2012

ANNUAL REPORT

The First Equator Bank In China

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

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Chairman: Gao Jianping

Chairman's Statement

In 2012, against the backdrop of increasingly complex international economic situation and the slowdown of domestic economic growth, and facing with factors such as difficulties in real economy, substantial advancement in interest rate liberalization and increasingly obvious trend of financial disintermediation, the Company kept adhering to the philosophy of sustainable development, intensifying reform, leveraging on opportunities and accelerating innovation, hence ensuring the harmonious and healthy development of all its undertakings.

Reinforcing corporate governance to enhance its soft power. The Company successfully introduced an investment portfolio including The People's Insurance Company (Group) of China and China National Tobacco Corporation, and raised fund of RMB23.532 billion, further optimizing its shareholding structure while effectively improving its capital position. The Company successfully completed the handover and takeover between the new and the former chairmen of the board of supervisors, and hired three young and vigorous vice presidents, strengthening its senior management team and further upgrading the level of professionalization and streamlined operation management. Taking into consideration its actual situation and the needs of various investors, the Company revised the relevant profit distribution clauses of the articles of association to enhance the continuity, stability and transparency of the profit distribution policy. Meanwhile, the board of directors put more emphasis on learning, research and training, effectively played the role of strategic decision maker, established the unique corporate culture, and constantly propelled new breakthroughs of its various undertakings. The Company, again, was given the "Award of the Board of Directors of Listed Companies 2012" by Shanghai Stock Exchange during the reporting period.

Deepening system and mechanism reform to release its productivity. Centering on its new five-year development plan, the Company fully carried out the specialization reform of corporate finance system, further reform of retail finance system and the specialization reform of financial markets system. The Company also implemented the reform of related systems and mechanisms, particularly its risk management system and mechanism, further improving its professional service capability and enhancing momentum for its organic growth so as to lay a solid foundation for its long term development. As at the end of the reporting period, total assets and operating income of the Company respectively exceeded RMB3 trillion and RMB30 billion, hitting record high. The residual amount and the increment of its core deposits increased remarkably, the stability was improved significantly. Meanwhile, the Company's asset quality continued to maintain at a preferable level among the industry. Furthermore, aiming at building a comprehensive financial service group, the Company made efforts to coordinate specialized operation, continuously optimized the resource allocation mechanism, performance appraisal mechanism and internal control mechanism, built an integrated financial service platform covering various businesses like banking, trust, lease and asset management, to improve customer experience by providing multi-market integrated financial service .

Innovating and developing business mode to strengthen its competitiveness. The Company stuck to its differential and market-oriented operation, established a sustainable business mode with its own distinctive characteristics in profit-making. Capitalizing on the strategic opportunity arising from the development of "Beautiful China" by the state, the Company continued to strengthen the building of branding and system of green finance. Consequently, as at the end of the reporting period, the Company's loan balance of green finance accounted for almost 10% of its corporate loan balance, and the Company was named the "National Advanced Group in Emission Reduction" during the 11th Five-Year Plan jointly by the Ministry of Human Resources and Social Security, the National Development and Reform Commission, the Ministry of Environmental Protection and the Ministry of Finance. The Company has created a platform integrating financial service resources in the industry and continuously propelled business development of the Bank-to-Bank Platform, currently connecting to over 20,000 outlets, with the settlement amount exceeding RMB1 trillion during the reporting period. The Company was also awarded the 2nd prize of "2012 Banking Technical Development Award" granted by the People's Bank of China. Meanwhile, the Company vigorously implemented strategic businesses like investment banking, asset custody, treasury business, trade finance, cash management and wealth management, gaining relative competitive advantages in the market. While building the business mode, the Company timely sorted its business processes and implemented standardization, standardized operation and portfolio management of various businesses, and facilitated the effective promotion of new business modes in the entire system.

Looking forward to the future, the 18th CPC National Congress has mapped out the development blueprint of the overall construction of a well-off society and defined the strategic path. The Company has adhered to its strategy of "differentiated operation with distinctive development" which is in line with the state's strategy. The Company has laid a solid foundation in business basis, system and mechanism and business mode, and thus we are confident about the future development of the Company. In 2013, the Company will keep pace with the time, conform to the general development trend, and make new efforts in strengthening the systematic nature, integrity and synergy of reforms. We will continue to drive growth by innovation, improve the quality and efficiency of development, leverage on opportunities, and calmly respond to challenges so as to create value for shareholders, customers, employees and the society, thus presenting a gift to the Company's 25th anniversary!

Chairman:

President's Report

In 2012, the Company has diligently carried out various resolutions of shareholders' meetings and the meetings of the board of directors, and stringently implemented the state's macro policies and financial regulatory requirements. It continued to reform and innovate, aggressively developed businesses, and grasped opportunities to speed up its growth. As a result, we enjoyed sustaining, harmonious and healthy growth in various businesses. Our scale and income hit another record high, with asset quality remaining stable and various goals set by the board of directors were achieved.

As at the end of the reporting period, the total assets of the Company reached RMB3,250.975 billion, up 34.96% from the beginning of the reporting period. The balance of deposits amounted to RMB1,813.266 billion and the balance of loans stood at RMB1,229.165 billion, representing increase of 34.79% and 25.01% respectively compared with the beginning of the reporting period. The balance of NPLs was RMB5.286 billion, with an NPL ratio of 0.43%, an increase of 0.05 percentage point compared with the beginning of the reporting period. The asset quality remained satisfactory and the provision was sufficient, with a coverage ratio of 465.82%, an increase of 80.52 percentage points compared with the beginning of the reporting period. The operating income continued to increase year-on-year, with net profit attributable to the shareholders of the parent company at RMB34.718 billion, up 36.12% year-on-year.

The Company steadily propelled specialization reform in business lines, enhanced momentum for organic growth, and achieved new progress in the operational transformation. The business line reform of the financial markets advanced smoothly, and that of corporate finance and retail business were constantly adjusted and intensified. The matrix management system of integrating business sections and lines by the head office and branches was basically established and operated smoothly. Specialization operation capability and momentum for organic growth of business lines improved remarkably, with significant achievements made in various strategic businesses. Featured businesses like green finance and the Bank-to-Bank Platform maintained a rapid growth with more leading advantages. Key strategic businesses including trade finance, cash management, institutional business, credit cards, private banking, interbank business, treasury business, wealth management and asset management grew rapidly. Industrial Leasing, our wholly owned subsidiary, and Industrial Trust, our controlled subsidiary, continued to see a sharp increase in both business scale and operating income. The interbank fund source exceeded RMB1 trillion, and the amount of international settlement exceeded USD60 billion. The capability in fund raising, financing and investment in multiple markets improved constantly, and the capability for comprehensive service enhanced steadily.

The Company continued to intensify its management innovation, solidly completed fundamental work, and made a new progress in improving management, operation and safeguard capability. In supporting the specialization reform of business lines, the risk, accounting and human resources management systems also took reforms, turning the management more scientific, effective and sensitive. The Company further improved the operational and service management capability of branches, successfully upgraded individual E-banking and mobile phone banking, fully implemented the integration of E-banking, outlet operation and business development, and effectively improved the service experience of customers of various channels. Moreover, the Company continued to strengthen the construction of the back office operational center at the corporate level, the operational and maintenance platform for technological research and development, and the overall administrative logistics system, to improve the operational and support capability. Focusing on the requirement of "risk prevention and stability maintenance", the Company put emphasis on basic work like internal accounting control, business continuity, and safety assurance, creating a good and harmonious business environment.

In 2013, the macro economic situation is promising in general, but still lots of difficulties and challenges can be seen. The Company will continue to carry out the state macro economic policies and financial regulatory requirements, and earnestly implement the business strategy and development plan defined by the board of directors. We will consolidate and expand the results of the business lines specialization reform, firmly facilitate the operational transformation, and continuously improve business management system and mechanism, putting efforts in developing comprehensive service capability in multiple markets regarding multiple products. We will also strive to build operational characteristics, intensify competitive advantages, and continue to promote the stable, coordinated and healthy development of various businesses.

President:

Director and President: Li Renjie

Chairman of the Board of Supervisors: Kang Yukun

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 2012 and its abstract were reviewed and approved at the 18th meeting of the seventh session of the board of directors on April 19, 2013. Fourteen directors should attend the meeting, and fourteen 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 represented the consolidated data of Industrial Bank Co., Ltd. and its wholly-owned subsidiary Industrial Bank Financial Leasing Co., Ltd. and its controlled subsidiary China Industrial International Trust Limited. The monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's financial statements 2012 in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditor's report with unqualified opinions.

The Company's chairman Gao Jianping, president Li Renjie and general manager of the Planning & Financial Department Li Jian hereby warrant that the financial statements in the annual report 2012 are true, accurate and complete.

The proposal of profit distribution for the reporting period considered by the board of directors: based on the total share capital of 12,701,557,834 shares, 5 shares (inclusive of tax) should be granted to every 10 shares from the undistributed profit, and cash dividend of RMB5.7 (inclusive of tax) should be distributed for every 10 shares.

Investors are advised to read the full content of this annual report carefully. Perspective and forward-looking statements regarding future financial conditions, operating performance, business development and business plan contained in this report do not constitute any substantive commitment of the Company to investors. Investors should pay attention to risk from investment.

2012 Honors and Awards

- Ranked 69th in terms of tier 1 capital and 61st in terms of total assets in the “Top 1000 Global Banks 2012” by *The Banker* magazine of UK; ranked 97th in the “Top 500 Global Financial Brands 2012”, continuingly advancing in the international ranking.
- Ranked 78th in the list of “Top 500 Chinese Enterprises” released by the *Fortune* magazine of USA, up 6 places from last year.
- Ranked 243rd in the list of “Top 2000 Global Companies 2012” by the *Forbes* magazine of USA, up 56 places from last year.
- Ranked 52nd in the “2012 Hu Run Brand List” by Hu Run Institute with a brand value of RMB10 billion, up 4 places from last year.
- Ranked 23rd in the “2012 Best Chinese Brand Value List” by Interbrand, the world’s largest brand consulting company, with an increase of 26% in brand value compared with last year.
- Won again the “Award of the Board of Directors of Listed Companies” appraised by Shanghai Stock Exchange.
- In the “2012 Chinese Commercial Banks’ Competitiveness Evaluation Report” by *The Banker* magazine, ranked 7th in terms of core competitiveness of national commercial banks, and 5th in the financial evaluation of the five dimensions of “assets, risks, capital, profitability and liquidity” ; and won the “Award of the Best Bank Performing Social Responsibility” and the “Award of the Best Financial Service Innovation”.
- Won the title of “Double No. 1” in both the social contribution value and the increment per share granted by *Securities Daily*.
- Ranked 95th in the list of “Top 500 Chinese Enterprises” released by China Enterprise Confederation and China Enterprise Directors Association, becoming one of the top 100 Chinese enterprises.
- Won the award of “2012 Excellent Product for Contractual Energy Management Green Financial Innovation” granted by ESCO Committee of China Energy Conservation Association.
- Ranked 1st in the green credit ranking based on the “China Green Credit Annual Report 2012” released by the Policy Research Center for Environment and Economy, Ministry of Environmental Protection, and was the only Bank granted A rating.
- Won the “Best Green Bank Award” , the “Best Corporate Online Banking Award” , the “Best Corporate Wealth Management Award” and the “Best Cash Management Brand Award” granted by the *CFO World* magazine.
- Won the “Award for the Best Listed Company Performing Social Responsibility” and the “Award for the Best Private Banking Research and Development Team of the Year ” granted by the *National Business Daily*.
- Won the “Best Treasury Business Bank Award” and the “Best Interbank Business Bank Award” granted by the *Global Entrepreneur* magazine.
- Won the “Carbon-value Social Citizen Award” granted by the 5th World Economic and Environmental Conference.

