,350	7,997	-	**50,734**
Including: Net inter-segment interest income	(11,312)	2,538	2,022	2,336	1,341	119	807	(1,374)	498	3,025	-	**-**
Net fee and commission income	2,414	886	465	762	933	321	614	899	873	678	-	**8,845**
Other income	110	82	28	(35)	13	17	18	27	15	16	-	**291**
Operating expenses	(4,390)	(3,230)	(1,473)	(1,374)	(2,557)	(1,936)	(1,336)	(3,634)	(2,791)	(3,617)	-	**(26,338)**
Operating profit	(1,788)	5,519	3,585	3,543	3,975	2,202	1,899	5,076	4,447	5,074	-	**33,532**
Add: Non-operating income	90	23	3	3	7	3	5	13	14	5	-	**166**
Less: Non-operating expenses	(8)	(5)	(1)	(1)	(5)	(6)	(2)	(2)	(1)	(3)	-	**(34)**
Profit before tax	(1,706)	5,537	3,587	3,545	3,977	2,199	1,902	5,087	4,460	5,076	-	**33,664**
Less: Income tax expenses												**(8,067)**
Net profit												**25,597**
Segment assets	697,239	244,112	172,084	199,809	279,317	143,683	145,871	298,837	306,780	361,209	(442,506)	**2,406,435**
Including: Investment in an associate	873	-	-	-	-	-	-	-	-	-	-	**873**
Undistributed assets												**2,363**
Total assets												**2,408,798**
Segment liabilities	624,883	235,669	168,543	196,343	275,464	141,490	143,974	290,395	302,307	356,158	(442,506)	**2,292,720**
Undistributed liabilities												**-**
Total liabilities												**2,292,720**
Supplemental information												
Credit commitments	19,751	32,898	6,546	10,773	37,527	53,778	40,129	111,867	52,429	92,543	-	**458,241**
Depreciation and amortization	192	162	28	50	132	79	43	113	100	140	-	**1,039**
Capital expenditure	388	213	329	29	317	42	340	230	222	258	-	**2,368**

Unit: RMB Million

	The Group											
	2010											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northen region	Western region	Central region	Elimi-nations	Total
Operating income	3,590	6,107	3,672	4,177	4,547	2,994	2,420	5,400	5,195	5,354	-	**43,456**
Net interest income	1,846	5,728	3,418	3,382	4,020	2,804	2,129	4,996	4,698	5,011	-	**38,032**
Including: Net inter-segment interest income	(5,069)	927	1,361	1,012	1,205	(63)	254	(576)	514	435	-	**-**
Net fee and commission income	1,265	331	354	679	562	178	278	350	481	323	-	**4,801**
Other income	479	48	(100)	116	(35)	12	13	54	16	20	-	**623**
Operating expenses	(2,533)	(2,501)	(1,287)	(1,232)	(2,344)	(1,410)	(1,147)	(2,438)	(2,110)	(2,557)	-	**(19,559)**
Operating profit	1,057	3,606	2,385	2,945	2,203	1,584	1,273	2,962	3,085	2,797	-	**23,897**
Add: Non-operating income	83	51	-	1	7	2	-	33	6	10	-	**193**
Less: Non-operating expenses	(17)	(43)	-	(2)	(5)	(4)	(1)	(2)	(4)	(7)	-	**(85)**
Profit before tax	1,123	3,614	2,385	2,944	2,205	1,582	1,272	2,993	3,087	2,800	-	**24,005**
Less: Income tax expenses												**(5,484)**
Net profit												**18,521**
Segment assets	667,628	209,723	145,816	169,556	213,545	114,428	103,462	212,343	196,659	266,985	(452,862)	**1,847,283**
Including: Investment in an associate	690	-	-	-	-	-	-	-	-	-	-	**690**
Undistributed assets												**2,390**
Total assets												**1,849,673**
Segment liabilities	602,575	206,134	143,497	166,686	211,432	112,861	102,194	207,406	193,575	264,180	(452,862)	**1,757,678**
Undistributed liabilities												**-**
Total liabilities												**1,757,678**
Supplemental information												
Credit commitments	31,976	21,829	4,284	6,519	21,742	27,865	22,018	42,524	25,055	43,556	-	**247,368**
Depreciation and amortization	171	135	27	45	121	77	33	81	81	104	-	**875**
Capital expenditure	594	172	42	47	297	145	543	246	233	293	-	**2,612**

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related Party Relationship

The Group

Related Parties with no controlling interest

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

Name	Economic nature	Place of registration	Registered capital	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Chen Xiaoping
Hang Seng Bank Limited	Limited company	Hong Kong	HKD 11 billion	Financial services	Margaret Leung Ko May Yee

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

Name of shareholders	12/31/2011		12/31/2010	
	Shares Million Shares	Proportion of equity interest (%)	Shares Million Shares	Proportion of equity interest (%)
The Finance Bureau of Fujian Province	2,268	21.03	1,248	20.83
Hang Seng Bank Limited	1,380	12.80	767	12.80
Total	**3,648**	**33.83**	**2,015**	**33.63**

(2) An associate

Name of related party	Economic nature	Domicile	Registered Capital RMB 100 million	Business Scope	Legal Representative
Bank of Jiujiang Co., Ltd.	Limited Company	Jiujiang	15.16	Financial Service	Liu Xianting

(3) Other related party

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

2. Related party transactions

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

(1) Interest income

Unit: RMB Million

Related party	2011	2010
Bank of Jiujiang Co., Ltd.	122	5

(2) Interest expense

Unit: RMB Million

Related party	2011	2010
Hang Seng Bank Limited	1	-
Hang Seng Bank (China) Limited	24	2
The Finance Bureau of Fujian Province	170	87
Bank of Jiujiang Co., Ltd.	54	-
Total	**249**	**89**

3. Unsettled amount of related party transactions

(1) Due from banks

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Hang Seng Bank Limited	101	110

(2) Placements with banks

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Bank of Jiujiang Co., Ltd.	306	-

(3) Derivative financial instruments

Unit: RMB Million

Related party	Transaction Type	12/31/2011		12/31/2010	
		Nominal amount	Fair value	Nominal amount	Fair value
Hang Seng Bank (China) Limited	Interest Rate Derivative	7,675	(10)	1,375	(4)
Hang Seng Bank (China) Limited	Exchange Rate Derivative	2,205	5	1,463	(4)
Total		**9,880**	**(5)**	**2,838**	**(8)**

(4) Financial assets held under resale agreements

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Bank of Jiujiang Co., Ltd.	-	1,588

(5) Interest receivable

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Bank of Jiujiang Co., Ltd.	-	3

(6) Loans and advances to customers

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Key management personnel and their close relatives	9	9

(7) Other receivables

Unit: RMB Million

Related party	12/31/2011	12/31/2010
The Finance Bureau of Fujian Province	-	563

(8) Due to banks

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Hang Seng Bank Limited	319	1
Hang Seng Bank (China) Limited	109	8
Bank of Jiujiang Co., Ltd.	19	-
Total	**447**	**9**

(9) Placements from banks

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Hang Seng Bank (China) Limited	450	497

(10) Due to customers

Unit: RMB Million

Related party	12/31/2011	12/31/2010
The Finance Bureau of Fujian Province	10,287	10,562
Key management personnel and their close relatives	20	24
Total	**10,307**	**10,586**

(11) Interest payable

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Hang Seng Bank (China) Limited	4	2

(12) Other payables

Unit: RMB Million

Related party	12/31/2011	12/31/2010
The Finance Bureau of Fujian Province	2	2

(13) Credit facility

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Hang Seng Bank Limited & Hang Seng Bank (China) Limited	2,000	4,000

(14) Key management personnel remuneration

Unit: RMB Million

Related party	12/31/2011	12/31/2010
Salary and welfare	32	30

XI. CONTINGENCIES AND COMMITMENTS

1. Pending litigations

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

2. Off-balance sheet items

Unit: RMB Million

	The Group and the Bank	
	Contractual amount	
	12/31/2011	12/31/2010
Credit card commitments	19,751	31,976
Letters of credit	33,325	18,026
Letters of guarantee	12,934	11,000
Bank acceptances	269,164	186,366
Reimbursement refinances	123,067	-
Total	**458,241**	**247,368**

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

3. Capital commitments

Unit: RMB Million

	Contractual amount of the Group		Contractual amount of the Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Authorised but not contracted for	114	304	114	304
Contracted but not paid for	406	469	403	469
Total	**520**	**773**	**517**	**773**

4. Operating lease commitments

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

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Within one year	731	853	714	853
One to five years	2,302	2,496	2,267	2,496
Over five years	1,213	1,152	1,213	1,152
Total	**4,246**	**4,501**	**4,194**	**4,501**

5. Collateral

(1) Assets pledged

As of 31 December 2011, the bonds, held by the Group and the Bank, have not pledged for derivative financial instrument transactions (31 December 2010: RMB 2 million).

As of 31December 2011, the notes held, by the Group and the Bank, have not pledged for the agreement of borrowing from central bank (31 December 2010: RMB 365 million).

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

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Bills	95,444	68,658
Bonds	44,573	21,089
Others	2,572	-
Total	**142,589**	**89,747**

As of 31 December 2011, the bills purchased under resale agreements of the Group used for sale under repurchase agreements amount to RMB 95,444 million (31 December 2010: RMB 68,235 million).

(2) Collateral obtained

In the resale agreement, if the counterparty of the transaction has not violated the contract term, the Group can sell some of the pledged assets or transfer the pledged assets in other transactions.The fair value of the pledged assets available for sale and available for transfer on 31 December 2011 is RMB 194,559 million. (31 December 2010: RMB 218,939 million). In addition to the bills used for sale transactions under repurchase agreements mentioned in note (1), the Group uses bonds purchased under resale agreements amounted RMB10 million for trading financial liabilities (31 December 2010: Nil).

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

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

As of 31 December 2011 and 31 December 2010, the cumulative principal balances of the certificate government bonds and saving government bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

Unit: RMB Million

	The Group and the Bank	
	Contract Amount	
	12/31/2011	12/31/2010
Certificate government bonds and saving government bonds	4,955	5,329

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

7. Fiduciary Business

Unit: RMB Million

	The Group and the Bank	
	12/31/2011	12/31/2010
Fiduciary deposits and loans	79,866	44,510
Fiduciary wealth management	183,684	163,310

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

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

XII. OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

Unit: RMB Million

		The Group				
		2011				
		Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Held-for-trading financial assets		5,537	(37)	-	-	8,101
Derivative financial assets		2,301	606	-	-	2,907
Available-for-sale financial assets		147,214	-	(1,332)	-	147,505
Total		**155,052**	**569**	**(1,332)**	**-**	**158,513**
Financial liabilities	(1)	**(2,317)**	**(714)**	**-**	**-**	**(3,023)**

Unit: RMB Million

		The Bank				
		2011				
		Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Held-for-trading financial assets		5,537	(37)	-	-	8,101
Derivative financial assets		2,301	606	-	-	2,907
Available-for-sale financial assets		147,214	-	(1,327)	-	147,006
Total		**155,052**	**569**	**(1,327)**	**-**	**158,014**
Financial liabilities	(1)	**(2,317)**	**(714)**	**-**	**-**	**(3,023)**

(1) Financial liabilities include held-for-trading financial liabilities and derivative financial liabilities.

(2) The asset and liability items listed on the above tables have no inevitable relationship.

2. Financial assets denominated in foreign currencies and financial liabilities denominated in foreign currencies

Unit: RMB Million

		The Group				
		2011				
		Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Cash and balances with central bank		918	-	-	-	1,139
Due from banks and other financial institutions		3,076	-	-	-	2,893
Placements with banks and other financial institutions		2,556	-	-	-	233
Held-for-trading financial assets		-	-	-	-	-
Derivative financial assets		1,055	(920)	-	-	135
Financial assets held under resale agreements		-	-	-	-	-
Loans and advances to customers		5,056	-	-	65	9,751
Available-for-sale financial assets		1,162	-	(18)	-	1,038
Debt securities classified as receivables		-	-	-	-	-
Finance lease receivables		-	-	-	-	-
Held-to-maturity investments		1,376	-	-	-	854
Other financial assets		72	-	-	(1)	116
Total of financial assets		**15,271**	**(920)**	**(18)**	**64**	**16,159**
Financial liabilities	(1)	**(19,084)**	**(788)**	**-**	**-**	**(16,463)**

Unit: RMB Million

		The Bank				
		2011				
		Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Cash and balances with central bank		918	-	-	-	1,139
Due from banks and other financial institutions		3,076	-	-	-	2,893
Placements with banks and other financial institutions		2,556	-	-	-	233
Held-for-trading financial assets		-	-	-	-	-
Derivative financial assets		1,055	(920)	-	-	135
Financial assets held under resale agreements		-	-	-	-	-
Loans and advances to customers		5,056	-	-	65	9,751
Available-for-sale financial assets		1,162	-	(18)	-	1,038
Debt securities classified as receivables		-	-	-	-	-
Held-to-maturity investments		1,376	-	-	-	854
Other financial assets		72	-	-	(1)	116
Total of financial assets		**15,271**	**(920)**	**(18)**	**64**	**16,159**
Financial liabilities	(1)	**(19,084)**	**(788)**	**-**	**-**	**(16,463)**

(1) Financial liabilities include due to banks and other financial institutions, placements from banks and other financial institutions, held-for-trading financial liabilities, financial assets sold under repurchase agreements, derivative financial liabilities, due to customers and debt securities issued, etc,.

(2) The asset and liability items listed on the above tables have no inevitable relationship.