- Awarded the “2012 Financial Institution of Social Responsibility with Excellent Competitiveness”, the “Supply Chain Financial Service Bank with Excellent Competitiveness”, the “Small and Micro Financial Service Bank with Excellent Competitiveness” and the “Risk management Bank with Excellent Competitiveness” by the 4th Election on Financial Institutions of Excellent Competitiveness.
- Won the “Award of Low-Carbon Pioneer Enterprises” and the “Asia’s Best Supply Chain Financial Service Bank Award” granted by the *21st Century Business Herald*.
- Won the “Annual Green Finance Award”, the “Award for the Best Listed Company with Investor Relations of the Year” and the “Best Cooperation Value Custody Bank Award” granted by the *China Business News*.
- Won the “Award of Most Innovative Bank of the Year” jointly granted by *Financial Times* and Institute of Finance and Banking, Chinese Academy of Social Sciences.
- Named the “National Advanced Group in Emission Reduction” jointly by the Ministry of Human Resources and Social Security, National Development and Reform Commission, the Ministry of Environmental Protection and the Ministry of Finance.
- Won the “Best Brand Management Bank Award” of the year, the “Award for the Best Consumer Service Awareness Credit Card Brand of the Year” and the “Private Banking with Most Growth Potential Award” granted by *China Times*.
- Won the “Award of the Bank with Excellent Custody Service of the Year” granted by *The Economic Observer*.
- Won the “Social Responsibility Report Award” granted by *Southern Weekend*.
- Won the “Best Joint-stock Bank in Corporate Business Award”, the “Best Joint-stock Bank in SME Service Award”, the “Best Joint-stock Bank in Credit Card Business Award” and the “Best Joint-stock Bank in Online Banking Business Award” granted by *Investor Journal Weekly*.
- Named “China’s Most Respected Chinese Bank”, “China’s Top 10 Retail Bank”, “China’s Top 10 Bank Financial Product”, “Annual Best Investment and Management Team”, “Best Small and Micro Enterprise Financial Brand” and “China’s Top 10 Most Favorite Credit Card Brand” by *Money Weekly*.
- Won the “Best Investment Bank Award” organized by Netease.
- Won the “Award for Top 10 Brand Banks of the Year”, the “Award for the Best Assets Custody Bank of the Year” and the “Best Precious Metals Business Service Bank Award” organized by *www.hexun.com*.
- Won the “Award for the Best Bank Performing Social Responsibility of the Year”, the “Award for the Best Mobile Phone Banking of the Year” and the “Award for the Best Bank Precious Metals Transaction Platform of the Year” organized by *www.eastmoney.com*.

I. Definitions

In this report, unless the context otherwise specified, the following terms have the meanings set forth below:

Industrial Bank / Company	Industrial Bank Co., Ltd.
Non-public Offering / Offering	The offering approved by China Securities Regulatory Commission, and during the reporting period, the Company offered 1,915,146,700 A shares in total to The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited, PICC Life Insurance Company Limited, China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd.
CSRC	China Securities Regulatory Commission
Fujian Bureau of CSRC	Fujian Bureau of China Securities Regulatory Commission
Central Bank/ PBOC	The People's Bank of China
CBRC	China Banking Regulatory Commission
Fujian Bureau of CBRC	Fujian Bureau of China Banking Regulatory Commission
Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Industrial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Yuan	RMB Yuan

II. Important risk warning

The board of directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Report of the Board of Directors" for risk factors the Company is subject to and the countermeasure and analysis of the board of directors.

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.

Legal representative: Gao Jianping

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

Registered address: 154 Hudong Road, Fuzhou, PRC

Office address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure:

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

Website designated by the CSRC for publishing annual reports: www.sse.com.cn

Location of annual reports filing: the Company’s office of the board of directors

Place of stock listing: Shanghai Stock Exchange

Stock abbreviation: Industrial Bank

Stock code: 601166

Changes of registration:

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

Change of principal business: There is no change in the Company's principal business since its listing.

Change of major shareholders: The Company's largest shareholder is Fujian Provincial Department of Finance, and there is no change since the Company was listed.

Other related information of the Company:

Certified public accountants firm engaged by the Company: Deloitte Touche Tohmatsu Certified Public Accountants LLP

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

Names of the signing accountants: Tao Jian, Shen Xiaohong

Sponsor performing continuous monitoring: Credit Suisse Founder Securities Limited

Office address: 15th floor, South Wing, Central Financial Street, No. A9, Financial Avenue, Xicheng District, Beijing

Names of signing representatives of sponsor: Guo Yuhui, Li Hui

Period for continuous monitoring: January 8, 2013 to December 31, 2014

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

I. Key financial data and indicators during the reporting period

Unit: RMB million

Item	Amount
Operating profit	46,068
Total profit	46,193
Net profit attributable to the shareholders of the parent company	34,718
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	34,585

II. Key accounting data and financial indicators of the previous three years as at the end of the reporting period

Unit: RMB million

Item	2012	2011	Increase/decrease in 2012 compared with 2011 (%)	2010
Operating income	**87,619**	59,870	46.35	43,456
Profit before tax	**46,193**	33,664	37.22	24,005
Net profit attributable to the shareholders of the parent company	**34,718**	25,505	36.12	18,521
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**34,585**	25,315	36.62	18,336
Basic earnings per share (Yuan)	**3.22**	2.36	36.12	1.82
Diluted earnings per share (Yuan)	**3.22**	2.36	36.12	1.82
Basic earnings per share, after deduction of non-recurring gains and losses (Yuan)	**3.21**	2.35	36.62	1.80
Return on total assets (%)	**1.23**	1.20	Up 0.03 percentage point	1.16
Weighted average ROE (%)	**26.65**	24.67	Up 1.98 percentage points	24.64
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**26.54**	24.49	Up 2.05 percentage points	24.39
Cost-to-income ratio	**26.73**	31.95	Down 5.22 percentage points	32.91
Net cash flow from operating activities	**116,701**	(7,885)	Negative for the same period of last year	117,651
Net cash flow per share from operating activities (Yuan)	**9.19**	(0.73)	Negative for the same period of last year	19.63
	December 31, 2012	December 31, 2011	Increase/decrease at the end of 2012 compared with the end of 2011 (%)	December 31, 2010
Total assets	**3,250,975**	2,408,798	34.96	1,849,673
Shareholders' equity attributable to the shareholders of the parent company	**169,577**	115,209	47.19	91,995
Net assets per share attributable to the shareholders of the parent company (Yuan)	**13.35**	10.68	25.00	15.35
NPL ratio (%)	**0.43**	0.38	Up 0.05 percentage point	0.42
Provision coverage ratio (%)	**465.82**	385.30	Up 80.52 percentage points	325.51

Items and amounts of non-recurring gains and losses:

Unit: RMB million

Item	2012	2011	2010
Gains and losses on the disposal of non-current assets	**(2)**	14	80
Government grants recognized in profit or loss	**119**	89	20
Write-back of assets written-off in previous years	**54**	124	107
Net non-operating income & expense in addition to the above	**8**	29	42
Impact on income tax	**(46)**	(66)	(64)
Total	**133**	**190**	**185**

Notes: 1. The Company implemented a non-public offering plan during the reporting period, and completed subscription payment and capital verification at the end of the reporting period. Actual net proceeds raised after deducting the offering expense was RMB23.532 billion, of which RMB1,915,146,700 was included in the share capital, and the remainder was included in the capital reserve. The Company's total share capital was changed to RMB12,701,557,834.

2. Both of total assets and owners' equity included the proceeds raised in the Non-public Offering; the net assets in the net assets per share attributable to the shareholders of the parent company included the proceeds raised in the Non-public Offering, and the total share capital was the share capital after the Non-public Offering.

3. Basic earnings per share and weighted average ROE were calculated according to the provisions of the No. 9 Rule for the Preparation and Reporting of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010) issued by the CSRC. The said share capital and proceeds raised in the Non-public Offering would be included in the calculation from January 2013 according to the provisions of the document, hence not included in the earnings per share and the weighted average ROE of the reporting period.

III. Supplementary financial data of the previous three years as at the end of the reporting period

Unit: RMB million

Item	December 31, 2012	December 31, 2011	December 31, 2010
Total liabilities	**3,080,340**	2,292,720	1,757,678
Placements from banks and other financial institutions	**88,389**	52,752	26,137
Total deposits	**1,813,266**	1,345,279	1,132,767
Incl: Demand deposits	**748,299**	598,852	552,772
Time deposits	**820,468**	571,238	495,167
Other deposits	**244,499**	175,189	84,828
Total loans	**1,229,165**	983,254	854,339
Incl: Corporate loans	**912,187**	703,948	619,604
Individual loans	**299,936**	260,641	225,007
Discounted bills	**17,042**	18,665	9,728
Loan loss provisions	**24,623**	**14,314**	**11,771**

IV. Appendix to the income statement for the reporting period

Unit: RMB million

Item	2012	Weighted average ROE (%)	Basic EPS (Yuan)	Diluted EPS (Yuan)
Net profit attributable to the shareholders of the parent company	**34,718**	26.65	3.22	3.22
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**34,585**	26.54	3.21	3.21

Note: Related data were calculated in accordance with the provisions in the No. 9 Rule for the Preparation and Reporting 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 at the end of the reporting period

Unit: %

Key indicator	Standard value	December 31, 2012	December 31, 2011	December 31, 2010
Loan-to-deposit ratio (converted to RMB)	≤75	**66.50**	71.46	71.21
Liquidity ratio (converted to RMB)	≥25	**29.47**	30.71	38.45
Proportion of loans to the largest single borrower	≤10	**4.34**	4.45	5.36
Proportion of loans to the top ten borrowers	≤50	**21.81**	23.54	30.21
Migration ratio of pass loans	-	**0.77**	0.54	0.69
Migration ratio of special mention loans	-	**8.28**	21.59	6.99
Migration ratio of substandard loans	-	**72.34**	63.94	83.13
Migration ratio of doubtful loans	-	**20.02**	14.18	29.43

Notes: 1. Data of Industrial Leasing and Industrial Trust are 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 the CBRC, loans originated from funds raised from the Company's financial bonds offering are not included in loan-to-deposit ratio calculation.

4. Pursuant to Document YJF [2007] No. 84 issued by the 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 the 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	Beginning balance	Increase during the period	Decrease during the period	Closing balance
Share capital	10,786	1,916	-	**12,702**
Capital reserve	28,296	21,789	64	**50,021**
General reserve	13,787	15,136	-	**28,923**
Surplus reserve	5,913	735	-	**6,648**
Undistributed profit	56,427	34,718	19,862	**71,283**
Shareholders' equity attributable to the shareholders of the parent company	115,209	74,294	19,926	**169,577**

VII. Capital composition and changes

Unit: RMB million

Item	December 31, 2012	December 31, 2011	December 31, 2010
Net capital	**210,890**	148,715	113,785
Incl: Core capital	**163,639**	111,591	89,064
Supplementary capital	**49,209**	38,839	25,659
Deductions	**1,958**	1,715	938
Risk weighted assets	**1,737,456**	1,344,130	1,002,001
Market risk capital	**867**	258	500
Capital adequacy ratio (%)	**12.06**	11.04	11.29
Core capital adequacy ratio (%)	**9.29**	8.20	8.79

VIII. Items measured at 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, 2012
Held-for-trading financial assets	8,101	(22)	-	-	**21,540**
Precious metals	1,520	(32)	-	-	**4,976**
Derivative financial assets	2,907	393	-	-	**3,266**
Derivative financial liabilities	3,013		-	-	**2,996**
Available-for-sale financial assets	147,505	-	(1,098)	8	**192,057**
Held-for-trading financial liabilities	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. In the reporting period, the domestic bond market performed well, and accordingly the Company increased the investment in the held-for-trading bonds, and the changes of fair value had a minor impact relative to the scale.

2. Precious metals: based on the overall judgment of the gold market, as at the end of the reporting period of the Company, the balance in domestic precious metals spot trading increased RMB3.456 billion compared with the beginning of the period.

3. Derivative financial assets and liabilities: derivative financial assets increased compared with the beginning of the reporting period, and derivative financial liabilities were relatively stable. The overall offset balance increased slightly, meaning that gains from the changes in the fair value of the investment in financial derivatives in the reporting period increased slightly.

4. Available-for-sale financial assets: the Company increased its investment in available-for-sale financial assets during the reporting period in view of the need of asset management, as well as its judgment of the bond market movement and analysis on the interbank market liquidity. In addition, as the yield rate went downward during the reporting period, the changes of fair value of available-for-sale financial assets increased by RMB234 million.

5. Held-for-trading financial liabilities: the Company's held-for-trading financial liabilities are mainly sale of bonds borrowed and short sale gold transactions. As at the end of the reporting period, there was no short sale position.

I. Discussion and analysis of operations during the reporting period

(I) Review of operations during the reporting period

1. Overall operations of the Company

During the reporting period, the macro economy was under an increasing downward pressure, and regional risk and micro enterprise operational risk went up remarkably. Facing the complex and severe situation, the Company earnestly implemented the state's macro policies and financial regulatory requirements, thus all the business segments witnessed a sustainable, coordinated and healthy development, with both the business scale and the profit performance hitting another record high and the asset quality remaining stable. Various goals set by the board of directors were all fully achieved.

(1) Breakthroughs were made in the Company's comprehensive strength. As at the end of the reporting period, the Company's total assets was RMB3,250.975 billion, up 34.96% from the beginning of the period. The balance of deposits in local and foreign currencies stood at RMB1,813.266 billion, up 34.79% from the beginning of the period; the balance of loans in local and foreign currencies was RMB1,229.165 billion, up 25.01% from the beginning of the period. The Company successfully completed the Non-public Offering, improving its capital strength. The shareholders' equity attributable to the parent company as at the end of the reporting period was RMB169.577 billion, up 47.19% from the beginning of the period. The net capital reached RMB210.89 billion, up 41.81% from the beginning of the period. The capital adequacy ratio was 12.06% and the core capital adequacy ratio was 9.29%. The asset-liability ratio was healthy, and all the main indicators were in line with the supervisory and regulatory requirements. During the reporting period, the net profit attributable to the shareholders of the parent company was RMB34.718 billion, up 36.12% year-on-year. The fee and commission income amounted to RMB15.681 billion, up 66.50% year-on-year. The weighted average ROE was 26.65%, up 1.98 percentage points year-on-year, and the return on total assets increased by 0.03 percentage point year-on-year to 1.23%. The asset quality remained stable, with the NPL ratio at 0.43%, up 0.05 percentage point compared with that at the beginning of the period. The loan provision coverage ratio was 465.82%, an increase of 80.52 percentage points from the beginning of the period. The full-year profit of Industrial Leasing was RMB667 million, and that of Industrial Trust was RMB772 million, up 125.93% and 278.39% year-on-year respectively, indicating a steady development of comprehensive business operations across different segments.

(2) New results were achieved in the operational transformation. Reforms in the financial markets business line advanced smoothly, while reforms of corporate finance and retail business lines continued to intensify; the matrix operational management system of "integration of departments and business lines at different levels" started to take shape, and specialized operating capability and organic growth momentum of the business lines increased remarkably. The customer base was further consolidated, and basic customers of corporate finance, core retail customers and core interbank customers continued to grow stably. The Company followed closely the financial reform trend, accelerated financial innovation, steadily enhanced multiple markets and comprehensive service capability, continued to expand interbank capital sources, and non-credit assets maintained rapid growth. The international business experienced a significant development, with the international settlement amount exceeding USD60 billion, and the integrated service capability in local and foreign currencies was significantly improved. Various key strategic businesses realized breakthrough development, with investment banking financing amount exceeding RMB400 billion and the net value of assets under custody exceeding RMB1.6 trillion. Featured businesses like green finance and the Bank-to-Bank Platform maintained a fast growth, and strategically key businesses like trade finance, cash management, institutional business, interbank business, treasury business, wealth management, credit cards, private banking and asset management all witnessed fast development, repeatedly creating record-highs with good benefits.

(3) New progress was made in improving management, operation and support capability. In support of the specialization reform of business lines, financial, risk and human resources management systems were also reformed: fully carrying out internal fund transfer pricing management, strengthening financial accounting and management accounting infrastructure construction, and refining financial and asset-liability management; enhancing unified credit granting management, effectively implementing total risk control, and steadily promoting the construction and application of the new capital accord project groups, thereby making significant progress in risk management; continuing to improve the construction of various professional role sequence, taking a critical step in the construction of the new training system, and steadily improving the professional level of human resources management.

Safeguards for operational support were reinforced. Guiyang Branch started operation smoothly, and the approval was obtained to prepare the opening of Hong Kong Branch and Lanzhou Branch. As at the end of the reporting period, the Company boasted 717 institutions. The Company successfully upgraded individual E-banking and mobile phone banking, and effectively improved the service experience of customers of various channels. Moreover, the Company continued to strengthen the construction of the back office operational center at the corporate level, and the operational and maintenance platform for technological research and development, and improved the capability of operation and safeguard.

(4) The Company's market position and brand image were steadily improved. According to the latest listing by *The Banker* magazine of the UK, the Company ranked 69th in terms of tier 1 capital and 61st in terms of total assets, both up 14 places from last year. Meanwhile, according to the latest list of top 500 Chinese enterprises released by *Fortune* (Chinese Version) of the USA, the Company ranked 78th, advancing 6 places compared with last year. The Company received numerous awards by various authoritative organizations, including the "Award of the Board of Directors of Listed Companies 2012" by Shanghai Stock Exchange, the "Award of Most Respected Chinese Bank in China 2012", "National Advanced Group of Emission Reduction during the 11th Five-Year Plan", the "Award of Best Green Bank", the "Award of the Best Bank Performing Social Responsibility" and the "Award of the Innovative Bank of the Year".

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB87.619 billion, and its operating profit was RMB46.068 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, Western China and Central China. Operating income and operating profit of various regions were as follows:

Unit: RMB million

Region	Operating income	Operating profit
Head office	9,377	(2,869)
Fujian	11,498	7,271
Beijing	5,719	4,011
Shanghai	6,129	4,116
Guangdong	9,031	5,370
Zhejiang	4,733	2,017
Jiangsu	4,784	3,092
Northeast and other regions in Northern China	12,443	7,633
Western China	11,545	7,741
Central China	12,360	7,686
Total	**87,619**	**46,068**

(2) The amount, proportion and year-on-year changes of the items of operating income:

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Year-on-year change (%)
Interest income from loans	74,727	43.47	26.34
Interest income from placements	12,865	7.48	121.20
Interest income from amount due from the Central Bank	4,532	2.64	22.55
Interest income from amount due from banks and other financial institutions	5,369	3.12	285.70
Interest income from financial assets held under resale agreements	40,836	23.75	56.35
Gain and loss, and interest income from investment	14,542	8.46	30.61
Fee and commission income	15,681	9.12	66.50
Interest income from financing lease	2,522	1.47	72.39
Other income	841	0.49	Negative in the same period of the last year
Total	**171,915**	**100**	**45.50**

3. Financial position and operating results

Unit: RMB million

Item	December 31, 2012	Change over previous year-end (%)	Brief description
Total assets	**3,250,975**	34.96	Steady and rapid growth of various asset businesses
Total liabilities	**3,080,340**	34.35	Steady and rapid growth of various liability businesses
Shareholders' equity attributable to the shareholders of the parent company	**169,577**	47.19	Completion of the Non-public Offering, and transfer of the net profit earned in the current year
Item	2012	Change over previous year (%)	Brief description
Net profit attributable to the shareholders of the parent company	**34,718**	36.12	Steady and rapid growth of various businesses, leading to fast growth in total assets; year-on-year increase of deposit-loan spread and net interest margin; rapid growth of intermediary businesses; stable asset quality; cost-to-income ratio maintained at a low level
Weighted average ROE (%)	**26.65**	Up 1.98 percentage points	Year-on-year net profit increase was higher than year-on-year increase of weighted average net assets
Net cash flow from operating activities	**116,701**	Negative in the same period of the last year	Various liabilities grew rapidly, and allocation of investment assets was strengthened

(II) Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Company stood at RMB3,250.975 billion, up 34.96% from the beginning of the period. Of which, loans increased by RMB245.911 billion or 25.01% from the beginning of the period; placements with banks and other financial institutions increased by RMB95.217 billion or 137.15% from the beginning of the period. Financial assets held under resale agreements increased by RMB265.818 billion or 50.44% compared with the beginning of the period, and various net investments increased by RMB135.916 billion or 52.33% compared with the beginning of the period.

The details of loans were as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2012	December 31, 2011
Corporate loans	**912,187**	703,948
Personal loans	**299,936**	260,641
Discounted bills	**17,042**	18,665
Total	**1,229,165**	**983,254**

As at the end of the reporting period, the proportion of corporate loans was 74.21%, up 2.62 percentage points from the beginning of the period. The proportion of personal loans decreased by 2.12 percentage points to 24.39%, and the proportion of discounted bills decreased by 0.51 percentage point to 1.39%, compared with the beginning of the period. During the reporting period, the Company capitalized on the changes in the economic situation, emphasized the alignment with the industrial policies centering on the aim of servicing real economy, reasonably defined the distribution, direction and pace of credits, and maintained the rapid and balanced development of key 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, retail and wholesale, real estate and leasing & commercial service. The detailed distribution by industry was as follows:

Unit: RMB million

Industry	December 31, 2012			December 31, 2011		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**3,565**	**0.29**	**0.00**	3,279	0.33	0.00
Mining	**50,974**	**4.15**	**0.02**	29,933	3.03	0.04
Manufacturing	**261,458**	**21.27**	**0.62**	175,078	17.82	0.74
Production and supply of power, gas and water	**40,676**	**3.31**	**0.07**	33,551	3.41	0.05
Construction	**50,385**	**4.10**	**0.29**	38,379	3.90	0.46
Transportation, logistics and postal service	**55,524**	**4.52**	**0.02**	54,067	5.50	0.01
Information transmission, computer service and software	**8,854**	**0.72**	**2.36**	5,447	0.55	4.32
Wholesale & retail	**165,785**	**13.49**	**1.09**	88,127	8.97	1.12
Accommodation and catering	**6,605**	**0.54**	**0.02**	5,134	0.52	0.03
Finance	**2,066**	**0.17**	**0.24**	3,375	0.34	0.15
Real estate	**110,649**	**9.00**	**0.06**	91,454	9.30	0.12
Leasing and commercial service	**81,371**	**6.62**	**0.39**	79,648	8.10	0.49
Scientific research, technical service & geological prospecting	**4,451**	**0.36**	**0.01**	2,424	0.25	0.01
Water conservation, environment and public facility administration	**55,106**	**4.48**	**0.09**	78,159	7.95	0.00
Residential service and other related service	**1,735**	**0.14**	**2.13**	2,471	0.25	0.00
Education	**446**	**0.04**	**0.45**	758	0.08	0.26
Sanitation, social security and other social service	**2,516**	**0.20**	**0.00**	2,072	0.21	0.00
Culture, sporting and entertainment	**2,948**	**0.24**	**0.02**	2,647	0.27	0.00
Public administration and social organization activities	**7,073**	**0.58**	**0.00**	7,945	0.81	0.00
Personal loans	**299,936**	**24.39**	**0.32**	260,641	26.51	0.19
Discounted bills	**17,042**	**1.39**	**0.00**	18,665	1.90	0.00
Total	**1,229,165**	**100**	**0.43**	**983,254**	**100**	**0.38**

During the reporting period, the Company defined key industries for credits. While setting stringent qualification criteria and effective risk control, the Company actively supported the credit and fund needs of real enterprises in the areas at advanced manufacturing, domestic consumption, livelihood projects and resources that were in line with the state's industrial policies, had good development prospects and clear strategic positioning, operated steadily, possessed sufficient cash flow and delivered relatively high comprehensive return. The Company also provided credit supports to strategically emerging industries, modern service industries, industrial upgrade projects and projects of energy conservation and emission reduction, continuing to promote the optimization of loan industrial structure.

As at the end of the reporting period, the Company's loans were rationally distributed among different industries. Its asset quality was good, as the NPL ratio remained stable in almost all the industries, except for the slight increase in the NPL ratio from the beginning of the period in "residential service and other related service", which only accounted for a small part in the total loans, so that the balanced and optimized development in the loan industrial structure and quality was achieved.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2012		December 31, 2011	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Fujian	**181,543**	**14.77**	153,431	15.60
Guangdong	**132,172**	**10.75**	99,547	10.12
Zhejiang	**93,723**	**7.63**	84,014	8.55
Shanghai	**89,420**	**7.28**	71,114	7.23
Beijing	**72,552**	**5.90**	61,686	6.27
Jiangsu	**66,274**	**5.39**	54,646	5.56
Head office	**53,740**	**4.37**	24,968	2.54
Others	**539,741**	**43.91**	433,848	44.13
Total	**1,229,165**	**100**	**983,254**	**100**

The Company's loans remained stable in terms of geographical distribution and were granted primarily to 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. The Company encouraged its branches to sufficiently consider factors like regional resources conditions, regional policies, market environment, market potential and credit environment, and implemented differentiated access policies for featured industries and customers that had salient competitive advantages based on their own risk management capability. By actively supporting local economic construction and effectively playing its role as a financial service provider for real economy, the Company benefited from local economic development.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2012		December 31, 2011	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**231,063**	**18.80**	207,240	21.07
Guaranteed loans	**276,693**	**22.51**	224,841	22.87
Secured by mortgage	**531,556**	**43.24**	473,459	48.15
Secured by collaterals	**172,811**	**14.06**	59,049	6.01
Discounted bills	**17,042**	**1.39**	18,665	1.90
Total	**1,229,165**	**100**	**983,254**	**100**

During the reporting period, the Company stressed more on the application of mortgages and collaterals as an important instrument to mitigate customers' credit risk. The proportion of loans secured by mortgage and collaterals was up 3.15 percentage points, indicating an enhanced capability of risk resistance.