XIII. FINANCIAL RISK MANAGEMENT

1. Overview

The Group is exposed to various types of risk due to its banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focus on business operation as well as risk management, established risk control system with a core of risk asset management, set up risk management rules and operation regulations for each business sector, improved risk accountability and punishment mechanism. The Group has integrated credit risk, market risk, liquidity risk, operational risk and other risk into the overall risk management, clarified specific responsibility of Board of Directors, Board of Supervisors, senior management and operation executives, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the "three defenses"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defense to conduct risk management according to the risk management rules and policies, realize organic combination or business operation and risk management. The risk management department is the second line of defense, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuously improvement, pushing forward the outspread of overall risk management work. The internal audit department is the third line of defense. It provides independent, objective supervision, evaluation and consultation to the Group's risk management, provides post-event risk management assessment and feedback adjustment.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables, treasury operations and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

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

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

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post disbursement monitoring and recovery process. In addition, the Group issued “Due diligence of credit approval” to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

The Group draws up managerial systems of industry investment, such as “credit services access rules”, moderately increases investment to those industries which supported by national policies and begin to entered the stage of stable growth; on the basis of scientific judgments, decides to increase or decrease capital input to those industries which have already matured and the market tends to be saturated; cuts down input and withdraws steadily from those industries whose prospect tends to be infirm.

The Group has established a customer credit rating system, comprehensively and systematically investigates various factors and variation trends which influence customer solvency in the future, discloses, evaluates customers’ credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become the important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. The Group has developed and established the non-retail section of internal rating system according to the Basel New Capital Accord and the relevant guidelines of CBRC, the accomplishment is put into practice in 2011 so as to enhance the ability of credit risk identification, estimation and control. The retail section of internal rating system is in progress.

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

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

The Group introduces the industry quota management, establishes quota management implementation plan to strenthen the real-time warning of credit concentration risk for those emphasized credit industries, such as government-vehicle finance, the monitoring of credit ratio for every industry will be carried out periodically, the Group will readjusts and optimizes the quota among industries, which advices the branches to optimize structure and control credit concentration risk.

In order to accurately identify the risk profile of credit assets and reasonably reflect the risk-adjusted earnings position, the Group establishes “Implementation Rules of Credit Assets Risk Classification”, “Implementation Standards of Credit Assets Risk Classification”, etc. to guide the operating units to optimize the allocation of capital and credit resources and strengthen the awareness of risk management. Based on the five grades classification method established by CBRC, the Company further classifies its credit assets into nine grades: normal 1, 2 and 3; special mention 1, 2 and 3; substandard; doubtful and loss. Different management policies are addressed to the credit assets according to their grades. Provision is also made for these credit assets according to their grades.

Risk arises from credit commitment is similar with risk associate with loans and advances to customer. Therefore, the requirements for application, post disbursement management and collateral and other enhancements for these transactions are the same with the requirements for loans and advances to customer.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

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

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VIII 8.

3.2 Maximum exposure to credit risk

The maximum exposure to credit risk represents a worst case scenario of credit risk exposure to the Group at the balance sheet date without taking into consideration of any collateral held or other credit enhancements attached. The Group's credit risk exposure mainly derives from credit business and debt investment business. In addition, off-balance sheet instruments also have credit risk, such as derivatives transaction, loan commitments, acceptances, letters of guarantee, letters of credit and reimbursement refinance, etc.

At the balance sheet date, maximum exposure to credit risk is as follows:

Unit: RMB Million

	The Group		The Bank	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Balances with central bank	291,669	285,073	291,450	285,073
Due from banks and other financial institutions	69,425	39,867	69,423	39,867
Placements with banks and other financial institutions	228,899	21,099	228,899	21,099
Held-for-trading financial assets	8,101	5,537	8,101	5,537
Derivative financial assets	2,907	2,301	2,907	2,301
Financial assets held under resale agreements	526,979	374,005	526,979	374,005
Loans and advances to customers	968,940	842,568	968,740	842,568
Available-for-sale financial assets	147,424	147,202	146,992	147,202
Debt securities classified as receivables	70,205	61,321	70,092	61,321
Finance lease receivables	21,485	8,693	-	-
Held-to-maturity investments	32,764	34,290	32,764	34,290
Other financial assets (1)	19,818	11,595	14,735	10,441
Total on-balance sheet	**2,388,616**	**1,833,551**	**2,361,082**	**1,823,704**
Total off-balance sheet	**458,241**	**247,368**	**458,241**	**247,368**
Total	**2,846,857**	**2,080,919**	**2,819,323**	**2,071,072**

(1) Other financial assets mainly include interest receivable, other receivables, prepaid purchase cost of finance lease assets, items in the process of clearance and settlement and continuous involved assets.

3.3 Analysis of exposure to credit risk of the Group and the Bank about loans and advances to customers, inter-bank placement, investment and finance lease receivables

Unit: RMB Million

	The Group				
	12/31/2011				
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	3,230	100	126	-	**3,456**
Porvision for impairment	(1,868)	(100)	(126)	-	**(2,094)**
Net value of assets	**1,362**	**-**	**-**	**-**	**1,362**
Collective assessment					
Total assets	485	-	-	-	**485**
Provision for impairment	(182)	-	-	-	**(182)**
Net value of assets	**303**	**-**	**-**	**-**	**303**
Past due but not impaired:					
Total assets	2,499	-	-	-	**2,499**
Including:					
Within 90 days	2,134	-	-	-	**2,134**
90 to 360 days	163	-	-	-	**163**
360 days to 3 years	202	-	-	-	**202**
Provision for impairment	(111)	-	-	-	**(111)**
Net value of assets	**2,388**	**-**	**-**	**-**	**2,388**
Neither pass due nor impaired:					
Total assets	977,040	825,303	258,569	21,796	**2,082,708**
Provision for impairment	(12,153)	-	(75)	(311)	**(12,539)**
Net value of assets	**964,887**	**825,303**	**258,494**	**21,485**	**2,070,169**
Total of net value of assets	**968,940**	**825,303**	**258,494**	**21,485**	**2,074,222**

Unit: RMB Million

	The Group				
	12/31/2010				
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	3,238	138	132	-	**3,508**
Porvision for impairment	(2,039)	(138)	(132)	-	**(2,309)**
Net value of assets	**1,199**	**-**	**-**	**-**	**1,199**
Collective assessment					
Total assets	378	-	-	-	**378**
Provision for impairment	(257)	-	-	-	**(257)**
Net value of assets	**121**	**-**	**-**	**-**	**121**
Past due but not impaired:					
Total assets	1,295	-	-	-	**1,295**
Including:					
Within 90 days	1,295	-	-	-	**1,295**
Provision for impairment	(45)	-	-	-	**(45)**
Net value of assets	**1,250**	**-**	**-**	**-**	**1,250**
Neither pass due nor impaired:					
Total assets	849,428	434,971	248,373	8,792	**1,541,564**
Provision for impairment	(9,430)	-	(23)	(99)	**(9,552)**
Net value of assets	**839,998**	**434,971**	**248,350**	**8,693**	**1,532,012**
Total of net value of assets	**842,568**	**434,971**	**248,350**	**8,693**	**1,534,582**

Unit: RMB Million

	The Bank				
	12/31/2011				
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	3,230	100	126	-	**3,456**
Porvision for impairment	(1,868)	(100)	(126)	-	**(2,094)**
Net value of assets	**1,362**	**-**	**-**	**-**	**1,362**
Collective assessment					
Total assets	485	-	-	-	**485**
Provision for impairment	(182)	-	-	-	**(182)**
Net value of assets	**303**	**-**	**-**	**-**	**303**
Past due but not impaired:					
Total assets	2,499	-	-	-	**2,499**
Including:					
Within 90 days	2,134	-	-	-	**2,134**
90 to 360 days	163	-	-	-	**163**
360 days to 3 years	202	-	-	-	**202**
Provision for impairment	(111)	-	-	-	**(111)**
Net value of assets	**2,388**	**-**	**-**	**-**	**2,388**
Neither pass due nor impaired:					
Total assets	976,840	825,301	258,024	-	**2,060,165**
Provision for impairment	(12,153)	-	(75)	-	**(12,228)**
Net value of assets	**964,687**	**825,301**	**257,949**	**-**	**2,047,937**
Total of net value of assets	**968,740**	**825,301**	**257,949**	**-**	**2,051,990**

Unit: RMB Million

	The Bank				
	12/31/2010				
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	3,238	138	132	-	**3,508**
Porvision for impairment	(2,039)	(138)	(132)	-	**(2,309)**
Net value of assets	**1,199**	**-**	**-**	**-**	**1,199**
Collective assessment					
Total assets	378	-	-	-	**378**
Provision for impairment	(257)	-	-	-	**(257)**
Net value of assets	**121**	**-**	**-**	**-**	**121**
Past due but not impaired:					
Total assets	1,295	-	-	-	**1,295**
Including:					
Within 90 days	1,295	-	-	-	**1,295**
Provision for impairment	(45)	-	-	-	**(45)**
Net value of assets	**1,250**	**-**	**-**	**-**	**1,250**
Neither pass due nor impaired:					
Total assets	849,428	434,971	248,373	-	**1,532,772**
Provision for impairment	(9,430)	-	(23)	-	**(9,453)**
Net value of assets	**839,998**	**434,971**	**248,350**	**-**	**1,523,319**
Total of net value of assets	**842,568**	**434,971**	**248,350**	**-**	**1,525,889**

(1) Inter-bank placement includes due from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements.

(2) Investment includes held-for-trading financial assets, available-for-sale financial assets, held-to-maturity investments and debt investment of debt securities classified as receivables.

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgors, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

·For reverse repurchase agreements, collateral mainly includes bills, loans and securities

·For commercial loans, collateral mainly includes land, properties, equipment and shares, etc.

·For retail loans, collateral mainly includes properties

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the change in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Analysis of collateral value

3.5.1 The Group evaluates the fair value of collateral periodically

A. As at 31 December 2011, the fair value of collateral that related to loans past due but not impaired amounted to RMB1,930 million (31 December 2010: RMB2,067 million). The collateral includes land, properties, equipment and shares.

B. As at 31 December 2011, the fair value of collateral that related to loans individually determined to be impaired amounted to RMB2,878 million (31 December 2010: RMB938 million). The collateral includes land, properties, equipment and shares.

3.5.2 The book value of foreclosed assets the Group obtained during 2011 amounted to RMB 26 million (2010: RMB82 million), which mainly included land and properties.

3.6 Rescheduled loans and advances

As at 31 December 2011, the carrying amount of rescheduled loans and advances to customers amounted to RMB675 million (31 December 2010: RMB2,096 million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB162 million (31 December 2010: RMB341 million).

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the management of the Group's assets and liabilities. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analyzing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the Group built up mid-stage risk control system in the treasure center to carry out an implanting risk management.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date and the repricing date of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the introduction of financial transactions and analysis system and the scientific exposure measuremen models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and liabilities are as follows:

Unit: RMB Million

	The Group					
	12/31/2011					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	291,347	-	-	-	5,244	**296,591**
Due from banks and other financial institutions	61,285	6,542	1,598	-	-	**69,425**
Placements with banks and other financial institutions	104,137	124,562	200	-	-	**228,899**
Held-for-trading financial assets	1,703	2,370	3,768	260	-	**8,101**
Derivative financial assets	-	-	-	-	2,907	**2,907**
Financial assets held under resale agreements	239,387	224,120	63,472	-	-	**526,979**
Loans and advances to customers	741,448	219,564	5,333	2,595	-	**968,940**
Available-for-sale financial assets	16,421	66,500	50,781	13,722	81	**147,505**
Debt securities classified as receivables	48,192	8,575	8,101	5,337	-	**70,205**
Finance lease receivables	21,485	-	-	-	-	**21,485**
Held-to-maturity investments	1,016	6,715	9,260	15,773	-	**32,764**
Other assets	4,874	-	-	-	14,944	**19,818**
Total financial assets	**1,531,295**	**658,948**	**142,513**	**37,687**	**23,176**	**2,393,619**
Financial liabilities:						
Due to banks and other financial institutions	553,488	71,023	2,320	-	-	**626,831**
Placements from banks and other financial institutions	31,596	20,856	300	-	-	**52,752**
Held-for-trading financial liabilities	10	-	-	-	-	**10**
Derivative financial liabilities	-	-	-	-	3,013	**3,013**
Financial assets sold under repurchase agreements	95,998	45,428	-	-	-	**141,426**
Due to customers	960,074	274,744	81,676	26,625	2,160	**1,345,279**
Debt securities issued	11,998	5,075	39,999	23,941	-	**81,013**
Other liabilities	80	-	-	-	31,165	**31,245**
Total financial liabilities	**1,653,244**	**417,126**	**124,295**	**50,566**	**36,338**	**2,281,569**
Net position	**(121,949)**	**241,822**	**18,218**	**(12,879)**	**(13,162)**	**112,050**

Unit: RMB Million

	The Group					
	12/31/2011					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	284,437	-	-	-	4,204	**288,641**
Due from banks and other financial institutions	36,084	3,316	467	-	-	**39,867**
Placements with banks and other financial institutions	15,149	5,750	200	-	-	**21,099**
Held-for-trading financial assets	430	2,222	2,710	175	-	**5,537**
Derivative financial assets	-	-	-	-	2,301	**2,301**
Financial assets held under resale agreements	256,982	93,618	23,405	-	-	**374,005**
Loans and advances to customers	605,899	224,996	8,098	3,575	-	**842,568**
Available-for-sale financial assets	18,745	39,348	73,297	15,812	30	**147,232**
Debt securities classified as receivables	25,696	26,959	5,798	2,868	-	**61,321**
Finance lease receivables	8,693	-	-	-	-	**8,693**
Held-to-maturity investments	771	11,098	15,121	7,300	-	**34,290**
Other assets	1,147	-	-	-	10,448	**11,595**
Total financial assets	**1,254,033**	**407,307**	**129,096**	**29,730**	**16,983**	**1,837,149**
Financial liabilities:						
Borrowings from central bank	207	158	-	-	-	**365**
Due to banks and other financial institutions	371,025	42,630	4,000	-	-	**417,655**
Placements from banks other financial institutions	18,432	7,705	-	-	-	**26,137**
Derivative financial liabilities	-	-	-	-	2,317	**2,317**
Financial assets sold under repurchase agreements	71,925	17,660	-	-	-	**89,585**
Due to customers	869,107	187,452	75,091	72	1,045	**1,132,767**
Debt securities issued	4,996	28,984	8,994	21,961	-	**64,935**
Other liabilities	2	120	-	-	15,764	**15,886**
Total financial liabilities	**1,335,694**	**284,709**	**88,085**	**22,033**	**19,126**	**1,749,647**
Net position	**(81,661)**	**122,598**	**41,011**	**7,697**	**(2,143)**	**87,502**