(5) Loans granted to top ten borrowers

Unit: RMB million

Customer	December 31, 2012	Percentage (%) in total loans
Customer A	**8,782**	0.71
Customer B	**5,000**	0.41
Customer C	**4,874**	0.40
Customer D	**4,400**	0.36
Customer E	**4,200**	0.34
Customer F	**4,000**	0.33
Customer G	**3,400**	0.28
Customer H	**3,304**	0.27
Customer I	**3,190**	0.26
Customer J	**3,005**	0.24
Total	**44,155**	**3.60**

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2012			December 31, 2011		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**172,943**	**57.66**	**0.15**	174,980	67.14	0.14
Personal business loans	**69,832**	**23.28**	**0.42**	54,762	21.01	0.08
Credit cards	**40,354**	**13.46**	**0.91**	20,002	7.67	0.82
Others	**16,807**	**5.60**	**0.16**	10,897	4.18	0.29
Total	**299,936**	**100**	**0.32**	**260,641**	**100**	**0.19**

During the reporting period, the Company took the initiative to adjust and optimize its structure of personal loans and supported the development of real economy. The proportion of personal residential and personal business mortgage loans further dropped, and personal businesses like credit cards and personal business loans grew at a relatively higher speed, leading to a more reasonable structure of personal loans. Influenced by the slowdown of growth of domestic economy, the NPL ratio of personal loans slightly went up at the end of the reporting period, but it remained at a relatively low level due to the low base at the beginning of the reporting period.

During the reporting period, the Company further intensified the risk management of personal loans. Firstly, it adhered to the principle of “opening the front end and integrating the mid and back offices”, continuously standardized and improved the operation of the retail credit center, strengthened the centralized handling of the key operational processes of the personal loan business, and realized rapid business development with controllable risk. Secondly, it reinforced the verification of the authenticity of the identity of the borrower and the purpose of the loan to monitor and control application of personal loans. Thirdly, it stressed the monitor of the asset quality of key personal loans, gave timely risk alert, and actively handled risk.

The details of investment were as follows:

(1) Analysis of total investment

As at the end of the reporting period, the net investment of the Company stood at RMB395.65 billion, up RMB135.916 billion or 52.33% from the beginning of the period. The specific composition of investment was as follows:

① Classification based on accounting subject

Unit: RMB million

Item	December 31, 2012		December 31, 2011	
	Balance	Percentage (%)	Balance	Percentage (%)
Held-for-trading	**21,540**	**5.44**	8,101	3.12
Available-for-sale	**192,057**	**48.54**	147,505	56.79
Accounts receivable	**111,360**	**28.15**	70,205	27.03
Held-to-maturity	**69,199**	**17.49**	32,764	12.61
Long-term equity investments	**1,494**	**0.38**	1,159	0.45
Total	**395,650**	**100**	**259,734**	**100**

During the reporting period, as the bond yield peaked at the beginning of the year, the Company increased holding of bonds, particularly credit bonds that had relatively high absolute yields and controllable credit risk. In the second quarter, when the bond yield went down to a low level, the Company reduced its holding of part of the bonds that had short residual maturity and low absolute yields, further improving the profitability of its investment portfolios.

② Classification based on issuer

Unit: RMB million

Asset Type	December 31, 2012		December 31, 2011	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**62,107**	**15.70**	53,893	20.75
Central bank bills and financial bonds	**68,630**	**17.35**	72,327	27.85
Other bonds	**122,040**	**30.85**	58,359	22.47
Other investments	**141,379**	**35.72**	73,996	28.49
Long-term equity investments	**1,494**	**0.38**	1,159	0.44
Total	**395,650**	**100**	**259,734**	**100**

During the reporting period, the Company's investment increased and its investment structure was optimized. The proportion of government bonds was reduced, mainly because after government bonds issued by the Ministry of Treasury for local governments became due massively, the Company invested more in the credit bonds with higher yields and controllable credit risk considering that national bonds had lower yields. Investment in the Central Bank's bills decreased as on one hand, the Central Bank cut the offering volume and the stock level in the market significantly dropped; and on the other hand, the Company reduced holding of the Central Bank's bills at the appropriate time points during the reporting period for low yields. Investment in financial bonds basically remained stable. The proportion of debenture and other investments was increased to actively optimize investment structure and improve investment return on the condition that credit risk was controllable.

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB1.494 billion, and the details thereof were as follows:

① The Company held 14.72% equity in Jiujiang City Commercial Bank Co., Ltd. (hereinafter referred to as "Bank of Jiujiang") with a book value of RMB1.094 billion. In 2008, the Company acquired 102.20 million shares of Bank of Jiujiang at the price of RMB2.9 per share, accounting for 20% of the total share capital of Bank of Jiujiang. In 2009, Bank of Jiujiang increased 4 shares for every 10 shares to all recorded shareholders by utilizing capital reserve, and as a result, the Company held 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increased its registered capital by RMB400.66 million, which was offered privately at the price of RMB3.3 per share, and the Company subscribed for 80.12 million shares. Consequently the Company held 223.20 million shares and the proportion of equity interest remained at 20% of the total share capital of Bank of Jiujiang after it expanded its share capital. In December 2011, Bank of Jiujiang increased its registered capital by RMB400 million. The Company did not subscribe therefore the proportion of the equity interest of the Company in Bank of Jiujiang was diluted to 14.72% after the increase of share capital of the latter.

② The Company held 62.50 million shares of China UnionPay Co., Ltd. (hereinafter referred to as "China UnionPay") with a book value of RMB81 million. The Company became a shareholder of China UnionPay after purchasing 50 million shares at the price of RMB1 per share based on the Document YF [2001] No. 234 issued by the PBOC. The Company subscribed for 12.50 million shares of China UnionPay at the price of RMB2.5 per share based on the Document YJF [2008] No. 202 issued by the CBRC on May 23, 2008.

③ Industrial Trust held 4.35% equity in Huafu Securities Co., Ltd. with a book value of RMB180 million.

④ Industrial Trust held 5.00% equity in Zijin Mining Group Financial Co., Ltd. with a book value of RMB25 million.

⑤ Industrial Trust held 19.00% equity in Chongqing Machinery and Electronics Holding Group Finance Company Limited with a book value of RMB114 million.

(3) The Company's equity in other listed companies

① Details of the Bank's equity in other listed companies:

Unit: RMB million

Name of the company	Initial investment	Number of shares held (shares)	Proportion of equity interest (%)	Book value at the end of the reporting period
VISA INC	-	10,866	-	10
CCS Supply Chain Management Co., Ltd. (previously Shandong Jiufa Edible Fungus Co., Ltd.)	6	939,176	0.11	8
Total	**6**	**-**	**-**	**18**

② As at the end of the reporting period, Industrial Trust held shares in listed companies with a total book value of RMB5.704 million, and the transactions of which were normal investment business.

(4) The Company's equity in non-listed financial companies and the companies planning to be listed

Unit: RMB million

Name of the company	Initial investment cost	Number of shares held (shares)	Proportion of equity interest (%)	Book value at the end of the reporting period
Jiujiang City Commercial Bank Co., Ltd.	561	223,200,000	14.72	1,094
Huafu Securities Co., Ltd.	180	-	4.35	180
Zijin Mining Group Financial Co., Ltd.	25	-	5.00	25
Chongqing Machinery and Electronics Holding Group Finance Company Limited	114	-	19.00	114
Total	**880**	**-**	**-**	**1,413**

Note: The shares of Huafu Securities Co., Ltd., Zijin Mining Group Financial Co., Ltd. and Chongqing Machinery and Electronics Holding Group Finance Company Limited set out above were held by Industrial Trust.

(5) Use of raised proceeds and changes in scheduled projects

In May 2010, the Company implemented the A share placement plan, whereby all shareholders were placed 2 shares for every 10 shares they held at the price of RMB18.00 per share. 992,450,630 shares were issued, raising proceeds of RMB17.864 billion, which was used to supplement the Company's capital after deduction of offering expense.

During the reporting period, approved by the CSRC, the Company offered 1,915,146,700 A shares in total to The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited, PICC Life Insurance Company Limited, China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd. As at the end of the reporting period, the subscription payment and capital verification for the Non-public Offering were completed, and the net proceeds raised after deduction of offering expenses was RMB23.532 billion, all of which was used to supplement the Company's capital. The registration and custody process for the newly offered shares was completed in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on January 7, 2013.

During the reporting period, the Company did not change the use of the proceeds raised.

Deposits in banks and other financial institutions:

As at the end of the reporting period, the Company had deposits of RMB164.663 billion in banks and other financial institutions, an increase of RMB95.217 billion or 137.11% from the beginning of the period, mainly because the Company increased deposits in banks to increase the interbank business income and the interest income from deposits in banks and other financial institutions went up 285.70% year-on-year.

Financial assets held under resale agreements:

As at the end of the reporting period, the Company's financial assets held under resale agreements was RMB792.797 billion, an increase of RMB265.818 billion or 50.44% from the beginning of the period, mainly because the Company capitalized on the market opportunities to expand such business to increase the income from non-credit businesses and the interest income from financial assets held under resale agreements increased by 56.35% year-on-year.

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB3,080.340 billion, an increase of RMB787.620 billion or 34.35% from the beginning of the period.

The specific composition of customer deposits was as follows:

As at the end of the reporting period, the balance of customer deposits was RMB1,813.266 billion, a significant increase of RMB467.987 billion or 34.79% compared with the beginning of the period. Key reasons for the increase of customer deposits were the Company's continuous product innovation, intensified the specialization reform in business lines, and continuous expansion and further consolidation of the customer base.

Unit: RMB million

Item	December 31, 2012		December 31, 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits	**748,299**	**41.27**	598,852	44.52
Incl: Corporate	**599,305**	**33.05**	487,695	36.26
Personal	**148,994**	**8.22**	111,157	8.26
Time deposits	**820,468**	**45.25**	571,238	42.46
Incl: Corporate	**670,317**	**36.97**	457,665	34.02
Personal	**150,151**	**8.28**	113,573	8.44
Other deposits	**244,499**	**13.48**	175,189	13.02
Total	**1,813,266**	**100**	**1,345,279**	**100**

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

As at the end of the reporting period, the Company had a balance of RMB894.436 billion in deposits from banks and other financial institutions, an increase of RMB267.605 billion or 42.69% from the beginning of the period. The primary reason was that the Company took market opportunities to attract deposits from banks based on the need for interbank assets allocation.

Unit: RMB million

Transaction counterpart	December 31, 2012		December 31, 2011	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from domestic bank peers	**670,470**	**74.96**	376,048	59.99
Deposits from other domestic financial institutions	**223,966**	**25.04**	250,783	40.01
Total	**894,436**	**100**	**626,831**	**100**

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

At the end of the reporting period, the Company recorded a balance of RMB161.862 billion in financial assets sold under repurchase agreements, increased RMB20.436 billion or 14.45% from the beginning of the period.

Unit: RMB million

Type	December 31, 2012		December 31, 2011	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**102,488**	**63.32**	43,410	30.69
Bills	**47,398**	**29.28**	95,444	67.49
Others	**11,976**	**7.40**	2,572	1.82
Total	**161,862**	**100**	**141,426**	**100**

(III) Analysis of income statement

During the reporting period, the Company witnessed a sustainable, balanced and healthy growth in various businesses, with the total assets exceeding RMB3 trillion; the deposit-loan spread increased by 21 basis points year-on-year, and the net interest margin increased by 15 basis points year-on-year. The Company flexibly allocated assets by capturing market opportunities, resulting in a rapid growth of non-credit assets. The fee and commission income also experienced a fast growth while the asset quality was good. The cost-to-income ratio was maintained at a relatively low level. The net profit attributable to the shareholders of the parent company reached RMB34.718 billion, up 36.12% year-on-year.