Unit: RMB Million

	The Bank					
	12/31/2011					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	291,128	-	-	-	5,244	**296,372**
Due from banks and other financial institutions	61,283	6,542	1,598	-	-	**69,423**
Placements with banks and other financial institutions	104,137	124,562	200	-	-	**228,899**
Held-for-trading financial assets	1,703	2,370	3,768	260	-	**8,101**
Derivative financial assets	-	-	-	-	2,907	**2,907**
Financial assets held under resale agreements	239,387	224,120	63,472	-	-	**526,979**
Loans and advances to customers	741,248	219,564	5,333	2,595	-	**968,740**
Avalabile-for-sale financial assets	16,095	66,394	50,781	13,722	14	**147,006**
Debt securities classified as receivables	48,192	8,575	7,988	5,337	-	**70,092**
Held-to-maturity investments	1,016	6,715	9,260	15,773	-	**32,764**
Other assets	-	-	-	-	14,735	**14,735**
Total financial assets	**1,504,189**	**658,842**	**142,400**	**37,687**	**22,900**	**2,366,018**
Financial liabilities:						
Due to banks and other financial institutions	556,562	71,023	2,320	-	-	**629,905**
Placements from banks other financial institutions	30,296	2,126	-	-	-	**32,422**
Held-for-trading financial liabilities	10	-	-	-	-	**10**
Derivative financial liabilities	-	-	-	-	3,013	**3,013**
Financial assets sold under repurchase agreements	95,998	45,428	-	-	-	**141,426**
Due to customers	960,074	274,744	81,676	26,625	2,160	**1,345,279**
Debt securities issued	11,998	5,075	39,999	23,941	-	**81,013**
Other liabilities	-	-	-	-	27,884	**27,884**
Total financial liabilities	**1,654,938**	**398,396**	**123,995**	**50,566**	**33,057**	**2,260,952**
Net position	**(150,749)**	**260,446**	**18,405**	**(12,879)**	**(10,157)**	**105,066**

Unit: RMB Million

	The Bank					
	12/31/2011					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	284,437	-	-	-	4,204	**288,641**
Due from banks and other financial institutions	36,084	3,316	467	-	-	**39,867**
Placements with banks and other financial institutions	15,149	5,750	200	-	-	**21,099**
Held-for-trading financial assets	430	2,222	2,710	175	-	**5,537**
Derivative financial assets	-	-	-	-	2,301	**2,301**
Financial assets held under resale agreements	256,982	93,618	23,405	-	-	**374,005**
Loans and advances to customers	605,899	224,996	8,098	3,575	-	**842,568**
Avalabile-for-sale financial assets	18,745	39,348	73,297	15,812	30	**147,232**
Debt securities classified as receivables	25,696	26,959	5,798	2,868	-	**61,321**
Held-to-maturity investments	771	11,098	15,121	7,300	-	**34,290**
Other assets	-	-	-	-	10,441	**10,441**
Total financial assets	**1,244,193**	**407,307**	**129,096**	**29,730**	**16,976**	**1,827,302**
Financial liabilities:						
Borrowings from central bank	207	158	-	-	-	**365**
Due to banks and other financial institutions	371,756	42,630	4,000	-	-	**418,386**
Placements from banks other financial institutions	18,432	166	-	-	-	**18,598**
Derivative financial liabilities	-	-	-	-	2,317	**2,317**
Financial assets sold under repurchase agreements	71,925	17,660	-	-	-	**89,585**
Due to customers	869,107	187,452	75,091	72	1,045	**1,132,767**
Debt securities issued	4,996	28,984	8,994	21,961	-	**64,935**
Other liabilities	-	-	-	-	14,864	**14,864**
Total financial liabilities	**1,336,423**	**277,050**	**88,085**	**22,033**	**18,226**	**1,741,817**
Net position	**(92,230)**	**130,257**	**41,011**	**7,697**	**(1,250)**	**85,485**

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and liabilities at the balance sheet date.

Unit: RMB Million

	The Group			
	12/31/2011		12/31/2010	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	5,080	(3,752)	4,582	(4,561)
-100 basis points	(5,080)	3,980	(4,582)	4,820

Unit: RMB Million

	The Bank			
	12/31/2011		12/31/2010	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	4,898	(3,744)	4,518	(4,561)
-100 basis points	(4,898)	3,972	(4,518)	4,820

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate available-for-sale financial assets at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above predition assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallelly. Therefore it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation. And such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD and other currencies. RMB is the functional currency. The foreign exchange rate is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The financial market department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “day time self-trading positions”. The positions are centralised to the financial market department in a timely way and managed centrally. This kind of position is relatively small compared to the Group’s asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and liabilities by currency.

Unit: RMB Million

	The Group			
	12/31/2011			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	295,452	921	218	**296,591**
Due from banks and other financial institutions	66,532	2,185	708	**69,425**
Placements with banks and other financial institutions	228,666	233	-	**228,899**
Held-for-trading financial assets	8,101	-	-	**8,101**
Derivative financial assets	2,772	117	18	**2,907**
Financial assets held under resale agreements	526,979	-	-	**526,979**
Loans and advances to customers	959,189	9,396	355	**968,940**
Available-for-sale financial assets	146,467	974	64	**147,505**
Debt securities classified as receivables	70,205	-	-	**70,205**
Finance lease receivables	21,485	-	-	**21,485**
Held-to-maturity investments	31,910	691	163	**32,764**
Other assets	19,702	110	6	**19,818**
Total financial assets	**2,377,460**	**14,627**	**1,532**	**2,393,619**
Financial liabilities:				
Due to banks and other financial institutions	626,078	610	143	**626,831**
Placements from banks and other financial institutions	51,700	1,052	-	**52,752**
Held-for-trading financial liabilities	10	-	-	**10**
Derivative financial liabilities	2,100	869	44	**3,013**
Financial assets sold under repurchase agreements	141,426	-	-	**141,426**
Due to customers	1,331,615	10,911	2,753	**1,345,279**
Debt securities issued	81,013	-	-	**81,013**
Other liabilities	31,164	65	16	**31,245**
Total financial liabilities	**2,265,106**	**13,507**	**2,956**	**2,281,569**
Net position	**112,354**	**1,120**	**(1,424)**	**112,050**

Unit: RMB Million

	The Group			
	12/31/2010			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	287,723	690	228	**288,641**
Due from banks and other financial institutions	36,791	1,918	1,158	**39,867**
Placements with banks and other financial institutions	18,543	2,556	-	**21,099**
Held-for-trading financial assets	5,537	-	-	**5,537**
Derivative financial assets	1,246	1,011	44	**2,301**
Financial assets held under resale agreements	374,005	-	-	**374,005**
Loans and advances to customers	837,512	4,613	443	**842,568**
Available-for-sale financial assets	146,070	1,092	70	**147,232**
Debt securities classified as receivables	61,321	-	-	**61,321**
Finance lease receivables	8,693	-	-	**8,693**
Held-to-maturity investments	32,914	1,200	176	**34,290**
Other assets	11,523	66	6	**11,595**
Total financial assets	**1,821,878**	**13,146**	**2,125**	**1,837,149**
Financial liabilities:				
Borrowings from central bank	365	-	-	**365**
Due to banks and other financial institutions	412,117	4,814	724	**417,655**
Placements from banks and other financial institutions	23,709	2,152	276	**26,137**
Derivative financial liabilities	2,192	107	18	**2,317**
Financial assets sold under repurchase agreements	88,265	1,092	228	**89,585**
Due to customers	1,123,283	6,939	2,545	**1,132,767**
Debt securities issued	64,935	-	-	**64,935**
Other liabilities	15,697	165	24	**15,886**
Total financial liabilities	**1,730,563**	**15,269**	**3,815**	**1,749,647**
Net position	**91,315**	**(2,123)**	**(1,690)**	**87,502**

Unit: RMB Million

	The Bank			
	12/31/2011			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	295,233	921	218	**296,372**
Due from banks and other financial institutions	66,530	2,185	708	**69,423**
Placements with banks and other financial institutions	228,666	233	-	**228,899**
Held-for-trading financial assets	8,101	-	-	**8,101**
Derivative financial assets	2,772	117	18	**2,907**
Financial assets held under resale agreements	526,979	-	-	**526,979**
Loans and advances to customers	958,989	9,396	355	**968,740**
Available-for-sale financial assets	145,968	974	64	**147,006**
Debt securities classified as receivables	70,092	-	-	**70,092**
Held-to-maturity investments	31,910	691	163	**32,764**
Other assets	14,619	110	6	**14,735**
Total financial assets	**2,349,859**	**14,627**	**1,532**	**2,366,018**
Financial liabilities:				
Due to banks and other financial institutions	629,152	610	143	**629,905**
Placements from banks and other financial institutions	31,370	1,052	-	**32,422**
Held-for-trading financial liabilities	10	-	-	**10**
Derivative financial liabilities	2,100	869	44	**3,013**
Financial assets sold under repurchase agreements	141,426	-	-	**141,426**
Due to customers	1,331,615	10,911	2,753	**1,345,279**
Debt securities issued	81,013	-	-	**81,013**
Other liabilities	27,803	65	16	**27,884**
Total financial liabilities	**2,244,489**	**13,507**	**2,956**	**2,260,952**
Net position	**105,370**	**1,120**	**(1,424)**	**105,066**

Unit: RMB Million

	The Bank			
	12/31/2011			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	287,723	690	228	**288,641**
Due from banks and other financial institutions	36,791	1,918	1,158	**39,867**
Placements with banks and other financial institutions	18,543	2,556	-	**21,099**
Held-for-trading financial assets	5,537	-	-	**5,537**
Derivative financial assets	1,246	1,011	44	**2,301**
Financial assets held under resale agreements	374,005	-	-	**374,005**
Loans and advances to customers	837,512	4,613	443	**842,568**
Available-for-sale financial assets	146,070	1,092	70	**147,232**
Debt securities classified as receivables	61,321	-	-	**61,321**
Held-to-maturity investments	32,914	1,200	176	**34,290**
Other assets	10,369	66	6	**10,441**
Total financial assets	**1,812,031**	**13,146**	**2,125**	**1,827,302**
Financial liabilities:				
Borrowings from central bank	365	-	-	**365**
Due to banks and other financial institutions	412,848	4,814	724	**418,386**
Placements from banks and other financial institutions	16,170	2,152	276	**18,598**
Derivative financial liabilities	2,192	107	18	**2,317**
Financial assets sold under repurchase agreements	88,265	1,092	228	**89,585**
Due to customers	1,123,283	6,939	2,545	**1,132,767**
Debt securities issued	64,935	-	-	**64,935**
Other liabilities	14,675	165	24	**14,864**
Total financial liabilities	**1,722,733**	**15,269**	**3,815**	**1,741,817**
Net position	**89,298**	**(2,123)**	**(1,690)**	**85,485**

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses.

Unit: RMB Million

	The Group		The Bank	
	2011	2010	2011	2010
5% appreciation	14	191	14	191
5% depreciation	(14)	(191)	(14)	(191)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) the exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) the exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk maily derives from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portofolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyze and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The planning and financial department is responsible for: (1) drafting liquidity risk management policies and measures; (2) monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets' and liabilities' structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly; and (3) analyzing the liquidity risk and reporting to the assets and liability management committee regularly.

The treasury operation department and the treasury management department are responsible for the daily operation of the liquidity management. Both departments are responsible for establishing a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group will regularly monitor the surplus reserve ratio, liquidity ratio, loan-to-deposit ratio and set alarming and security limits for each ratio. The Group will also prepare general liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating also the consideration of macroeconomy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee of the Board of Directors for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 A maturity analysis of financial assets and liabilities of the Group as follows

The following tables are the structure analysis of non-derivative financial assets and liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

Unit: RMB Million

	The Group							
	12/31/2011							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	68,503	-	-	-	-	-	228,207	**296,710**
Due from banks and other financial institutions	15,368	32,217	13,899	6,790	1,824	-	21	**70,119**
Placements with banks and other finanicial institutions	-	15,440	92,371	130,318	233	-	79	**238,441**
Held-for-trading financial assets	-	11	996	2,114	5,338	565	-	**9,024**
Financial assets held under resale agreements	-	114,427	135,494	233,388	66,826	-	-	**550,135**
Loans and advances to customers	-	48,560	93,036	423,278	333,886	283,619	6,177	**1,188,556**
Available-for-sale financial assets	-	2,766	1,650	48,848	83,255	34,253	81	**170,853**
Debt securities classified as receivables	-	1,244	2,911	37,961	27,779	8,969	-	**78,864**
Financial lease receivables	-	241	1,137	5,124	18,400	964	-	**25,866**
Held-to-maturity investments	-	30	1,053	6,996	13,971	21,619	-	**43,669**
Other non-derivative financial assets	372	356	546	1,459	5,179	350	6	**8,268**
Total non-derivative financial assets	**84,243**	**215,292**	**343,093**	**896,276**	**556,691**	**350,339**	**234,571**	**2,680,505**
Non-derivative financial liabilities:								
Due to banks and other finanicial instituions	304,090	140,876	113,448	73,803	2,670	-	-	**634,887**
Placements from banks and other financial institutions	-	24,207	7,303	21,610	747	-	-	**53,867**
Held-for-trading financial liabilities	-	10	-	-	-	-	-	**10**
Financial assets sold under repurchase agreements	-	31,164	66,102	46,684	-	-	-	**143,950**
Due to customers	636,459	158,510	140,260	280,405	129,660	33,883	-	**1,379,177**
Debt securities issued	-	-	12,591	3,030	60,022	25,692	-	**101,335**
Other non-derivative financial liabilities	2,591	8,774	400	1,325	2,304	471	580	**16,445**
Total non-derivative financial liabilities	**943,140**	**363,541**	**340,104**	**426,857**	**195,403**	**60,046**	**580**	**2,329,671**
Net position	**(858,897)**	**(148,249)**	**2,989**	**469,419**	**361,288**	**290,293**	**233,991**	**350,834**

Unit: RMB Million

	The Group							
	12/31/2010							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balance with central bank	129,027	-	-	-	-	-	159,702	**288,729**
Due from banks and other financial institutions	8,192	22,718	4,845	3,555	808	-	21	**40,139**
Placements with banks and other finanicial institutions	-	4,696	2,469	14,410	227	-	117	**21,919**
Held-for-trading financial assets	-	90	10	2,029	3,819	208	-	**6,156**
Financial assets held under resale agreements	-	118,915	148,473	87,776	25,737	-	-	**380,901**
Loans and advances to customers	-	42,026	57,960	300,501	365,035	269,220	4,820	**1,039,562**
Available-for-sale financial assets	-	47	7,484	17,206	104,109	40,251	30	**169,127**
Debt securities classified as receivables	-	-	3,329	38,147	16,592	8,804	-	**66,872**
Financial lease receivables	-	55	365	1,255	8,004	1,085	-	**10,764**
Held-to-maturity investments	-	23	884	10,922	18,539	8,959	-	**39,327**
Other non-derivative financial assets	716	11	2,294	1,128	946	26	10	**5,131**
Total non-derivative financial assets:	**137,935**	**188,581**	**228,113**	**476,929**	**543,816**	**328,553**	**164,700**	**2,068,627**
Non-derivative financial liabilities:								
Borrowings from central bank	-	97	110	159	-	-	-	**366**
Due to banks and other financial institutions	193,739	-	179,234	43,559	4,380	-	-	**420,912**
Placements with banks and other finanicial institutions	-	13,918	4,630	7,871	-	-	-	**26,419**
Financial assets sold under repurchase agreements	-	46,808	27,041	16,633	-	-	-	**90,482**
Due to customers	680,974	51,497	109,635	186,603	123,157	574	-	**1,152,440**
Debt securities issued	-	-	554	25,951	23,224	25,857	-	**75,586**
Other non-derivative financial liabilities	3,474	1,919	96	751	650	187	218	**7,295**
Total non-derivative financial liabilities	**878,187**	**114,239**	**321,300**	**281,527**	**151,411**	**26,618**	**218**	**1,773,500**
Net position	**(740,252)**	**74,342**	**(93,187)**	**195,402**	**392,405**	**301,935**	**164,482**	**295,127**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances with central bank, due from banks and other financial institutions, placements with banks and other financial institutions and held-for-trading financial assets, etc,. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition, the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

Unit: RMB Million

	The Bank							
	12/31/2011							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	68,503	-	-	-	-	-	227,989	**296,492**
Due from banks and other financial institutions	15,366	32,217	13,899	6,790	1,824	-	21	**70,117**
Placements with banks and other finanicial institutions	-	15,440	92,371	130,318	233	-	79	**238,441**
Held-for-trading financial assets	-	11	996	2,114	5,338	565	-	**9,024**
Financial assets held under resale agreements	-	114,427	135,494	233,388	66,826	-	-	**550,135**
Loans and advances to customers	-	48,560	93,023	423,067	333,886	283,619	6,177	**1,188,332**
Available-for-sale financial assets	-	2,459	1,631	48,743	83,255	34,252	14	**170,354**
Debt securities classified as receivables	-	1,243	2,911	37,961	27,665	8,969	-	**78,749**
Held-to-maturity investments	-	30	1,053	6,996	13,971	21,619	-	**43,669**
Other non-derivative financial assets	372	244	475	617	156	25	6	**1,895**
Total non-derivative financial assets:	**84,241**	**214,631**	**341,853**	**889,994**	**533,154**	**349,049**	**234,286**	**2,647,208**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	306,365	141,676	113,448	73,803	2,670	-	-	**637,962**
Placements with banks and other finanicial institutions	-	24,207	6,196	2,185	-	-	-	**32,588**
Held-for-trading financial liabilities	-	10	-	-	-	-	-	**10**
Financial assets sold under repurchase agreements	-	31,164	66,102	46,684	-	-	-	**143,950**
Due to customers	636,459	158,510	140,260	280,405	129,660	33,883	-	**1,379,177**
Debt securities issued	-	-	12,591	3,030	60,022	25,692	-	**101,335**
Other non-derivative financial liabilities	2,585	8,774	400	1,225	314	2	2	**13,302**
Total non-derivative financial liabilities	**945,409**	**364,341**	**338,997**	**407,332**	**192,666**	**59,577**	**2**	**2,308,324**
Net position	**(861,168)**	**(149,710)**	**2,856**	**482,662**	**340,488**	**289,472**	**234,284**	**338,884**

Unit: RMB Million

	The Bank							
	12/31/2010							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	129,027	-	-	-	-	-	159,702	**288,729**
Due from banks and other financial institutions	8,192	22,718	4,845	3,555	808	-	21	**40,139**
Placements with banks and other								
finanicial institutions	-	4,696	2,469	14,410	227	-	117	**21,919**
Held-for-trading financial assets	-	90	10	2,029	3,819	208	-	**6,156**
Financial assets held under resale agreements	-	118,915	148,473	87,776	25,737	-	-	**380,901**
Loans and advances to customers	-	42,026	57,960	300,501	365,035	269,220	4,820	**1,039,562**
Available-for-sale financial assets	-	47	7,484	17,206	104,109	40,251	30	**169,127**
Debt securities classified as receivables	-	-	3,329	38,147	16,592	8,804	-	**66,872**
Held-to-maturity investments	-	23	884	10,922	18,539	8,959	-	**39,327**
Other non-derivative financial assets	716	-	2,281	655	104	26	10	**3,792**
Total non-derivative financial assets:	**137,935**	**188,515**	**227,735**	**475,201**	**534,970**	**327,468**	**164,700**	**2,056,524**
Non-derivative financial liabilities:								
Borrowings from central bank	-	97	110	159	-	-	-	**366**
Due to banks and other financial institutions	193,971	-	179,735	43,559	4,380	-	-	**421,645**
Placements with banks and other								
finanicial institutions	-	13,918	4,582	169	-	-	-	**18,669**
Financial assets sold under								
repurchase agreements	-	46,808	27,041	16,633	-	-	-	**90,482**
Due to customers	680,974	51,497	109,635	186,603	123,157	574	-	**1,152,440**
Debt securities issued	-	-	554	25,951	23,224	25,857	-	**75,586**
Other non-derivative financial liabilities	3,474	1,903	96	643	115	58	-	**6,289**
Total non-derivative financial liabilities	**878,419**	**114,223**	**321,753**	**273,717**	**150,876**	**26,489**	**-**	**1,765,477**
Net position	**(740,484)**	**74,292**	**(94,018)**	**201,484**	**384,094**	**300,979**	**164,700**	**291,047**

5.2 Liquidity risk analysis of derivative instruments

(i) Derivative settled on a net basis

Derivatives that will be settled on a net basis are mainly interest rate related and credit related. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Unit: RMB Million

	The Group and the Bank					
	12/31/2011					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(4)	12	43	24	-	**75**
Other derivatives	(182)	-	-	(8)	-	**(190)**
Total	**(186)**	**12**	**43**	**16**	**-**	**(115)**

	The Group and the Bank					
	12/31/2010					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	3	10	49	48	-	**110**
Other derivatives	(5)	-	1	(1)	-	**(5)**
Total	**(2)**	**10**	**50**	**47**	**-**	**105**

(ii) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives and precious metals forward with delivery precious metals. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Unit: RMB Million

	The Group and the Bank					
	12/31/2011					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	56,903	28,995	43,177	685	-	**129,760**
-Cash outflow	(56,925)	(28,977)	(43,162)	(684)	-	**(129,748)**
Other derviatives						
-Cash inflow	20	-	-	-	-	**20**
-Cash outflow	-	-	(920)	-	-	**(920)**
Total	**(2)**	**18**	**(905)**	**1**	**-**	**(888)**

Unit: RMB Million

	The Group and the Bank					
	12/31/2010					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivates						
-Cash inflow	54,863	46,483	67,389	2,187	-	**170,922**
-Cash outflow	(54,930)	(46,442)	(67,456)	(2,155)	-	**(170,983)**
Other derivatives						
-Cash inflow	-	-	1,196	-	-	**1,196**
-Cash outflow	-	-	(303)	-	-	**(303)**
Total	**(67)**	**41**	**826**	**32**	**-**	**832**

5.3 Off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

Unit: RMB Million

	The Group and the Bank							
	12/31/2011				12/31/2010			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	19,751	-	-	**19,751**	31,976	-	-	**31,976**
Letter of credit	32,228	1,097	-	**33,325**	16,672	1,354	-	**18,026**
Letter of guarantee	7,852	3,561	1,521	**12,934**	7,860	3,107	33	**11,000**
Bank acceptancess	269,164	-	-	**269,164**	186,366	-	-	**186,366**
Reimbursement refinances	123,067	-	-	**123,067**	-	-	-	**-**
Total	**452,062**	**4,658**	**1,521**	**458,241**	**242,874**	**4,461**	**33**	**247,368**

6. Capital Management

The Group formulated the "2011-2015 Development Strategy Plan" in 2011, starting from business strategy, risk conditions and regulatory requirements, based on the analysis of the situation inside and outside the Group, making a reasonable forecast of the business development for the next five years, clearly demonstrating growth rate of assets, capital requirements and supplementary channel for capital, fully demonstrating the necessity and feasibility of additional capital, making clear that the level of capital adequacy ratio and core capital adequacy ratio which the Group should maintain to achieve healthy, sustainable and rapid development.

In specific operation, the Group specified the future goal of capital management, which will be achieved by the following: (i) Ensuring that the total amount of available capital match the Group's current and future business development plans as well as the requirement of business strategy, business development and risk management; (ii) Ensuring that capital management and capital supplement meet the outside regulatory requirement as well as the requirement of diversified stakeholders, in order to achieve sustainable development; (iii) Ensuring that the risk assets are allocated in a suitable and efficient manner, in order to maximize shareholders' risk-adjusted return.

According to related guidelines of Basel Committee, "Guidelines of implementing new regulatory standards in Chinese banking industry" and other regulations, the Group monitors its capital adequacy and capital application in real time.

7. Fair value of financial instruments

7.1 Financial instruments measured at fair value

Fair values of the financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;

(ii) The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

(iii) The fair value of derivative instruments are determined with reference to quoted market prices in active markets. Where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and on the basis of the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Fair values of financial instruments are determined and disclosed as the following levels:

Level 1 – those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables summarize the analysis for financial instruments using the three-level fair value hierarchy determination.

Unit: RMB Million

	The Group							
	12/31/2011				12/31/2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Held-for-trading financial assets	-	8,101	-	**8,101**	-	5,537	-	**5,537**
Derivative financial assets	-	2,907	-	**2,907**	-	2,301	-	**2,301**
Available-for-sale financial assets	81	133,458	13,966	**147,505**	328	139,894	7,010	**147,232**
Total	**81**	**144,466**	**13,966**	**158,513**	**328**	**147,732**	**7,010**	**155,070**
Financial liabilities:								
Held-for-trading financial liabilities	-	10	-	**10**	-	-	-	**-**
Derivative financial liabilities	-	3,013	-	**3,013**	-	2,317	-	**2,317**
Total	**-**	**3,023**	**-**	**3,023**	**-**	**2,317**	**-**	**2,317**

	The Bank							
	12/31/2011				12/31/2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Held-for-trading financial assets	-	8,101	-	**8,101**	-	5,537	-	**5,537**
Derivative financial assets	-	2,907	-	**2,907**	-	2,301	-	**2,301**
Available-for-sale financial assets	14	133,211	13,781	**147,006**	328	139,894	7,010	**147,232**
Total	**14**	**144,219**	**13,781**	**158,014**	**328**	**147,732**	**7,010**	**155,070**
Financial liabilities:								
Held-for-trading financial liabilities	-	10	-	**10**	-	-	-	**-**
Derivative financial liabilities	-	3,013	-	**3,013**	-	2,317	-	**2,317**
Total	**-**	**3,023**	**-**	**3,023**	**-**	**2,317**	**-**	**2,317**

There are no transfers from Level 1 and Level 2 to Level 3, and no transfers between Level 1 and Level 2 for the fair value measurements of the Group's financial instruments in 2011 and in 2010.