Unit: RMB million

Item	2012	2011
Operating income	**87,619**	59,870
Net interest income	**72,193**	50,734
Net non-interest income	**15,426**	9,136
Business tax and surcharges	**(5,748)**	(4,291)
Operating and administrative expense	**(22,877)**	(18,784)
Impairment loss of assets	**(12,382)**	(2,916)
Other operating costs	**(544)**	(347)
Net non-operating income and expense	**125**	132
Profit before tax	**46,193**	33,664
Income tax	**(11,266)**	(8,067)
Net profit	**34,927**	25,597
Profit and loss of minority shareholders	**209**	92
Net profit attributable to the shareholders of the parent company	**34,718**	25,505

1. Net interest income

During the reporting period, the net interest income of the Company was RMB72.193 billion, up RMB21.459 billion or 42.30% year-on-year, mainly because that, on one hand, the Company's interest spread has increased, with the net interest spread up 15 basis points to 2.64% and the deposit-loan spread increasing by 21 basis points to 4.59%; on the other hand, various businesses of the Company grew steadily and rapidly, and the daily average scale of interest-bearing assets increased by 33.54% year-on-year.

Unit: RMB million

Item	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**71,905**	**46.16**	57,472	53.00
Interest income from discounted bills	**2,822**	**1.81**	1,677	1.55
Interest income from investments	**14,888**	**9.56**	10,810	9.97
Interest income from the amount due from the Central Bank	**4,532**	**2.91**	3,698	3.41
Interest income from placements with banks and other financial institutions	**12,865**	**8.26**	5,816	5.36
Interest income from resale agreements	**40,836**	**26.22**	26,119	24.08
Interest income from deposits in banks and other financial institutions	**5,369**	**3.45**	1,392	1.28
Interest income from financial leasing	**2,522**	**1.62**	1,463	1.35
Other interest income	**16**	**0.01**	-	-
Subtotal of interest income	**155,755**	**100**	**108,447**	**100**
Interest expense				
Interest expense on deposits	**33,662**	**40.28**	23,713	41.09
Interest expense on bonds issuance	**3,283**	**3.93**	2,656	4.60
Interest expense on deposits from banks and other financial institutions	**35,997**	**43.08**	22,919	39.71
Interest expense on placements from banks and other financial institutions	**2,066**	**2.47**	1,532	2.65
Interest expense on repurchase agreements	**7,801**	**9.34**	6,529	11.31
Other interest expense	**753**	**0.90**	364	0.64
Subtotal of interest expense	**83,562**	**100**	**57,713**	**100**
Net interest income	**72,193**		**50,734**	

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB15.426 billion, accounting for 17.61% of the operating income, an increase of RMB6.29 billion or 68.85% year-on-year. The specific composition of net non-interest income was as follows:

Unit: RMB million

Item	2012	2011
Net fee and commission income	**14,947**	8,845
Gain and loss from investment	**(346)**	324
Gain and loss from changes in fair value	**339**	(283)
Gain and loss from exchange	**439**	217
Income from other businesses	**47**	33
Total	**15,426**	**9,136**

Net fee and commission income: during the reporting period, the Company realized fee and commission income of RMB15.681 billion, up RMB6.263 billion or 66.50% year-on-year. The specific composition of fee and commission income was as follows:

Unit: RMB million

Item	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**474**	**3.02**	556	5.90
Fee income from bank cards	**2,497**	**15.93**	1,716	18.22
Fee income from agency business	**1,832**	**11.68**	1,655	17.57
Fee income from guarantee commitment	**1,343**	**8.56**	557	5.91
Fee income from trading business	**127**	**0.81**	102	1.08
Fee income from custody business	**1,494**	**9.53**	515	5.47
Fee income from consulting service	**6,046**	**38.56**	3,467	36.82
Fee income from trust business	**1,090**	**6.95**	410	4.35
Fee income from lease business	**264**	**1.68**	111	1.18
Other fee income	**514**	**3.28**	329	3.50
Subtotal	**15,681**	**100**	**9,418**	**100**
Fee and commission expense	**734**		573	
Net fee and commission income	**14,947**		**8,845**	

Gains and losses from investment, gains and losses from changes in fair value and gains and losses from exchange: these items were highly interrelated. After re-classifying them based on the business nature, it was confirmed that the Company realized total gains of RMB432 million during the reporting period, an increase of RMB174 million or 67.44% compared with last year.

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB22.877 billion, up RMB4.093 billion or 21.79% compared with last year. The specific composition was as follows:

Unit: RMB million

Item	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**12,545**	**54.84**	10,552	56.18
Depreciation and amortization	**1,230**	**5.38**	1,039	5.53
Lease expense	**1,469**	**6.42**	1,214	6.46
Other general and administrative expense	**7,633**	**33.36**	5,979	31.83
Total	**22,877**	**100**	**18,784**	**100**

During the reporting period, in order to satisfy the needs for business development and organization expansion, operating expense increased accordingly. In the same period, the operating income increased by 46.35% year-on-year, and the cost-income ratio dropped by 5.22 percentage points year-on-year, indicating a reasonable control on expense.

4. Impairment loss of assets

During the reporting period, the Company's impairment loss of assets was RMB12.382 billion, up RMB9.466 billion or 324.62% year-on-year. The specific composition of impairment loss of assets was as follows:

Unit: RMB million

Item	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**11,758**	**94.96**	2,625	90.02
Impairment loss on investment in accounts receivable	**76**	**0.61**	52	1.78
Impairment loss on available-for-sale financial assets	**8**	**0.06**	-	-
Impairment loss on financial leasing receivable	**400**	**3.23**	212	7.27
Impairment loss on other assets	**140**	**1.14**	27	0.93
Total	**12,382**	**100**	2,916	100

During the reporting period, the Company accrued loan impairment loss of RMB11.758 billion, up RMB9.133 billion year-on-year. Main reasons included: (1) there was an increase in loans, and (2) in order to meet the regulatory requirement of the 2.5% provision-to-loan ratio by 2016, the Company continued to take steps for increasing the provision for impairment loss of loans considering such factors as the net profit and capital adequacy ratio of the current period.

5. Income tax

During the reporting period, the effective income tax rate applying to the Company was 24.39%. The difference between income tax expense and the amount calculated according to the 25% statutory tax rate was as follows:

Unit: RMB million

Item	2012
Profit before tax	**46,193**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**11,548**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(557)**
Non-deductible items	**282**
Adjustment on the tax of previous years	**(7)**
Income tax expense	**11,266**

(IV) Analysis of core competitiveness

The Company is a fast-growing modern bank. Over the previous years, the Company has been firmly implementing marketization reform, persisting in exploring a differentiated business mode, actively and effectively leveraging on the opportunities at various stages of China's economic and financial reforms, and establishing a business mode, a business structure and a management system and mechanism with its own characteristics, making it increasingly stand out in China's banking system. Since its establishment 24 years ago, the Company has successfully leaped from a local bank to a regional bank, a national bank and a public listed bank. The Company has also become one of the top ten banks in China and one of the top 100 banks in the world, and has started to turn itself into a mainstream financial service group with banking as its main business. The Company's financial performance has been among the best in the industry, with its net profit continuously increasing drastically since it was listed 6 years ago. Its ROE has been maintained at a high level of approximately 25%, creating a good value return for investors.

The Company has established an effective and flexible modern enterprise system. The Company is one of the new-typed domestic banks in joint-stock form, and has established a corporate governance structure according to the requirements for modern shareholding companies when it was first established. Since 2003, the Company has taken the opportunity of introducing overseas strategic investors and going public listing, absorbed and learned the governance concepts and experience of advanced international banks, comprehensively improved the basic system and operational mechanism of corporate governance, and further formed a governance structure with clear responsibility, effective checks and balances, and coordinated operation. The Company has a stable and experienced core management team. With the support of good corporate governance, the Company constantly deepens the reform in operation and management system and mechanism, takes an advantageous position in the competition of modern banks, and continues to unleash its business vitality. Over the recent two years, in particular, the Company has accelerated its specialization reform of business lines, and a matrix operational management system of integration of departments and business lines at different levels of the headquarters and branches centering on the three main business lines of corporate finance, retail business and financial markets has started to take shape. The competitive advantages in the system and mechanism are becoming more obvious, and the "dividend" of the reform is gradually appearing.

The Company is capable for flexible and quick financial innovation. Over the last few years, the Company has been famous for its sharp market judgment and leading business innovation. The Company is the first to innovate supplementary capital instruments like subordinated debts and hybrid capital bonds, the first to open up the green finance market, the first to adopt the "Equator Principles", and the first to build an interbank cooperation and service platform. It has been an industrial leader of innovation in many segmented business areas, and has formed its distinctive business characteristics. The Company has currently become a major competitor in the domestic financial field of urbanization, a leader in the green finance market and a forerunner in the interbank cooperation and service area, while building up its relatively strong competitiveness in the relevant segmented markets and a good reputation in the market.

The Company has formed first-mover advantages in multi-market, multi-product, and comprehensive service. The Company is one of the first banks in the country to implement the strategy of operation transformation. Over the last few years, centering on the strategy of operation transformation, the Company has focused on reducing capital consumption and improving returns on capital to vigorously promote the transformation of business development mode and profitability pattern, and successfully realized diversified development in assets, liabilities and sources of income. During the process, the Company has taken the initiative to adapt to such trends as interest rate marketization, financial disintermediation and multi-layer financial market construction. With the innovation in investment banking, wealth management and assets management as its main direction, the Company has taken the lead in planning its business in the money market, capital market, bond market, interbank market, non-bank financial institution market, precious metals, foreign exchange and derivative product trading, and has started to form its first-mover advantages in multi-market, multi-product and comprehensive service.

The Company has nurtured and built a prudent and sound risk culture. As a risk-managing enterprise, the Company has always stuck to rational and pragmatic business strategies, and nurtured and built a prudent and sound risk culture. Corresponding to the business development characteristics of various stages, the Company has constantly reformed and improved risk management and internal control system and mechanism, and its risk and internal control management has always been among the best of the industry. Since it was listed six years ago, the asset quality of the Company has always maintained at the best level of the industry, with its provision coverage ratio up each year, and its risk resistance capability continuously improving.

The Company is supported by an advanced and strong technological system. The Company has implemented the strategy of "developing the Bank by relying on science and technology", constantly increasing the investment in scientific and technological construction to improve the technological support capability. The Company's core production system construction is among the best in the industry, making it one of the few banks in the country that have independent core system research and development capability and proprietary intellectual property rights, as well as the only bank exporting core system technology in the country. The Company's technological maintenance and management has always maintained at a high level. It is the first to build an integrated disaster recovery system integrating the master data center, same-city disaster recovery and different-city disaster recovery, and one of the first banks in the country that comply with the international disaster recovery standard (level-5) and the requirements of the disaster recovery stipulations of the PBOC. The Company's key indicators, like key information system availability and gold card system transaction success rate, have been among the best in the industry over the years.

II. Discussion and analysis on future development

(I) Industrial competition landscape and development trends

The external situation indicates that the overall macro-economy will be sound in 2013, but numerous difficulties and challenges still exist, that is, "it is better at the macro-economic level, but enterprises will still face difficulties at the micro-economic level". When saying "it is better at the macro-economic level", it means that on one hand, the global economic situation is stable generally, and on the other hand, the domestic economy is on a stable trend after adjustments, and the market confidence is remarkably enhanced after the new central government leadership explicitly released the message of firmly adhering to reform and opening up. At the micro-economic level, part of the real enterprises especially manufacturers are still faced with such difficulties as over-capacity, lack of innovation capability, rising operating costs and declining profitability, most of which are structural problems accumulated over a long time and cannot be fundamentally solved within a short period.

In terms of policies, in 2013, macro-economic policies in general will maintain consistent and stable with pre-adjustments and slight adjustments. The country will continue to implement active fiscal policies and sound monetary policies. The reform of the financial markets will advance steadily in the predefined direction, including steadily promoting interest rate marketization, appropriately expanding social financing volume and encouraging the development of direct financing. The institutional reform is expected to gradually start and advance by focusing on urbanization.