Reconciliation of Level 3 fair value measurements for financial assets and financial liabilities is as follows:

Unit: RMB Million

Available-for-sale financial assets	The Group	
	12/31/2011	12/31/2010
Opening balance	7,010	-
Total profit or loss	627	11
Profit	627	11
Purchases/disposals	14,316	6,999
Settlements	(7,987)	-
Closing balance	**13,966**	**7,010**
Profit or loss from assets/liabilities held at the end of 31 December 2011	**554**	**11**

Unit: RMB Million

Available-for-sale financial assets	The Bank	
	12/31/2011	12/31/2010
Opening balance	7,010	-
Total profit or loss	627	11
Profit	627	11
Purchases/disposals	14,316	6,999
Settlements	(7,987)	-
Closing balance	**13,781**	**7,010**
Profit or loss from assets/liabilities held at the end of 31 December 2011	**554**	**11**

7.2 Financial instruments measured at amortised cost

The following tables disclose the carrying amount and the fair values of financial assets and financial liabilities which are not measured at fair value at the balance sheet date. The following tables do not include items whose carrying amout and fair values are close, such as balances with central bank, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, borrowings from central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements, etc.

Unit: RMB Million

	The Group			
	12/31/2011		12/31/2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans and advances to customers	968,940	968,372	842,568	842,441
Held-to-maturity investments	32,764	32,828	34,290	34,031
Debt securities issued	70,205	70,147	61,321	61,299
Total	**1,071,909**	**1,071,347**	**938,179**	**937,771**
Financial liabilities:				
Due to customers	1,345,279	1,340,734	1,132,767	1,133,864
Debt securities issued	81,013	80,098	64,935	63,770
Total	**1,426,292**	**1,420,832**	**1,197,702**	**1,197,634**

Unit: RMB Million

	The Bank			
	12/31/2011		12/31/2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans and advances to customers	968,740	968,172	842,568	842,441
Held-to-maturity investments	32,764	32,828	34,290	34,031
Debt securities issued	70,092	70,034	61,321	61,299
Total	**1,071,596**	**1,071,034**	**938,179**	**937,771**
Financial liabilities:				
Due to customers	1,345,279	1,340,734	1,132,767	1,133,864
Debt securities issued	81,013	80,098	64,935	63,770
Total	**1,426,292**	**1,420,832**	**1,197,702**	**1,197,634**

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XIV. COMPARATIVE FIGURES

In order to comply with the presentation of this financial statements, the Group has represented certain comparative figures.

XV. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

On 2 March, 2012, pursuant to the resolution of the Board of Directors, the Bank signed share subscription with PICC Asset Management Co., Ltd., China National Tobacco Corporation, Beijing Infrastructure Investment Co., Ltd., and Shanghai Zheng Yang International Business Co., Ltd. The above companies determined to subscribe the Bank's non-public offering domestic listed RMB ordinary shares of no more than 2,072,255,800 shares (inclusive) with a consideration of no more than RMB26,379,816,334. The proposed non-public offering plan is subject to approval by the Annual General Meeting of the Bank, CBRC and China Securities Regulatory Commission (the "CSRC"). And the proposed plan finally approved by the CSRC will be treated as the final plan. After the completion of non-public offering, the above subscribers will become the Bank's shareholders. If there is any ex-right or ex-dividend plan from pricing benchmark date to offering date, the shares subscribed will be adjusted according to related regulations of the Shanghai Stock Exchange.

XVI. APPROVAL OF FINANCIAL STATMENT

The financial statements were approved by the Board of Directors on 16 March, 2012.

SUPPLEMENTARY INFORMATION
YEAR 2011

1. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of “Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1-Non-recurring Profit or Loss (2008)” (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

Unit: RMB Million

	The Group	
	2011	2010
Gains and losses on the disposal of non-current assets	14	80
Government grants recognised in profit or loss	89	20
Recovery of assets written-off in previous years	124	107
Net non-operating income and expense in addition to the above	29	42
Subtotal	**256**	**249**
Impact on income tax expenses	(66)	(64)
Net earnings attributable to the parent company shareholders	**190**	**185**
Net earnings attributable to the parent company shareholders, after deduction of non-recurring gains and losses	**25,315**	**18,336**

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the company’s financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as “the Bank”) does not include “investment income from financial assets designated as at fair value through profit or loss, financial liabilities designated as at fair value through profit or loss and available-for-sale financial assets” in non-recurring profit or loss.

2. Return on net assets and earnings per share ("EPS")

The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

Unit: RMB Million

	The Group	
	2011	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	24.67	2.36
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	24.49	2.35

Unit: RMB Million

	The Group	
	2010	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	24.64	1.82
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	24.39	1.80

The Group has no diluted potential ordinary share.


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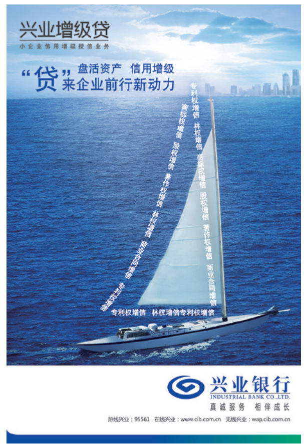
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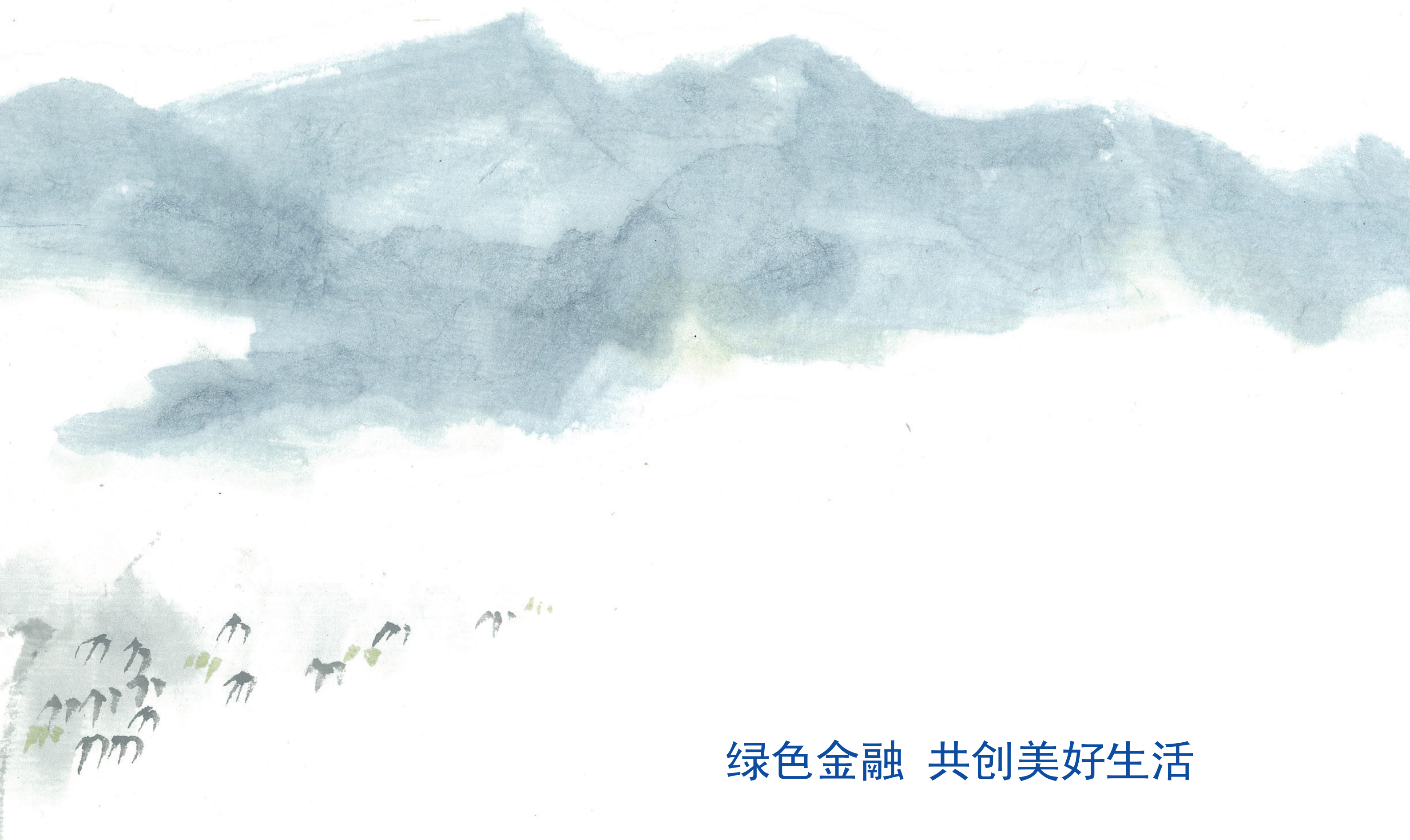

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2011 Internal control self-assessment report by the Board of Directors of Industrial Bank Co., Ltd.

The Board of Directors and all directors of Industrial Bank Co., Ltd. (hereinafter referred to as "Company" or "the Company") hereby warrant that the information contained in this report is free from any false representation, misleading statement or material omission, and assume joint and several liabilities for the truthfulness, accuracy and completeness of the contents herein contained.

The Board of Directors of the Company is responsible for the building of sound internal control and effectively implementing them. The Board of Supervisors shall supervise the set up and implementation of internal control. The senior management is responsible for organizing and leading the daily operations of internal control of the Company.

The internal control objectives of the Company are: to ensure that the laws and regulations of the State and the bylaws of the Company are thoroughly implemented; to ensure that the development strategy and the business objectives of the Company are comprehensively implemented and fully realized; to ensure the validity of the risk management system of the Company; to ensure that the business record, financial information and other management information are prompt, authentic and complete; and to ensure that the assets of the Company are safe.

As internal control contain inherent limitations, they can only provide reasonable assurance as regards the above objectives.

I. Basic status of internal control assessment

(I) Bases for internal control assessment

During the reporting period, the Company adhered to the *Basic Standards for Internal Controls of Enterprises* and supporting guidelines promulgated by the Ministry of Finance and four other ministries and commissions, and in accordance with relevant regulations such as the *Guidelines for Internal Control of Commercial Banks*, and the *Guidelines for Internal Control of Companies Listed on the Shanghai Stock Exchange*, organized the carrying out of internal control self-assessment at all functional departments as well as branch and sub-branch entities. On this basis, the internal audit department of the Company carried out internal control assessment of all branches and sub-branches of the Company in accordance with the *Measures of Industrial Bank for the Administration of Internal Control Assessment* and *Detailed Rules of Industrial Bank for Internal Control Assessment*.

(II) Scope of internal control assessment

During the reporting period, the entities of the Company under internal control self-assessment included all the functional departments as well as branches and sub-branches of the Company, but excluded subsidiaries such as China Industrial International Trust Limited and Industrial Bank Financial Leasing Co., Ltd. The scope of business assessed covered all fields of the Company's business management such as the building of the Company's system, organization framework, human resources management, information communication and exchange, supervisory assessment mechanism, corporate finance business, retail banking business, treasury and financial institutions business, intermediary business, accounting and counter management, financial management, security and IT system control. At the same time, the Company also incorporated the status of rectification of problems that were detected at the audit and their impact into the internal audit of internal control assessment. The internal control of the abovementioned business and events covered key aspects of the business management of the Company. Material omissions do not exist.

(III) Internal control assessment method and mechanism

According to supervisory provisions relevant to internal control assessment, the Company has built an internal control self-assessment mechanism where internal control self-assessment of the entire bank is carried out by the Law & Compliance Department and the Audit Department of the Company. The key methods used in the internal control self-assessment process by the Company were: firstly, full utilization of the pilot outcome of internal control as well as the audit conclusions of external intermediary institutions to embark on internal control assessment. Adopted assessment tools and methods such as walk-through testing and control testing according to the enterprise aspect, flow aspect and IT aspect, and analyzed the weaknesses that existed in internal control. Secondly, all branches and departments in the head office actively embarked on internal control self-assessment. On the basis of the internal control self-assessment and analysis report of each entity, the Compliance Department embarked on internal control assessment by fully utilizing the investigation outcome of the business divisions and management departments of each line in conjunction with the problems that were detected in the internal and external audit as well as the status of their follow-up rectification. Thirdly, the internal audit department of the Company, on the basis of the internal control self-assessment of management, carried out independent supervision and assessment of the status of internal control of each branch and sub-branch of the Company, and, through the setting up, implementation and operational outcome of the internal control system thereof, embarked on such activities as investigation, testing, analysis and assessment, thus advancing continued improvement and the effective running of the internal control of all branch and sub-branch entities.

II. Building of the internal control system

(I) Overall status of internal control self-assessment

For the purposes of building an internal control system that meet the requirements and provisions of *the Basic Standards for Internal Control of Enterprises*, the Company completed the pilot "Internal control assessment system" building project on March 2011, as well as the consolidation of the overall compliance management system. Presently, this system already covers the entire bank.

During the reporting period, the Company enhanced the overall design and standardization of the internal organizational framework operational mechanism, devising an overall plan and having consolidated all investigative resources, thus gradually standardizing the detection of internal control defects and reporting channels. The internal control self-assessment of the Company's management level was organized and undertaken by the compliance department of the Company, which set up an assessment team comprising department heads and relevant office personnel. The duration of the implementation of the assessment was between July 2011 and December 2011. During the assessment process, the internal control self-assessment defect analysis table was used as a means for recording working papers, and consulting firms such as Ernst & Young and Push Consulting provided guidance and assisted in the training. Based on the status of the assessment, the assessment team completed the internal control self-assessment report for the entire bank, and submitted the same to the Internal Control Committee at the head office for consideration and approval.