In 2013, the Company will maintain relatively active and aggressive operation and management, set pragmatic and reliable business goals, and further capitalize on market opportunities to propel sustainable, stable and relatively rapid business growth through consolidating and expanding the achievement in business line specialization reform. By firmly driving business transformation, the Company will optimize business structure, strengthen development foundation, and improve the quality and benefits of the development. By continuously improving business management system and mechanism, the Company will improve standardization, refinement and information orientation of management, and reinforce the rationality, soundness and sustainability of business development.

(II) The Company's development strategy

In the face of challenges and opportunities in the following years, the Company will focus on development as its first priority, business transformation as its main task, and innovation as its fundamental driving force, and intensify business innovation and operational transformation.

In respect of traditional businesses, the Company will place emphasis on small enterprise business and retail financial business that are in line with future economic and financial development trends and have less reliance on capital, as well as on businesses that are related to the basic core function of the Bank including trade finance, cash management, the Bank-to-Bank Platform and the new payment and settlement business utilizing new technological approaches and new payment platforms, and strive to achieve new market breakthroughs and featured advantages.

In respect of emerging businesses, the Company will make great efforts to develop wealth management, investment banking and assets management which act as substitution of and effective driver for traditional businesses, hence becoming the Company's new growth sources and new path for leap. The Company will create its wealth management business series and product service series centering on the functional positioning of comprehensive financial service for corporate customers, wealth management planning for retail customers and comprehensive financial service for interbank customers. Based on customer needs for wealth management and diversified financing, the Company will strive to form new business characteristics and first-mover competitive advantages in the new investment and financing business, innovative financial market business and portfolio assets management.

(III) Business objectives for 2013

1. Total assets to reach RMB3.8 trillion.

2. The balance of customer deposits to increase by approximately RMB380 billion.

3. The balance of loans to increase by approximately RMB150 billion.

4. The net profit attributable to the shareholders of the parent company to increase by approximately 15.3% year-on-year.

To strive to achieve new breakthroughs in the corporate financial business. The Company strives to maintain the growth of key business indicators no lower than the average market level, and key profitability indicators no lower than the average corporate level; to maintain the relatively strong momentum of the growth of corporate core liabilities; to keep a steady increase of the market share of corporate business in various regions; to maintain coordinated growth of various key professional businesses; and to further consolidate and improve the Company's market position among the joint-stock commercial banks in the country.

To accelerate the significant development of retail business. The Company will continue to focus on target customer segments with "high net worth, high value and high growth"; by attaching stress on the production organization model, production capacity and service system construction, to focus on improving market competitiveness, expanding market influence, and further speeding up the efforts to achieve significant development.

To consolidate and expand the leading advantages in the financial market business. The Company will stick to the goal of the relevant businesses all entering tier 1 in the industry, further define accurate business positioning, intensify core competence building, consolidate and expand the leading business advantages and market share of the financial markets business, and continue to provide strong support for the significant business development and improvement of comprehensive service capability.

To further improve the comprehensiveness and the level of refinement in management. The Company will extensively strengthen capital management, enhance capital restriction orientation, improve the measurement, assessment and provision of risk assets of credit business and off-balance-sheet business, strengthen the appraisal of business lines and financial dimensions in branches, guide the development with balance in size and benefits, intensify the management of various businesses especially emerging businesses, enhance standardization of various new businesses, and further improve the relevancy, effectiveness and transparency of risk management by specifying standards.

III. Business overview

(I) Business institutions

1. Overview of business units

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	-	3,083	555,463
Financial Markets	168 Jiangning Road, Shanghai	-	88	299,181
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	966	40,109
Assets Custody Department	168 Jiangning Road, Shanghai	-	99	22,026
Investment Banking Department	28 Jianguomen Nei Avenue, Dongcheng District, Beijing	-	48	6,807
Beijing Branch	11 Section 3, Anzhen Xili, Chaoyang District, Beijing	42	1,720	219,473
Tianjin Branch	219 Yong'an Blvd., Hexi District, Tianjin	21	1,116	112,944
Shijiazhuang Branch	37 Ziqiang Road, Qiaoxi District, Shijiazhuang	16	924	81,980
Taiyuan Branch	209 Fudong Street, Taiyuan	11	850	58,765
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	7	722	45,871

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Shenyang Branch	36 Shiyiwei Road, Heping District, Shenyang	16	1,024	61,378
Dalian Branch	136 Zhongshan Road, Zhongshan District, Dalian	9	581	29,196
Changchun Branch	309 Changchun Avenue, Changchun	6	672	43,487
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	13	650	41,228
Shanghai Branch	168 Jiangning Road, Shanghai	39	1,857	241,901
Nanjing Branch	2 Changjiang Road, Nanjing	39	2,291	196,182
Hangzhou Branch	40 Qingchun Road, Hangzhou	42	2,347	109,874
Ningbo Branch	905 Baizhang East Road, Ningbo	13	677	56,477
Hefei Branch	99 Fuyang Road, Hefei	15	918	54,519
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	33	1,235	92,743
Xiamen Branch	78 Hubin North Road, Xiamen	24	1,028	57,309
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	7	262	19,451
Sanming Branch	1 Liedong Street, Meilie District, Sanming	8	384	10,008
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	29	1,424	64,561
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	12	482	23,554
Nanping Branch	399 Binjiang Middle Road, Nanping	8	318	9,167
Longyan Branch	46 Jiuyi South Road, Longyan	7	310	12,378
Ningde Branch	11 Jiaocheng South Road, Ningde	6	290	10,874
Nanchang Branch	119 Dieshan Road, Nanchang	10	569	33,232
Ji'nan Branch	86 Jingqi Road, Ji'nan	26	1,983	117,998
Qingdao Branch	7A Shangdong Road, Shinan District, Qingdao	10	607	42,996
Zhengzhou Branch	22 Nongye Road, Zhengzhou	25	1,065	93,586
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	21	1,104	87,085
Changsha Branch	192 Shaoshan North Road, Changsha	21	897	75,305
Guangzhou Branch	101 Tianhe Road, Guangzhou	65	3,240	227,613
Shenzhen Branch	4013 Shennan Blvd., Futian District, Shenzhen	25	1,471	124,077
Nanning Branch	115 Minzu Blvd., Nanning	10	657	40,029
Chongqing Branch	1 Honghuang Road, Hongqihegou, Jiangbei District, Chongqing	17	978	89,653
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	24	1,086	90,456
Kunming Branch	138 Tuodong Road, Kunming	11	537	45,994
Xi'an Branch	1 Tangyan Road, Xi'an	18	1,036	93,569
Urumqi Branch	37 Renmin Road, Urumqi	10	442	45,563
Guiyang Branch	45 Zhonghua South Road, Guiyang	1	161	12,491
Netting and summation adjustment within the system				(583,060)
Total		**717**	**42,199**	**3,213,493**

Note: Data in the table above do not include Industrial Leasing and Industrial Trust. Only level 1 branches (sorted according to administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of level 2 branches and other sub-branches are included in the data of level 1 branches according to the management structure.

2. Overview of subsidiaries

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

As at the end of the reporting period, the total assets of Industrial Leasing reached RMB40.315 billion, an increase of RMB12.698 billion from the beginning of the period, of which, the balance of financial leasing assets was RMB39.975 billion, up RMB13.22 billion compared with the beginning of the period. Its total liabilities amounted to RMB35.851 billion, representing an increase of RMB12.03 billion from the beginning of the period. During the reporting period, lease amount including accumulated rental recovery was RMB9.286 billion, representing a recovery rate of 100%. The net operating income amounted to RMB1.496 billion with after-tax net profit reaching RMB667 million. As at the end of the period, the shareholders' equity was RMB4.464 billion, up RMB667 million, and the capital adequacy ratio was 12.24%.

With respect to the structure of industries, the financial leasing business mainly covered industries such as manufacturing (32.7%), water conservancy, environment and public utilities administration (16.08%), leasing and commercial services (16.70%), and production and supply of electricity, gas and water (12.23%), of which the balance of green financing lease projects, including energy conservation and emission reduction, totaled RMB13.397 billion, accounting for 33.5% of the total balance of all projects. With respect to the structure of duration, 11% of the balance of projects covered 1-3 (inclusive) years, 54% of the balance of projects covered 3-5 (inclusive) years, and 35% of the balance of projects covered over 5 years.

(2) China Industrial International Trust Limited

During the reporting period, Industrial Trust focused on improving its proactive management capability and core competitiveness and made outstanding operation results by adopting "comprehensive, diversified, and featured top trust company" as its strategic target. As at the end of the reporting period, the registered capital of Industrial Trust increased to RMB2.576 billion and the Company held 73% of its total capital. Its owned assets amounted to RMB4.132 billion, up 23.08% from the beginning of the period. During the reporting period, Industrial Trust realized pre-tax profit of RMB1.032 billion, representing an increase of 273.51% year-on-year. The net profit was RMB772 million, representing an increase of 278.39% year-on-year, and the ROE was 21.65%. Hence, its main indicators met regulatory requirements.

As at the end of the reporting period, Industrial Trust offered 1,085 trust products, with trust business size reaching RMB335.145 billion, up 119.62% from the beginning of the period. During the reporting period, 946 trust products were offered with the trust business size increased by RMB290.228 billion. Meanwhile, it strengthened the cultivation of its strategically key businesses including trust business of securities investment, with its business features taking shape. It accumulatively offered 174 trust products of securities investment, with the business size reaching RMB22.595 billion. During the reporting period, 35 trust products of securities investment were offered with the business size of RMB12.903 billion. Industrial Trust established business relationship with most of the national top 50 first-class private equity fund companies. Industrial Trust was qualified for various innovative businesses, including trading in futures of stock indexes, investment in equity with owned assets and trustee for special purpose trusts, and hence its integrated operation level and customer service capability were highly upgraded.

(II) Analysis of business segments

1. Corporate finance business

(1) Overview

During the reporting period, the corporate finance business of the Company realized a fast and healthy development with its market share increasing steadily. The specialization reform of the corporate finance business line was deployed steadily and the organizational structure was further improved. The specialized operation system took shape and the organic growth motivation was consistently enhanced. The fair development mechanism was further improved, with human resources being supplemented and enhanced and the reform witnessing obvious results.

The general situation of business was sound. Firstly, the market share of deposits of the Company has witnessed a remarkable increase. As at the end of the reporting period, the balance of core corporate deposits in local and foreign currencies amounted to RMB1,394.508 billion, up RMB408.761 billion or 41.47% over the beginning of the period; the daily average core corporate deposits in local and foreign currencies amounted to RMB1,107.086 billion, up RMB236.68 billion or 27.20% over the beginning of the period; and the daily average corporate deposits in foreign currencies amounted to USD7.641 billion, up 585%, with the organic growth motivation obviously being enhanced. Secondly, loans have shown a steady growth trend. The balance of corporate loans in local and foreign currencies amounted to RMB912.187 billion, up RMB208.239 billion or 29.58% over the beginning of the period, with credit in real economy and flow business being further increased. Thirdly, the quality of assets remained stable. The balance of non-performing corporate loans was RMB4.334 billion, up RMB1.004 billion over the beginning of the period with the NPL ratio at 0.48%.

The foundation of business became further solid. Firstly, the customer base kept expanding. As at the end of the reporting period, there were totally 390.9 thousand corporate finance customers, up 91 thousand customers or 30.34% over the beginning of the period, among which the basic customers accounted for 70,558, up 13,902 or 24.35% over the beginning of the period; and credit customers accounted for 39,336, up 5,993 or 17.97% over the beginning of the period. During the reporting period, there were 128.2 thousand new accounts with the balance of deposits of RMB293.275 billion, and hence, the customer expansion has witnessed good performance. Secondly, the foundation of management has been consistently strengthened. The coordination and synergy among the segments within the corporate finance business line, between the corporate finance business line and other business lines, and between the head office and branches became more effective. The business integration was further strengthened and the refined management of the corporate finance business line was obviously improved. Thirdly, the product system was further improved. The Company has completed its medium and short-term development plan of the corporate finance product system, and launched a number of innovative products including smart time deposits, placement debts, domestic L/D reimbursement, inter-manufacturer banking, contractual energy management financing, emission right pledge credit, and financial lease factoring, with its product system constantly enriched and improved. Fourthly, the Company has further optimized its risk management system. The Company has further improved the internal framework for its risk management system of corporate finance with a further streamlined mechanism, and it has established a joint conference mechanism for risk management windows within the business line and enhanced the complete synergy for the risk management of corporate finance. Thus, the procedures for its risk management became more standard and the efficiency of credit business examination and approval and the level of full process quality management witnessed constant improvement.

(2) Investment banking business

During the reporting period, by capitalizing on the opportunities arising from the rapid development of domestic direct financing market in investment banking business as well as the reform in the corporate business line, the Company optimized its business operation mechanism, refined its business operation process, enhanced its internal control management of business risk and constantly improved its capability for professional operation and management, with its operation efficiency being further enhanced. During the reporting period, the Company has served as the lead underwriter for debt financing instruments issued by non-financial enterprises, with the accumulated underwriting amount of RMB201.243 billion, up 84% year-on-year. The Company has also made good performance in new business areas including non-public offering of debt financing instruments and ultra-short term financing bills, among which it served as the lead underwriter for 52 issues of RMB55.09 billion non-public offering of debt financing instruments, taking the first place among banks both in the amount of offering and in the number of issues as a lead underwriter. The Company has become a member of the underwriting syndicate for the ultra-short term financing bills of a number of central enterprises including Shenhua Group, China Guodian Corporation, China Datang Corporation, and Aviation Industry Corporation of China. During the reporting period, the Company has served as the lead underwriter for RMB33.2 billion ultra-short term financing bills of 14 enterprises, hence further enhancing its capability of financial service for large enterprise groups. Focusing on financing for energy and energy M&A, the Company aggressively promoted the development of M&A financing in related areas in an effort to meet the demands of corporate finance customers for diversified financing. The Company has strengthened interbank exchange and cooperation in syndicate loans businesses and promoted the high-efficient deployment of syndicate loans businesses.

During the reporting period, the Company proactively participated in the new round of pilot securitization of credit assets, scientifically selected the products eligible for the pool of credit assets, and further enriched the varieties of the underlying assets for securitization of credit assets.

(3) Trade financing business

During the reporting period, the Company took the drive of product innovation in trade financing business and realized a rapid development with practical deployment. As at the end of the reporting period, the balance of trade financing business was RMB318.665 billion, up RMB83.369 billion or 35.43% from the beginning of the reporting period, with 9,703 supply chain financing customers, increasing by 2,662 customers from the beginning of the reporting period, and the balance of the deposits driven by trade financing customers was RMB338.179 billion, up RMB177.082 billion from the beginning of the reporting period.

(4) Cash management business

During the reporting period, the Company has effectively improved the system of customers, products, techniques and operations of cash management business through team building, customer expansion and cross marketing, thereby greatly increasing the customer scale and business value. As at the end of the reporting period, the number of group customers of cash management business increased by 1,578, doubling that at the beginning of the reporting period. The Company focused on developing a batch of key cash management customers of high leverage, high added value and high penetration, and the cross-bank customers, bank-enterprise direct link customers, and customers of e-administration and e-commerce accounted for 51% of the newly added customers, with customer structure being further optimized. The daily average deposits of cash management customers reached RMB198.438 billion, increasing by RMB53.5 billion year-on-year, accounting for 17.9% of the daily average deposits from corporate finance customers.

(5) Sustainable financial business

During the reporting period, the Company has proactively leveraged on market opportunities and its green finance and financing business has witnessed multi-dimensional development. By use of multiple financial instruments, the Company accumulatively provided green financing near RMB200 billion for no less than a thousand enterprises. As at the end of the reporting period, the financing balance of green finance stood at RMB112.609 billion, increasing RMB38.064 billion or 51.06% from the beginning of the period, among which the balance of loans accounted for nearly 10% of the balance of corporate credit loans. The projects supported by the loans can achieve in China an annual saving of 23,160.3 thousand tons of standard coal, together with an annual emission reduction of 66,834.7 thousand tons of carbon dioxide, 886.5 thousand tons of chemical oxygen demand (COD), 15.1 thousand tons of ammonia nitrogen, 43.6 thousand tons of sulfur dioxide, 6.9 thousand tons of nitrogen oxides, as well as integrated utilization of 15,012.9 thousand tons of solid waste a year and an annual water conservation of 255,790.6 thousand tons.

New breakthroughs were constantly made in emission right finance. The Company proactively promoted the construction of domestic carbon transaction markets, established the cooperation platform for carbon finance business, and had full cooperation with national carbon transaction pilot regions including Shanghai, Guangdong, Tianjin and Hubei. It took the lead in launching the integrated financial service in emission rights, provided governmental departments and enterprises with a package of product and service including consultation for designing the system of emission right transactions, development of the trading and settlement systems of emission right, emission right pledge credit and project finance for pollutant emission reduction, and took the lead in cooperation with national pilot areas for compensated use and transaction of emission right including Hunan, Hebei, Shanxi, Jiangsu and Zhejiang.

Product innovation kept advancing. During the reporting period, the Company took the lead in launching the contractual energy management financing on pledge of the beneficial rights of related projects in China, and effectively released the stress in difficult issues for financing guarantee of energy conservation service companies by quantitative assessment on the earnings of related projects in the future and identifying them as collaterals. The Company and the International Finance Corporation jointly introduced the first energy saving and emission reduction financing project devoted to serving the small and medium-sized enterprises in less developed areas in China, which effectively solved the problems such as financing difficulties and less channels for financing of energy saving and emission reduction of the small and medium-sized enterprises in less developed areas.

The influence of the brand of green finance expanded increasingly. During the reporting period, the Company ranked at the first place both in the 2012 China Annual Report on Green Credit issued by the Policy Center for Environment and Economy of the Ministry of Environmental Protection and in the Ranking of Performance in Green Credit of Chinese-invested Listed Banks (2008-2011) issued by ten non-governmental agencies including Green Watershed. It also won special awards by domestic authoritative agencies and media, including “Carbon-value Social Citizen Award”, “Award of Best Green Bank”, and the “Award of Low-carbon Pioneer Enterprises”. Especially, it won the award of “National Advanced Group in Emission Reduction” of the 11th Five-year Period granted jointly by the MOHRSS, the NDRC, the MEP, and the MOF, hence becoming the only commercial bank wining such award in China.

(6) Small enterprise business

During the reporting period, the Company was dedicated to expanding service areas, innovating financial service and normalizing service management by the highly efficient professional operation mode and system, hence constantly improving its service level to small enterprises. As at the end of the reporting period, the Company established a business institution of small enterprises at all level 1 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. The number of small enterprise customers kept increasing, with the foundation for business development being further consolidated, and the small enterprise customers in the customized statistics of the Company totaled 312.8 thousand, up 36.44% from the beginning of the period, accounting for over 80% of total corporate finance customers of the Company; and the loans for small businesses increased by RMB49.483 billion, up 59.92%.

The Company fully promoted the service brand of the “Industrial Bank Sesame Blooming – Growth and Listing Plan for SMEs”, whereby internal and external resources were further integrated to inject fund, management and service to enterprises and consequently improve the market competitiveness of SMEs. As at the end of the reporting period, a total of 3,894 qualified SMEs with listing potential were selected as the members of the “Industrial Bank Sesame Blooming”. The enhanced credit product of “Industrial Bank Sesame Blooming” was honored as the “Distinctive Product of Financial Service of Banking Financial Institutions for Small Enterprises” by the CBRC.

(7) Institutional business

During the reporting period, the Company established the Department of Institutional Business. In respect of institutional business, the Company focused on core liabilities, and made efforts to optimize its business layout. Hence, the businesses of institutional finance realized a rapid development. The Company adjusted and optimized the structure of institutional liabilities, such that the amount of institutional liabilities has realized a rapid growth with its market share increased. As at the end of the reporting period, the balance of institutional deposits of the Company was RMB349.379 billion, up RMB114.896 billion or 49.00% from the beginning of the reporting period. The Company stuck to customer orientation, basing its marketing operation on well-defined customer segmentation and refined customer management, resulting in an incessant upgrade of the capacity of professional service and a constant expansion of the institutional customer group. As at the end of the reporting period, the number of institutional customers reached 13,513, representing an increase of 1,401 or 11.57% from the beginning of the reporting period. The Company further enriched the product line of institutional finance business and provided institutional customers with fully integrated financial service. The focus on fiscal and social insurance businesses have driven the rapid development of institutional finance business, and as at the end of the reporting period, the Company obtained 119 qualifications as fiscal agency, up 55 or 85.94% from the beginning of the reporting period.

2. Retail business

(1) Retail banking business

During the reporting period, the Company's retail business stuck to customer orientation with business foundation consolidated. By proactively leveraging on market opportunities, improving the product system and strengthening the platform construction, the Company has promoted the development of retail business to a new stage. As at the end of the reporting period, the core retail customers amounted to 2,642.5 thousand with an increase of 36.04% from the beginning of the period, accounting for 12.04% of total retail customers. The Company has innovated and introduced the integrated financial service solutions including "Enjoyable Life", created the image of retail brands of Industrial Bank and promoted the sustainable, rapid growth of retail liability business. As a result, the balance of its total personal deposits amounted to RMB302.179 billion, representing an increase of RMB77.449 billion or 34.46% from the beginning of the reporting period.

The retail credit business kept a sound development. Under the national policy guidance on supporting SMEs and promoting the development of individual private economies, the Company made great efforts to develop personal business loans and assisting growth business owners to solve their problems of financial requirements. As at the end of the reporting period, the balance of personal loans was RMB299.936 billion, representing an increase of RMB39.295 billion. During the reporting period, 42,209 personal business loans in total were granted under "Xing Ye Express", totaling RMB69.953 billion, and realized interest income of retail loans at RMB17.549 billion, representing an increase of 24.26% year-on-year.

In respect of retail wealth management business, the Company adopted the targets of improving the capability for customer service, product sale and income of intermediary business, optimized the retail wealth management system, implemented the mechanism of asset solicitation and demand feedback, reinforced the creation of wealth management products jointly by the head office and branches, and promoted the rapid development of retail wealth management business. During the reporting period, the sales (excluding precious metals) of comprehensive wealth management products reached RMB510.135 billion, up 31.51% year-on-year; and the income from retail intermediary business was RMB4.898 billion, up 63.32% year-on-year.

In respect of retail service, the Company stuck to the service philosophy of "customer first" and "customer orientation", and further promoted the deepened reform in retail business and the construction of the "big retail" service system. Hence, the service management system became sounder, the experience of customer service was consistently improved, and the social recognition of the service brand kept enhanced.

(2) Credit card business

The credit card business was based on the comprehensive operation of retail businesses, focused on business innovation and fine management, and followed the path of "delicacy operation". The Company proactively changed the way of development, sped up structural adjustment, consistently improved operation efficiency, kept improving service quality, and provided cardholders with flexible, highly efficient and secure financial payment service. As at the end of the reporting period, the Company has issued an aggregate of 10.562 million credit cards, while 1.471 million cards were new issues. The transaction amount of credit cards was RMB172.27 billion, up 50.5% year-on-year. The accumulated income was RMB4.01 billion, up 60.4% year-on-year, and the book profit was RMB1.31 billion, up 29.7% year-on-year. The NPL ratio of credit cards was 0.91%, while the quality of assets remained stable.

(3) Private banking business

In respect of private banking business, the Company focused on expansion of underlying assets and supply of wealth management products, and established the system of high-end value-added service, with business size growing rapidly and profitability enhanced obviously. During the reporting period, RMB145 billion of wealth management products were offered accumulatively, with the number of private banking customers increased by 199% from the beginning of the reporting period. The Company proactively promoted business transformation, kept enriching its product lines and launched the first commissioned payment TFOT products. In cooperation with high-end domestic overseas-education agencies, the Company launched the “overseas-education manager” service, which provided private banking customers with high-end value-added services including overseas-education consulting, one-stop overseas-education arrangement, prime internship plan, and summer courses at famous schools in the UK and the USA. The Company has planned on launching the high-end theme campaigns of “Industrial Bank Forum by Celebrities” to satisfy the demands of private banking customers in spirit, communication and social class consumption. The Company has launched special private banking cards, and issued the first debit card with joint names of a private bank and a third-party wealth management institution (Rhine Wealth) in China.

3. Financial market

(1) Interbank business

During the reporting period, the online customers on the Bank-to-Bank Platform amounted to 318, and the coverage of the counter inter-operation network expanded constantly with 157 interconnected banks online, connecting over 20,000 outlets. In total 9,267.6 thousand settlement transactions were completed on the Bank-to-Bank Platform, up 53.72% year-on-year, while the transaction amount exceeded RMB1 trillion. The Company connected 95 country banks to the payment system of the PBOC on commissioned basis and in the information system of commercial banks, 38 new country banks were included, making a total of 67 banks in the system.