At the same time, the Company's internal audit department, in accordance with the *Measures of Industrial Bank for the Administration of Internal Control Assessment* and *Detailed Rules of Industrial Bank for Internal Control Assessment*, carried out independent supervision and assessment of the internal control situation of each entity of the Company. The internal audit and supervisory staff of the Company carried out an assessment of the soundness and validity of the internal control of each entity based on on-site audit and daily supervision, consolidating the assessment of their internal control ratings. Internal control rating ran through the full-year supervisory process of the internal audit and supervisory staff. When embarking on the annual internal control assessment of each entity, the internal audit department set up an assessment team comprising department heads and relevant office staff. The assessment team reasonably assessed the internal control standards of each entity based on the overall internal control situation of each entity in conjunction with the internal control rating of the supervisory staff, the assessment outcome of the relevant internal control department at the headquarters, external supervision and the assessment opinion of audit institutions, and recorded the working papers for the assessment process. Coupled with the internal control self-assessment report provided by management, a re-assessment of the problems detected in the management self-assessment was carried out, thus completing the internal control self-assessment report of the Company for the year.

(II) Overview of the existing condition of internal control

In 2011, under the leadership of the Board of Directors and the committees set up thereof, the Company's senior management deepened the advancement of the strategic transformation of the business development model and the earnings model, further improving internal control. During the reporting period, the Company, in accordance with external macroeconomic development, changes in the legal and regulatory environment, as well as the business development and internal management requirements, successively revised and improved a series of internal control systems, adopting a series of internal control measures. The content encompassed various aspects such as the internal control environment, risk recognition and assessment, internal control activities, information exchange and feedback, and supervisory assessment and rectification. Once an internal defect is identified, the Company would adopt rectification measures. In 2011, the internal control of the Company was reasonable, valid and complete; no material internal control defects were detected.

1. Internal control environment

(1) Corporate governance

The Company built and improved on the legal person governance structure, ensuring that such entities as the general shareholders' meeting, the Board of Directors, the Board of Supervisors and senior management were operating legitimately and internal control was effectively implemented. The Board of Directors was responsible for establishing and implementing an effective internal control system. The Audit and Related Party Transaction Control Committee set up under the Board of Directors was responsible for supervising the effective implementation of the internal control of the Company. The Board of Supervisors was responsible for supervising the carrying out of internal control duties by the Board of Directors and senior management. Senior management was responsible for formulating internal control systems, for monitoring and assessing the adequacy and validity of the internal control system, as well as making a report of the relevant situation to the Board of Directors. The Internal Control Committee of the head office was responsible for carrying out the resolution request of the Board of Directors and its committees as regards internal control, and organizing and coordinating the establishment and implementation of the internal control system of the Company, monitoring and reporting on the operating condition of the internal control system.

In 2011, the Company organized and convened one shareholders' meeting, seven Board of Directors' meetings, and 21 meetings of all committees set up under the Board of Directors to consider and listen to a total of 151 business management topics, conscientiously playing a role in material decision making. For management, research was embarked on capital management, liquidity management, business specialization and other related items, and activities such as the Singapore senior management programme, the CBRC supervisory forum, supervisory department training and investor communication activities were organized, strengthening the directors' guidance on business management, and upgrading the international and professional vision of the directors. As of 31 December 2011, the Board of Directors of the Company comprised 15 directors, including six shareholding directors, four senior management directors and five independent directors. Five committees are set up under the Board of Directors of the Company, comprising the Executive Committee, Risk Management Committee, Audit and Related Party Transaction Control Committee, Nomination Committee and Remuneration and Evaluation Committee. During the reporting period, the Audit and Related Party Transaction Control Committee stringently adhered to the requirements of relevant documents such as supervisory regulations and the Articles of Association of the Company, and conscientiously carried out all duties. In 2011, the committees convened eight meetings, and considered and listened to 29 topics, involving various aspects such as the audit of periodic reports and financial budget plans, the appointment of an accounting firm, coordinating and supervising the completion of the audit of the annual report and the review of the interim report by the accounting firm, guiding and supervising the internal audit, examining and assessing internal control, and managing related party transactions, successfully completing all duties accorded by the Board of Directors, which had a positive effect in safeguarding the health of the internal control system of the Company. In addition, during the reporting period, the Company revised the *Articles of Association* of the Company, as well as the *Rules of Procedure of General Shareholders' Meetings*, *the Rules of Procedures of the Board of Directors*, working rules of all committees of the Board of Directors, and the *Administrative Measures on Fees of the Board of Directors,* enhancing the improvement of other basic systems of corporate governance.

In terms of the setting up and carrying out of duties of the Board of Supervisors, the Board of Supervisors of the Company is comprised of nine supervisors, including four shareholding supervisors, three supervisors who are employees and two external supervisors. Two special committees, namely, the Supervisory Committee, and the Nomination, Remuneration and Evaluation committees were set up under the Board of Supervisors. During the reporting period, the Board of Supervisors organized and convened seven meetings (including two meetings by correspondence), and considered and approved 19 resolutions of various categories, as well as listened to 12 reports; four special committee meetings were convened, with eight resolutions of various categories were considered and approved. During the reporting period, the Board of Supervisors, by various means such as cooperation with the internal audit department of the Company, embarked on the research of topics of various categories and special investigations, fully and effectively carrying out the basic duties of the Board of Supervisors.

(2) Building the system

The Company has continually improved on the setting up of its system, and has continued to raise the overall management standards. Through controlling flows such as the planning and initiation of the system, drafting and consulting, reviewing legal compliance, and approval and issuing, guidance was provided to the head office as well as the branches to gradually advance in the standardization and normalization of daily management tasks. In addition, investigation into the compliance, operational aspect, normalization and unification of the newly rolled out system was strengthened, realizing the standardization of internal rules for the generation of quality at source. At the same time, the cleaning up and consolidation of the stock system was actively embarked upon, specifying the quality and the distribution of standardized documents of all categories of the whole bank. Currently, the Company has already built a relatively complete system, and the regulations and systems that have been formulated have encompassed the operational and management fields of major businesses of the Company.

(3) Human resources management

During the reporting period, the Company further improved human resources management. Firstly, to realize the healthy and rapid development of all businesses, the Company actively recruited business management talent according to practical requirements and revised the *Detailed Rules for the Hiring of Employees at Industrial Bank (revised on May 2011)*, enhancing the standardization of the hiring of staff. Policies relevant to human resources such as hiring, training, dismissal, resignation, remuneration, evaluation, promotion, reward and punishment reflected the sustainable development requirements of the Company. The system of mandatory vacation and periodic shuffling of posts for staff in key positions was implemented. Secondly, an internal incentive and restraint mechanism was built and improved upon, incorporating the status of carrying out internal control by each competent entity and employee into the performance evaluation system, further improving performance evaluation, enhancing the utilization of the outcome of the evaluation, and strengthening the effect of performance evaluation on incentives and restraints of all employees. At the same time, the Company, guided by the market, built scientific remuneration management and welfare guarantee systems, with remuneration playing a significant role in guiding corporate governance and risk management, and advancing the steady running and sustainable development of the Company. Thirdly, through various measures such as formulating training materials for all operations, multi-layered and diverse employee training formats were organized, and employees were encouraged to actively embark on in-service and continuing education. The professional qualifications, professional integrity and compliance awareness of employees were continually raised, ensuring the competence of employees at their respective posts.

(4) Compliance management

The Company continued to enhance compliance management. Firstly, further improved the overall compliance management system of the Company, and advanced the organic integration of compliance management and internal control. During the reporting period, a number of branches were selected for trials, so as to explore and realize the organic consolidation of the compliance monitoring and internal control assessment systems, combining the use of various self-assessment methods such as walk-through testing and control testing, and embarking on internal control assessment trials. Secondly, strengthened the building of the overall compliance management system, and fully developed the impact of its internal control and compliance management systems. During the reporting period, the Company carried out improvements on, and upgrading of the compliance management system. The new system encompassed compliance management internal control management of each daily task. Thirdly, laid a solid foundation for anti-money laundering. Through such measures as improving the relevant systems, optimizing the anti-money laundering monitoring data submission system, enhancing the intensity of analysis and inspection of suspicious transactions, and strengthening anti-money laundering operational training, anti-money laundering duties were conscientiously carried out, and anti-money laundering activities were actively embarked upon. Fourthly, deepened the "internal control and case prevention system implementation year" activities, making these activities important measures for raising the actual effect of the internal control of the Company and strengthening the execution intensity of the case prevention system, and solidly embarking on the inspection and rectification tasks of all special items.

(5) Corporate culture

The Company has cultivated positive corporate spirit and internal control culture, promoting honesty and trustworthiness, dedication and respect for one's work, pioneering and innovation, as well as the spirit of team work, building a modern corporate management philosophy and strengthening the thinking and education of employees. Through warning education, the implementation of provisions relevant to honest and self-discipline was enhanced. By combining the standards of the Company's business activities and that of the personal conduct of employees, employees were guided to establish compliance awareness and risk awareness, thus raising the professional ethical standards of employees. During the period, the Company organized and embarked on practicing the theme of "taking ownership, fulfilling responsibility and offering service", and through such means as the Company's official micro-blog, activity bulletins, and new employee entry-level training, the employees' sense of responsibility and mission were enhanced, thus incorporating corporate culture development into the entire business management process of the Company.

(6) Sustainable finance and social responsibility

The Company has made social responsibility and sustainable development as core strategies and value guidance. Taking into consideration of the interests of stakeholders such as the regulators, shareholders, customers, employees, partners, the environment and resources as well as society, numerous methods to drive the bank towards practising social responsibility were actively explored, constructing a positive relationship where human, nature, the environment and society may live together in harmony, with new business opportunities and source of profit in these areas actively sought. In 2007, the Company signed the *Declaration of Financial Institutions on the Environment and Sustainable Development*, and announced to the public of adoption of the Equator Principles on 31 October 2008, becoming the first Equator Principles financial institution in China and the 63rd in the world. In recent years, the Company has based its entry point on the Equator Principles, improving the development of the internal environment and social risk management system, and has embarked on a series of productive practices in advancing green credit and other related fields.

On the back of pioneering practices in green finance and social responsibility, the Company has, in recent years, received a high degree of affirmation and recognition from regulatory authorities, the media, NGOs and the public, becoming the only domestic company that was nominated for "Sustainable Finance Award" by the *Financial Times* (UK) and the International Finance Corporation for four consecutive years, and as a Chinese funded bank, received the "2007 Runner-up for Sustainable

Deal of the Year Award" and the "2009 Best Sustainable Bank Award". In addition, the Company was awarded the "Best Corporate Citizen in China" by the *21st Century Business Herald* for five years in a row. The Company was also awarded the "Best Green Bank Award in China" by *The Economic Observer*, the "2010 Best Socially Responsible Institution Award in the China Banking Industry" and the "2010 Best Green Finance Award in the China Banking Industry" by the China Banking Association, the "People's Listed Company Social Responsibility Award" by the People's Daily Online, the "2011 Best Green Finance Services Banking Award in Asia" by the *21st Century Business Herald*, the "2011 Excellent Competitive and Socially Responsible Financial Institution" jointly selected by *China Business* and the Chinese Academy of Social Sciences, and the "Most Socially Responsible Bank" by *Stocknews* among other awards.

2. Risk identification and assessment

The Company deepened the intension of overall risk management, and constructed an improved comprehensive risk management strategic system, taking into account new regulatory requirements in the last two years. On the basis of existing credit risk, market risk, operational risk, and information technology risk strategies, the Company incorporated compliance risk, reputation risk, country risk, environmental and social risk into the comprehensive risk management and strategy system. With comprehensive risk management and strategy as guidance, the Company carried out dynamic risk management, combining different development phases and business development conditions, gathering information related to changes in risk, and carried out risk identification and risk analysis, promptly adjusting risk response strategies. During the reporting period, the Company continued to improve its risk identification, measurement, monitoring and management systems and procedures, developing and utilizing methods and models of risk quantification assessment, continually raising the risk management capability of the Company. While setting up new institutions and starting new businesses, potential risks were evaluated based on relevant policies, systems and procedures and risk prevention measures proposed.

(1) Credit risk

The Company (i) Transformed risk management flows, actively utilized risk management and periodic outcome of capital allocation projects, and applied non-retail ratings to each credit risk segment, improving credit risk management. (ii) Optimized credit risk authorization management, and applied the non-retail internal ratings-based approach for the outcome of project development to business authorization, embedding credit business ratings into the process, realizing "rate customers first, then extend credit, followed by actual application". (iii) Changed the management of the tolerance indicator and make the tolerance indicator more reasonable. (iv)Internalized the regulatory department requirements into self-management requirements. For example, a loan payment management segment in the management of credit extension process was added in accordance with the "three measures and one guideline" regulatory spirit. (v) Converted the 2011 key regulatory scope of public credit assets into entire government financing platform loans, and real estate development loans which had inherent risk characteristics, and conscientiously undertook targeted key industry and key sector risk prevention measures. (vi) Embarked on non-onsite investigation of the risk management operations of branches and risk management personnel capacity, standardizing risk management operations.

(2) Market risk

The Company (i) Optimized the front-, mid- and back-end division of labour and mutual balancing mechanism, building a multi-layered market risk management line of defence based on business divisions, line management departments and the risk management department. (ii) Strengthened the risk management of emerging business markets, as well as clarified and defined the nature of the risks of emerging business markets such as capital transactions, investment banking, asset custody, financing lease, and financial derivatives, gradually building corresponding market risk management models and supplementary policy systems. (iii) Strengthened interest rate management, and make timely adjustments to the transfer prices of internal capital, thereby advancing the balanced and coordinated development of domestic and foreign currency deposit and lending operations of the bank. (iv) Strengthened management and controlled over non-credit enterprise credit outstanding, conscientiously summarized the month-end concentration of credit operations of the bank for single customers, and promptly carried out risk alerts. Capital transactions and the system valuation model were utilized to carry out simulations of special scenarios for the market risk of some of the products, establishing preliminary methods and a framework for simulating market risk scenarios.

(3) Liquidity risk

During the reporting period, the Company continued to strengthen internal control and enhanced liquidity risk management. On one hand, prompt monitoring of the liquidity proportion index conditions and changes to liquidity requirements of the entire bank was undertaken, driving the business institution to strengthen liquidity management, reasonably control duration mismatch, and raise risk management of the liquidity gap. Risk prevention and putting flows into order in daily capital management pricing execution were carried out, with focus on changes to mature cash flow gaps of existing operations. The impact of newly transacted businesses on liquidity conditions was analyzed, realizing effective control over the cost of debt and management of the structure of the balance sheet. In addition, through implementing liquidity risk management techniques, tests on liquidity pressure were continually advanced; handling plans were set up and continuously improved, raising the liquidity risk prevention competence.

(4) Operational risk

The Company continued to improve operational risk management. (i) Further improved the Company's tally of material operational risk events and report standards, and adjusted the Company's material operational risk event catalogue. (ii) Advanced the building of a key risk indicator system. During the reporting period, the construction of key risk indicators for information technology, as well as the payment and settlement lines were initiated. (iii) Sustained development of operational risk losses, and data on material events were gathered, tallied and analyzed so as to build a database for the purposes of measuring operational risk, and to complete the tallying and submission of periodic operational risk loss events and material events. (iv) Undertook active exchange with external intermediaries. During the reporting period, an "Industrial Bank operational risk exchange and exploration" themed forum was convened in conjunction with the external auditing firm hired by the Company, which saw in-depth exchange of a series of issues including the development trends in operational risk management systems, as well as integrated internal control, compliance and operational risk management system framework, and division of duties.

3. Internal control activities

Based on internal control objectives, in conjunction with the outcome of risk assessment and counter strategies, the Company applied various control measures on an integrated basis, implementing effective control over all businesses, controlling risks within sustainable scope. The Company built a material risk alert mechanism and an emergency response handling mechanism, specifying the risk alert standards, and ensuring that emergencies are promptly and appropriately handled.

(1) Credit extension operations

(i) Accurately grasped economic development trends, and stringently carried out regulatory policies, as well as formulated and issued the *2011 Detailed Rules of Industrial Bank for Access into Credit Operations*, scientifically arranging for the investment direction of credit funds, and optimizing the adjustment of the credit structure. (ii) Strengthened and unified management of credit extension, and improved on the credit extension decision making and approval mechanisms, so as to prevent high concentration risk on credit extension to a single customer, connected enterprise customer or group customer, prevent the violation of credit principles by extending loans to connect persons or loans due to friendship, and to prevent funds from credit extension to be used against the rules. (iii) Strengthened the authorization of credit extension operations and the management of transfer of authorization, ensuring that authorized personnel would exercise their duty and assume responsibility within the scope of authorization. (iv) Enhanced the credit extension risk prevention capacity of key businesses, and conscientiously strengthened the prevention of risk as regards credit extension on major businesses such as government financing platform loans, real estate development loans, and personal business loans. (v) Strengthened the use and management of credit extension contracts, and revised a number of loan related demonstration contract documents in accordance with internal and external regulatory systems, realizing the dynamic electronic management of contracts of the head office and the branches in the compliance system.

(2) Treasury operations

(i) Implemented a concentration and professional management model on the basic principles of mutual separation of execution of trade from risk monitoring, and mutual separation of front-, mid- and back-stages. Through the setting up of special operational transactions, risk control and funds settlement institutions, a funding operating model and an investment decision making system that met internal control requirements were gradually set up to ensure that all regulatory systems were stringently implemented. (ii) A market risk quantification system based primarily on the funds trading and analysis system (MUREX) was set up, and all categories of funds trading operations were gradually unified and incorporated into the said system for management purposes, preventing risks. (iii) Management of business authorization, trading gap quotas, and stop-loss quotas was implemented, controlling risks associated with treasury business. (iv) *The Measures of the Industrial Bank Financial Markets Department for the Administration of RMB Bond Trading Accounts*, and corresponding systems such as the execution standards were formulated, standardizing the administration of RMB bond trading accounts.

(3) Deposit and counter business

(i) Implemented effective control over grass-roots business network points and key posts, and stringently implemented accounts management, accounting systems and various execution rules, ensuring that the business is operating legally in accordance with the law. (ii) Optimized operational flows at the counter, and strengthened electronic hard constraints on counter operations, preventing internal operational risks and operating conduct in violation of the law. (iii) Organized the planning for the entire bank to embark on examining the payment and settlement operations, as well as other inspection activities such as checking the opening, transfer, and cash withdrawal of RMB bank settlement accounts, so that the standardization of operational execution may continue. (iv) Enhanced the training intensity of accounting management personnel, further raising the integrated quality, management skills and risk prevention standards of accounting and settlement management personnel.

(4) Intermediary and emerging businesses

The Company took measures to actively respond to financial disintermediation trends that could lead to a deceleration in deposit and loan growth, and strengthened intermediary business product innovation and sales. Through business innovation such as bond underwriting, management of wealth on behalf of customers, precious metals trading, and financial advisory, and continued expansion of intermediary business channels, revenues of the intermediary business rose, and consolidated business profits were realized. At the same time, effective measures to strengthen the control of intermediary business risks were adopted, lowering the Company's systematic risk. (i) During the reporting period, taking into account the actual conditions of embarking on the bond underwriting business, the *Execution Rules of Industrial Bank on Supportive Investment of Bond Financing Tools of Non-financial Enterprises in the Inter-bank Bond Market* was formulated, spurring the business system to conform to innovation requirements and risk control requirements. (ii) The administration of access into wealth management and other emerging businesses, operating procedure control and division of functional duties were strengthened, and the incorporation of emerging businesses that involve principal credit of the business into the credit risk system to be centrally managed was spelled out further, thereby enhancing risk control over emerging businesses such as wealth management on behalf of customers. (iii) Rules and systems such as the *Measures of Industrial Bank for the Administration of the Financial Advisory Business*, the *Measures of Industrial Bank for the Administration of the Customer Gold Leasing Business*, and the *Detailed Rules of Industrial Bank for Operating the Customer Gold Leasing Business* were formulated to provide the bases for clear and effective internal rules for guiding the standardized development of intermediary businesses. (iv) The Company made a comprehensive reorganization of the existing operations of the emerging business, and improved such areas as the building of the line of defence as regards risks for the emerging business, evaluating the adjusted methods, setting up access standards, and managing credit quotas and risk gap management, including strengthening control over the incorporation of various categories of credit operations into the credit risk management system. The Company also implemented unified evaluation standards for a single principal involved in different credit operations, and further improved on the overall control over the risk gap of single customers.

(5) Finance and accounting

(i) The financial authorization principle of "unified leadership, centralized management, grade accounting, and distinguishing authorization" was stringently observed, and the financial management system was continually improved. (ii) A comprehensive budgetary management control system was implemented, specifying the jurisdiction of duties of each competent entity in budgetary management, standardizing the formulating, examination and approval, and transmission and execution procedures of the budget, and strengthening budgetary constraints. (iii) Control and management of operational flows such as accounts management, funds transfers, change of PIN numbers, management of official seals, management of important vouchers and certificates with stated value, and checking of accounts were enhanced to ensure that the rules of the system at each segment were clear, with cross-rechecking between different posts, effectively preventing operational risks. (iv) Attention was paid on the building and upgrading of a supporting information system, so as to increase the control capacity of hard constraints over accounting and operational risks. In October 2011, the Company's new generation core business system went online successful. This system has both accounting and risk management functions. Not only does it benefit the realization of integrated service capacity with the customer as the core, it is also able to provide support for the application system of the entire bank, realizing risk control over front-stage accounting operation.

(6) Information technology

(i) Continued improvement of the information technology risk mechanism. *The Rules of Industrial Bank on Events as regards Information Technology Management of Branches and Overseas Branches (Sub-branches)* were formulated, further standardizing and improving the division of duties and operating mechanisms between branches, overseas branches and sub-branches. (ii) Management of the information technology framework was standardized, and the design method of the information system framework was promoted, spurring the normalization of the framework, and effective delivery of the standards. (iii) The formulating and issuance of standards for the administration of technology frameworks such as the *Measures of Industrial Bank for the Administration of Technology Platforms* incorporated the technology platform of the entire bank into the unified management process. (iv) Information technology risk and quality management was steadily undertaken, with the organic integration of risk and quality management, which threaded through the entire life cycle of the information system. (v) The Zhangjiang data centre was completed and was put into use, adjusting the core disaster back-up system framework, transforming and optimizing the foundation environment of the network, and further improving the information technology infrastructure. (vi) The information technology operational competency was steadily enhanced, and automated operation and maintenance continued to deepen, lowering business operating costs and operational risks.

4. Information exchange and feedback

The Company built an excellent information exchange and feedback mechanism, with smooth internal and external information exchange; all information may be communicated unobstructed. (i) Through various formats such as the OA office system, business line meetings, written reports and surveys, the gathering and feedback of all business categories and management information were undertaken, ensuring that the Board of Directors, the Board of Supervisors, and senior management may promptly get a hold of the Company's operations and the status of risk management. The entities at all levels and the employees were able to communicate information smoothly. (ii) Through the gathering and transmission of information relevant to internal control such as comprehensive risk management reports, internal control reports and compliance reports, ensuring effective communication and unobstructed feedback of internal control information within and outside of the Company. At the same time, the Company enhanced the gathering and consolidation of internal and external information, raising the degree of utilization and sharing of information. (iii) The impact of changes in the external legal environment on the business development of the Company was actively studied, and legislation and regulatory dynamics were taken into consideration. At the same time, integrating the requirements of the Company's business development, improvements were made to existing operations and operational flows to prevent risks. (iv) Monitoring of public sentiment was conscientiously carried out. Guidance, publicity and implementation of awareness of prevention of risks due to negative public sentiment were enhanced, driving the institutionalization and standardization of the inspection of risks as regards negative public sentiment, jointly safeguarding the Company's image and reputation. (v) Conscientiously undertook information disclosure and stringently carried out information disclosure duties in accordance with the requirements of the regulators. By such means as holding periodic results briefings, periodic disclosure reports, and announcements of sustainability reports, investors were given the opportunity to deepen their overall understanding of the Company.

5. Supervisory evaluation and rectification

The Company has built a relatively complete supervisory evaluation and rectification management system. In recent years, it has continually enhanced supervisory and examination intensity, optimized the supervision and evaluation mechanism of the entire bank, and through internal examination and auditing of supervisory evaluation, tracking and rectification intensity as regards problems that were detected have been strengthened, raising the prevention capacity of all risk categories, and providing a positive effect on safeguarding sustained and steady operations for the Company.

The Company's business management division had continued to strengthen internal supervision and examination. (i) Regular and ad-hoc supervision and examination of the status of building and implementing internal control were carried out, including the implementation of the new "three measures and one guideline" regulations on loans as well as the examination of government financing platform loans, examination of guarantee business, examination of foreign exchange business, examination of retail credit, examination of post-lending of special personal business, and examination of anti-money laundering. The Company's internal control and compliance management status were promptly taken into consideration, internal control defects were detected and rectified promptly, ensuring that internal control was effectively run. (ii) The Company regularly embarked on internal control evaluation, and carried out self-assessment of the validity of internal control design and operations, issuing internal control self-assessment analysis reports. Reasons for the internal control defects that were detected during the self-assessment process were promptly analyzed, rectification solution proposed, and effectively implemented. (iii) The Company's implementation process of its supervision and examination, as well as internal control assessment fully utilized the compliance management system, realizing effective sharing of information resources, thus continually raising the efficiency and quality of the Company's internal supervision. (iv) The intensity of rectifying internal control defects was enhanced, and the request for rectification was promptly carried out. Internal management was standardized, and recurrence of repeated problems was prevented on a best-effort basis, preventing the phenomenon of violation at each investigation.

During the reporting period, the Company's internal audit department, while ensuring the auditing frequency and auditing coverage of branch entities and all businesses, also paid great attention on hot segments and the substantive risks of different categories of emerging businesses, continually strengthening its auditing consultancy functions, putting forward reasonable rectification recommendations, guiding the strengthening of management prevention of systematic risks of the entire bank, advancing integrated service capabilities and raising back-stage support capability. At the same time, in recent years, the results of various daily supervisory tasks performed by the Company's internal audit department have gradually emerged. With the continued deepening of the dynamic regulatory philosophy, the self-awareness, timeliness and the degree of work standardization of the internal auditors as they embark on daily supervision have risen significantly. Through sustained development of on-site visits, daily monitoring, follow-up tracking, internal control assessment and related tasks, the internal management of the business entity was strengthened.

III. Internal control defects and the status of their identification

(I) Identify internal control defects

In accordance with the *Guidelines for Enterprise Internal Control Assessment*, the Company, when in the process of embarking on internal control self-assessment, identification of defects shall be divided into material defects, major defects and general defects based on the degree of impact of the internal control defects. Specifically, the identification criteria are as follows: a material defect refers to one or a combination of control defects that may result in a severe departure from the control objective of the enterprise. A major defect refers to one or a combination of control defects which has a lesser degree of severity and economic consequence than that of a material defect, but may still result in a departure from the control objective of the enterprise. A general defect refers to other defects apart from a material defect or a major defect.

Based on the above defect identification criteria, as at the end of the reporting period, the defects that had yet to be rectified were all general defects or major defects, there were no material defects. The presence of general defects or major defects would not result in a significant impact on the asset security, realization of the development strategy and operating objectives of the Company, the accuracy and completeness of the financial information, and the validity of the risk management system, nor would it result in a departure from the Company's control objectives.

(II) Key internal control defects of the Company

Along with the Company's current continued growth in asset size, the steady increase in the number of entities, and the continued rise in business complexity, greater demand on the Company's business management capability would be raised on an objective basis. While maintaining rapid business growth, the Company should place greater emphasis on laying a solid management foundation, and further improve on the setting up of regulatory systems, strengthen the due diligence adequacy of credit extension, raise business management standards, further enhance basic tasks such as counter services and accounting management, avoiding operational risks, strengthening IT risk control, and improving the quantification management over internal control defects.

1. Due diligence on credit extension remains to be further strengthened

During the management process of credit extension due diligence, some specific business entities of the Company were not meticulous enough with pre-lending investigation. Pre-lending investigation did not comprehensively reflect the business, investment and income of the borrower or the guarantor, and inadequate attention was paid to unusual information. Prudence on some of the extension of credit was inadequate. Post-credit extension investigation for some of the businesses was not deep enough, and there was inadequate investigation frequency and validity, which was reflected in such matters as the collection of post-lending materials not being in place, and post-lending investigation reports being relatively simple. As for due diligence for credit extension, the Company was required to pay further attention to the adequacy of due diligence on credit extension, to strengthen taking subjective initiative in credit extension due diligence management, further increasing the credit extension due diligence standards on an overall and in-depth basis, so as to better ensure the sustainability, health and steadily growth of the credit extension business.

2. Greater attention should be paid to accounting foundation work

Some specific entities of the Company have non-standardized segments in such areas as the use of accounting items, review of the opening of accounts, treatment of incorrect accounts and authorization operations, management of official seals and major blank vouchers, and management of account verification. The basic management of counter service and accounting supervision requires further strengthening so as to better avoid operational risk.

3. Risk management standards for emerging businesses should be continually raised

Some specific emerging businesses of the Company have such problems as late system revisions, and inadequate standardization of corresponding basic post-loan management of assets. Emerging businesses have already become an important component of the Company's business growth. Under these circumstances, the Company should continue to maintain prudence over risk identification, evaluation and control as regards emerging businesses, and further deepen the risk control of emerging business, thereby ensuring sustained and steady management of all of the Company's businesses.

4. IT risk management should be further enhanced

Individual systems of the Company contain such problems as yet-to-be-built regular customer and jurisdiction review mechanisms, frequency of ad-hoc samplings of customers and jurisdiction that is too low, regular recovery tests for some of the system back-up medium have yet to be conducted. Currently, application of IT technology in banking operations is widening, and the Company should combine its own operational characteristics to further raise IT system research and development as well as operational and maintenance standards, increase the supporting capacity of business flows on the IT system, and enhance IT risk management so as to allow the system to better cope with business development and risk management requirements.

5. Quantification management of internal control defects should improve further

In terms of the strengthening of internal control management, the detection of internal control defects, and assessing the validity of internal control, the Company should continue to transform work methods and improve work flows. The Company should, by design, adopt measures with effective tolerance and reasonable comparisons, and more accurately determine the degree of completeness of the Company's internal control. Operational risk management tools and internal control compliance systems should be better utilized to raise the identification standards of quantifiable internal control defects, improving the management of quantifiable internal control defects and strengthening of standardized development of internal controls.

IV. Rectification of internal control defects

The Company attaches great importance to problems detected during the internal control self-assessment. While conscientiously carrying out self-assessment, reasons for the internal control defects that have been detected should be promptly analyzed, rectification solutions proposed and effective implementation organized. During the reporting period, the rectification measures adopted by the Company included the following areas:

(I) Internal control environment

Measures such as improving system development was adopted, the intensity of bringing in talent was enhanced, reasonable adjustments and deployment of employment postings were made, and internal control duties were clarified, conscientiously raising the execution intensity of the internal environment and strengthening the building of the internal control environment.

(II) Risk identification and evaluation

Further improvement on risk identification, measurement and monitoring as well as management systems and procedures were made, methods and models on risk quantification evaluation were developed and utilized, and the Company's risk management capability continued to be raised. Risk evaluation principals based on business lines and divisions, as well as normalized risk evaluation mechanisms based on specific business varieties as risk evaluation candidates were gradually constructed, further standardizing the content, procedure and frequency of risk assessment, thus clarifying the treatment of relevant information and the reporting route for situational reporting.

(III) Internal control activity

1. System design. As regards problems that existed in individual systems, the relevant departments at the head office and branches strengthened risk control through the development of related systems that were improved.

2. Carrying out the credit extension business. Continued strengthening of credit extension due diligence management and strict control over credit customer access were implemented. Emphasis was placed on comprehensive investigation and analysis of unusual information of customers, ensuring the authenticity of the business background. Review of loan extension and post-loan management tasks was enhanced; where there was irregular use of proceeds from individual loans, relevant entities adopted specific measures such as premature demand for loan repayment, or provision of supplementary information, thus strengthening the control over the use of funds.

3. Implementation of deposits and counter service. Accounting personnel were increasing deployed, resolving issues related to assuming multiple posts. Through such methods as promoting internet banking account verification as well as improving verification of accounts information, account verification and verifying information for the opening of accounts were strengthened.

4. Implementation of information technology. As regards key customers and business account numbers, a PIN number strategy was comprehensively implemented. Regular testing of the recovery of back-up medium was carried out.

(IV) Internal supervision

Through formulating internal control systems and review measures, internal checks and audit supervision and evaluation were enhanced. Rectification of tracking accountability as regards detected problems was strengthened, raising the prevention capability against all risks.

V. Conclusion to internal control self-assessment

The Board of Directors of the Company has carried out a self-assessment of the internal control of the abovementioned areas of the Company as at 31 December 2011, in accordance with the requirements of basic standards, evaluation guidelines and other relevant laws and regulations. During the reporting period, the assessment believes that the Company has established internal control on all operations and events incorporated within the scope of assessment, which have been effectively implemented. No material defects were detected in areas such as completeness and reasonableness in the internal control mechanism and internal control system. In the process of actual implementation, material deviation was also not detected. In terms of validity, no material defects were detected. With gradual improvement in the law and regulatory system of the State, changes to the internal and external environment, and requirements as regards continued rapid growth of the Company, the Company expects to further improve the internal control system on the basis of deepening the understanding of internal control of the Company's management personnel, and effectively implement and carry out the aforesaid in practice.

The Company has hired Deloitte Touche Tohmatsu CPA Ltd China to carry out evaluation verification of the validity of the internal control of the Company, and an evaluation verification opinion has been issued to verify that the Company has conducted efficient internal control over financial reports in all material areas according to the *Basic Standards for Internal Control of Enterprises* and relevant regulations on December 31, 2011.

Report of Independent Registered Public Accounting Firm On Internal Control of Industrial Bank Co., Ltd

DE SHI BAO (SHEN) ZI (12) No.S0053

To the Shareholders of Industrial Bank Co., Ltd.

We have audited the effectiveness of internal control over financial reporting of INDUSTRIAL BANK CO., LTD (hereinafter referred to as "the Company") as of December 31, 2011, based on criteria established in *Guidelines for Audit of Enterprise Internal Control* and *Code of Ethics for Chinese Certified Public Accountants*.

The three indicators, total assets, revenue and net profit, of the Company included in the audit scope are 99.58%, 99.70% and 99.99% of the corresponding indicators in 2010 consolidated financial statements.

1. Management's Responsibility for Internal Control

It is the responsibility of the Company's Board of Directors to establish and implement adequate and effective internal control, and to evaluate their effectiveness, based on *Basic Standard for Enterprise Internal Control*, *Guidelines for Application of Enterprise Internal Control* and *Guidelines for Evaluation of Enterprise Internal Control*.

The Company's Board of Directors is also responsible for determining the scope of internal control self-assessment and audit, as a voluntary pilot company, based on criteria established in *Notice to listed companies on Internal Control Pilot Practices* issued by China Securities Regulatory Commission in 2011.

2. Auditor's Responsibility

Our responsibility is to express an opinion on the effectiveness of internal control over financial reporting based on our audit, and to disclose any noted significant internal control deficiency that is not related to financial reporting.

3. Inherent Limitations of Internal Control

Internal control has its inherent limitations on preventing and detecting misstatements. Besides, due to change of conditions, internal control might become inappropriate, or degree of compliance with the control policies and procedures may deteriorate. Projections of any evaluation of the effectiveness of internal control over financial reporting to future periods based on current audit opinion are subject to risks.

4. Audit Opinion on Internal Control over Financial Statements

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, in accordance with *Basic Standard for Enterprise Internal Control* and relevant regulations.

Deloitte Touche Tohmatsu CPA Ltd.

Chinese Certified Public Accountant

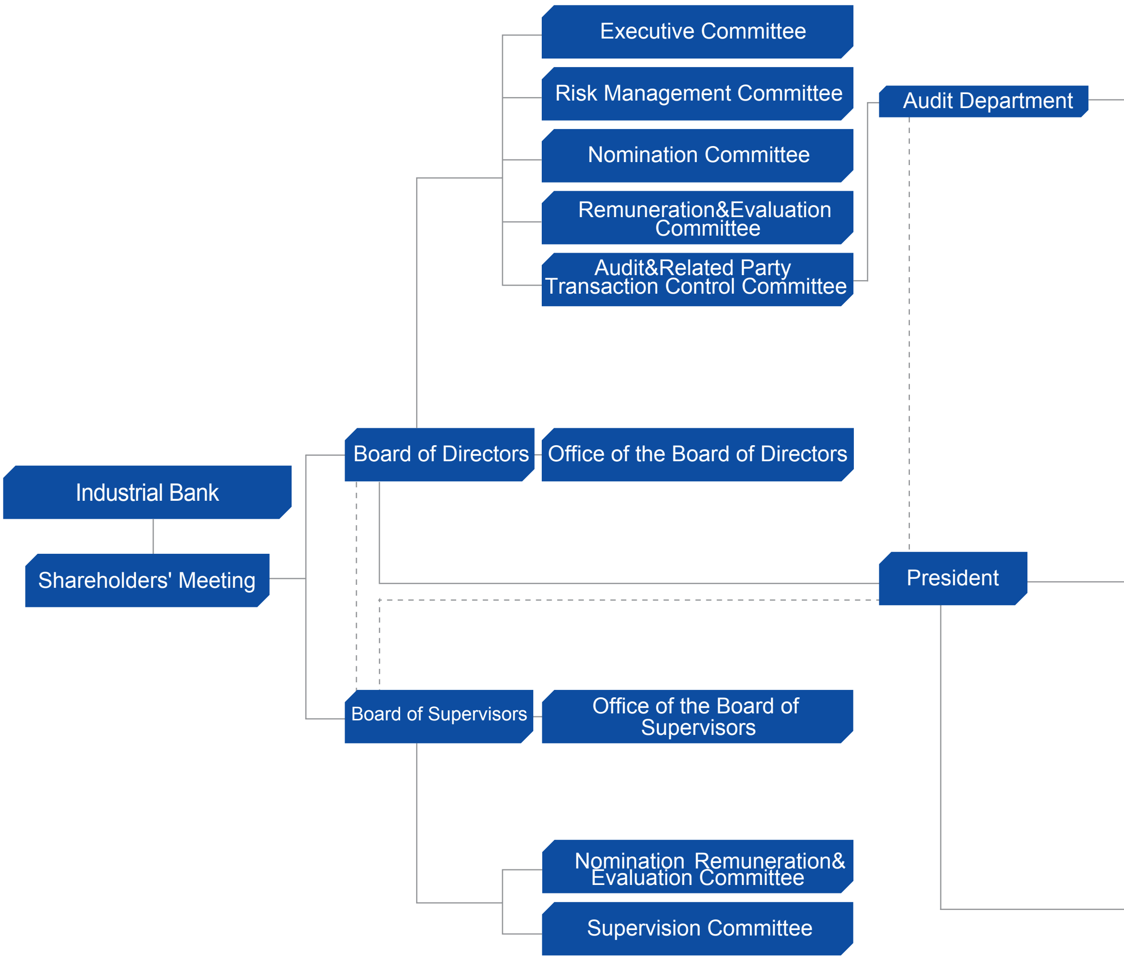
Tao, Jian

Gu Jun

Shanghai, China

16 March 2012

The Company's Organizational Structure

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Audit Dept. Shanghai Branch
Audit Dept. Shenzhen Branch
Audit Dept. Wuhan Branch
Audit Dept. Xiamen Branch
Franchise Management Committee
Asset&Liability Management
Risk Management Committee
Credit Approval Committee
Internal Control Committee
Credit Accountability Committee
Major Purchases Committee
Investment Banking Franchise Committee
Proprietary Investment Franchise Committee
Wealth Management Franchise Committee
IT Management Committee
General Office
Planning&Financial Department
Research&Planning Department
Risk Management Department
Credit Control Department
Legal&Compliance Department
Payment&Settlement Department
Human Resources Department
Supervision Department
Security Department
Financial Institutions Department
Corporate Finance Department
Small Enterprises Department
Retail Banking Headquarters
Electronic Banking Department
Financial Markets
Credit Card Center
Private Banking Department
VIC Department
Assets Custody Department
Investment Banking Department
Futures Finance Department
Fund Finance Department
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Party&Populace Pidgin Department
Trade Union Committee
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Shanghai Administration Service Center
Beijing Representative Office
Branches&Sub-branches
Subsidiaries
Information Center
Credit Control Dept. Beijing Sub-center
Credit Control Dept. Shanghai Sub-center
Credit Control Dept. Guangzhou Sub-center
Credit Control Dept. Fujian Sub-center
Majiang Operation Center
Chengdu Operation Center
Bank Services Center
Sustainable Finance Center
Trade Finance Center
Cash Management Center
Internet Banking Center
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Shanghai Customer Service Center
Risk&Quality Management Center
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Research&Development Center
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兴业银行
INDUSTRIAL BANK CO.,LTD.

Add: No.154 Hudong Road,
Fuzhou,Fujian,PRC
T e l : (86)591-87839338
F a x : (86)591-87842633
Web: www.cib.com.cn
P . C : 350003