The total number of securities firms networked for the third-party custody service was 96, and the total number of online margin deposit securities firms was 32. The number of direct online bank-wealth management customers was 33, representing an increase of 12, with outbound payment and settlement increased by 77% from the beginning of the reporting period.

(2) Treasury business

During the reporting period, the Company properly increased the leverage in private finance initiative and appropriately increased short-term liabilities and extended the duration of assets based on the judgment of the trends of macro-economy and market interest rates. In respect of assets, the Company took opportunities and proactively reduced the holding of debts of low earnings and increased the holding of debentures of high earnings, with the yields of investment in bonds obviously improved. In respect of market making transactions, while the relatively downturn of domestic economic environment led to the decrease of the total vitality of financial market, the Company took initiatives and continued to maintain its most active market making position in fields such as RMB exchange rate, interest rate and precious metals and adjusted its operation strategies in a timely manner according to the market situations, with the profitability of market making business obviously enhanced year-on-year. During the reporting period, the Company became one of the first batch of participants in the interbank gold bilateral transactions in the Shanghai Gold Exchange, and started to participate in the interbank gold bilateral transaction.

In respect of the broker business, though the Company's commissioned transactions of precious metals in the Shanghai Gold Exchange decreased year-on-year under the multiple impact of the thin market of precious metals and the increasingly fierce competition of the industry, its market share still kept in the top ranking. During the reporting period, the commissioned transactions of precious metals reached RMB164.898 billion, with market share ranking at the second place both in the market of commissioned gold business and in the market of commissioned silver business; the number of contracted customers in the commissioned precious metals trading business was nearly 680 thousand, up 60 thousand from the beginning of the period. The market influence of the research and analysis on the financial market was further enhanced and the accuracy of the research and analysis on macro-economy kept improving, with external influence kept expanding.

(3) Asset custody business

The operation and management of the asset custody business kept upgrading and the asset custody business maintained a healthy and rapid development. The net value of assets under custody amounted to RMB1,628.255 billion, up RMB1,004.607 billion or 161.09% from the beginning of the period. A total of 5,001 new custody products were launched, and the number of online custody products was 4,698. The total income of intermediary businesses reached RMB1.494 billion, up RMB979 million or 190.1% year-on-year.

As at the end of the reporting period, both the number of the Company's custody products and the Company's income from custody fees ranked among the top five in all the custody banks. The amount of assets under custody ranked at the sixth place in all the custody banks. The Company's rankings in the number and the amount of the main custody products including special fund accounts, assets management for securities firms, trust custody, and wealth management of banks kept increasing; and the Company's custody business of insurance funds also realized stable growth. During the reporting period, the CSRC and the SAFE officially approved the qualifications of the Company for QFII custody business.

(4) Asset management business

During the reporting period, the Company established the Asset Management Department, which has strengthened the uniform management of the wealth management business of the whole bank. By performing the functions of the office of the Committee of the Wealth Management Business of the Head Office, the Asset Management Department took the lead in formulating material decision on wealth management business and further improved the level of standard and professional operations of wealth management business. In the principles of "centralized creation, uniform standards and proper authorization", the Company carried out a comprehensive management on the creation of wealth management products, formulated the criteria on access of the underlying assets of wealth management, initially realized the requirements of the head office for uniform creation and management of wealth management business, and laid a solid foundation for the development of wealth management business by means of various work including strengthened institutional designing, system building, monitoring report, information disclosure, and brand promotion.

(5) Futures finance business

During the reporting period, the balance of daily average deposits of futures firms was RMB4.958 billion, up 41.82% year-on-year. The Company kept close tracking of the development of futures policies, and became the first commercial bank that completed the access to the simulated trading of treasury bonds on the China Financial Futures Exchange, and took lead in submitting the filing materials for custody of futures margins to the four futures exchanges. As at the end of the reporting period, 67 futures firms opened accounts in the Company, which accounted for 41.88% of all the 160 futures firms in China.

4. E-banking

In respect of the e-banking business, focusing on enhancing the substitution rate of transaction, improving customer experience and strengthening risk management, the Company further clarified its work positioning, strengthened the construction of e-banking infrastructure, and continued to optimize e-banking products and service. The Company launched service such as personal e-banking version 5.0, customer-end mobile phone banking version 2.0, online mobile phone banking version 3.0, the Bank-to-Bank Platform customer service hot line No. 40018-95561, and phone banking for private banking, upgraded the platinum line of credit cards to the distinguished customer line, sped up the promotion of three innovative projects of “e-home wealth”, “online business office” and “remote banking”, created highlights and formed featured service. The Company strengthened the research on the risk management of e-banking, explored and promoted the application of the new security authentication tools of e-banking, established the dynamic password system and second general network shield certificates, and reinforced the promotion and use of short message passwords. By sticking to the idea of “channels serving business development”, the Company took the initiative to respond to the service demand of various businesses of the Company, enhanced the integration and interaction between e-banking and physical channels, standardized the construction of the experience areas at e-banking in the business office and the process for service promotion, further clarified and standardized the management of customer service personnel, initiated the construction of Chengdu Customer Service Center, and improved the capacity of channels for serving business development. During the reporting period, the substitution rate of e-banking transactions reached 71.84%, up 6.64 percentage points year-on-year, while the e-banking transactions (transactions of variation of funds) exceeded twice the number of transactions of all the operating outlets of the Company, which effectively reduced the OTC transaction workload, and released the productivity of OTC channels.

As at the end of the reporting period, the Company had 139.5 thousand active corporate and interbank online banking customers, up 38.36% from the beginning of the period; 5,293.3 thousand active personal online banking customers, up 27.98% from the beginning of the period; 5,464.6 thousand active mobile banking customers, up 46.86% from the beginning of the period. During the reporting period, the number of corporate and interbank online banking transactions was 38,711.4 thousand, up 41.58% year-on-year, while the transaction amount was RMB21,954.916 billion, up 31.38% year-on-year. The number of personal online banking transactions was 112,381.1 thousand, up 27.75% year-on-year, while the transaction amount was RMB3,816.916 billion, up 10.17% year-on-year. The number of mobile phone banking transactions was 8,473.6 thousand, up 107.76% year-on-year, while the transaction amount was RMB59.701 billion, up 209.96% year-on-year.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2012		December 31, 2011	
	Balance	Percentage (%)	Balance	Percentage (%)
Pass	**1,217,070**	**99.02**	973,841	99.04
Special mention	**6,808**	**0.55**	5,697	0.58
Substandard	**2,676**	**0.22**	1,329	0.14
Doubtful	**1,932**	**0.16**	1,382	0.14
Loss	**678**	**0.06**	1,005	0.10
Total	**1,229,165**	**100**	**983,254**	**100**

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB5.286 billion, up RMB1.571 billion from the beginning of the period. Main reasons for the increase in NPLs were that a small number of SMEs and privately or individually-owned businesses were affected by the macro-economic environment or suffered from poor operation and management, causing problems in their solvency. The Company's NPL ratio was 0.43%, slightly increasing by 0.05 percentage point compared with the beginning of the period. The balance of special mention loans was RMB6.808 billion, up RMB1.111 billion from the beginning of the period. The proportion of the special mention loans in the total loans was 0.55%, decreased by 0.03 percentage point from the beginning of the period. The asset quality remained at a healthy level.

During the reporting period, the Company, on one hand, emphasized situational analysis and study, conducted ongoing monitoring and prudent classification of potentially problematic credit assets by examining industries, regions and customers, and timely prepared disposal plans and prevented, and settled risk through risk alerts and repeated examinations; on the other hand, through a number of measures including early urging of payment, reinforcing the accountability of NPLs and driving the verification and write-off of bad debts, the Company accelerated the collection and settlement of NPLs by utilizing various means such as cash collection, write-off of bad debts, paying debts in kind, and restructuring and transformation of debts.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	14,314
Provision during the reporting period (+)	11,758
Transfer-out of interest on impaired loans (-)	189
Write-back during the reporting period of write-off in previous years (+)	54
Write-off during the reporting period (-)	1,131
Other transfer-out during the reporting period (-)	183
Closing balance	**24,623**

As at the end of the reporting period, the balance of the Company's provision for loan impairment stood at RMB24.623 billion, with a provision coverage ratio of 465.82%, up 80.52 percentage points year-on-year.

3. Classification of provision for loan impairment

Unit: RMB million

Provision for loan impairment	December 31, 2012	December 31, 2011
Individually assessed provision for loan impairment	**2,025**	1,868
Collectively assessed provision for loan impairment	**22,598**	12,446
Total	**24,623**	**14,314**

4. Changes in overdue loans

Unit: RMB million

Item	December 31, 2012		December 31, 2011	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**4,505**	**49.48**	2,644	42.45
91-360 days (inclusive) overdue	**2,400**	**26.36**	1,076	17.27
361 days – 3 years (inclusive) overdue	**1,437**	**15.78**	1,193	19.15
Over 3 years overdue	**763**	**8.38**	1,316	21.13
Total	**9,105**	**100**	**6,229**	**100**

As at the end of the reporting period, the balance of the Company's overdue loans was RMB9.105 billion, up RMB2.876 billion, of which overdue corporate loans, overdue personal loans and credit cards overdue increased by RMB1.715 billion, RMB721 million and RMB440 million respectively. The primary causes for the increase were that some enterprises were significantly impacted by macro-economic adjustments or had problems with their operation and management, resulting in difficulties in repaying loans. During the reporting period, the Company further enhanced the risk management of overdue loans, conducted ongoing monitor of the loans overdue with outstanding interest and made more aggressive collection efforts. The proportion of the overdue loans in the total loans remained at a relatively low level.

5. Changes in restructured loans

Unit: RMB million

Item	December 31, 2012		December 31, 2011	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured loans	**981**	**0.08**	675	0.07

As at the end of the reporting period, the balance of the Company's restructured loans was RMB981 million, up RMB306 million compared with the end of last year. The balance of restructured loans increased, mainly because some enterprises extended their loan terms due to provisional capital turnover. The overall risk was under control.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Item	December 31, 2012	December 31, 2011
Foreclosed assets	**648**	571
Incl: Buildings	**616**	539
Land use right	**31**	31
Others	**1**	1
Less: Impairment provision	**(169)**	(111)
Net value of repossessed assets	**479**	**460**

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB101 million, which were mainly buildings and land, and recovered RMB24 million from the disposal of foreclosed assets, thereby increasing the total net book value of foreclosed assets by RMB77 million. In addition, the Company added provision of RMB58 million for impairment of foreclosed assets.

(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	484,196	0.79
Corporate time deposits	538,880	3.48
Savings demand deposits	106,151	0.41
Savings time deposits	125,556	3.32

(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 (%)
Loans	1,086,210	6.86
Incl: Short-term loans	489,480	7.08
Medium and long-term loans	557,976	6.60
Discounted bills	38,754	7.26

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

Unit: RMB million

Item	Par value
Bonds of policy banks	56,394
Bank bonds	4,543
Bonds of non-bank financial institutions	8,820
Total	**69,757**

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

(VIII) Top five government bonds (including central bank notes) held of the end of the reporting period

Unit: RMB million

Item	Par value	Maturity date	Interest rate (%)
12 Interest-bearing government bond 04	5,920	2022-02-23	3.51
12 Interest-bearing government bond 09	3,800	2022-05-24	3.36
07 Government bond 01	3,670	2014-02-06	2.93
12 Interest-bearing government bond 05	3,360	2019-03-08	3.41
12 Interest-bearing government bond 06	3,260	2032-04-23	4.03

(IX) Top five 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	4.10
12 CDB 24	3,370	2019-05-22	4.22
07 ADBC 06	3,210	2014-05-18	4.10
09 CDB 12	3,010	2019-09-23	3.70
10 ADBC 15	3,000	2015-11-19	3.49

(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	346,583	1,385	1,255
Exchange rate derivatives	418,952	1,821	1,658
Precious metals derivatives	4,926	59	83
Credit derivatives	859	1	-
Total		**3,266**	**2,996**

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

Unit: RMB million

Item	Opening balance	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	Closing balance
Held-for-trading financial assets	-	-	-	-	**-**
Derivative financial assets	135	(15)	-	-	**983**
Derivative financial liabilities	913		-	-	**1,776**
Investment in accounts receivable	-	-	-	-	**-**
Available-for-sale financial assets	1,038	-	57	-	**1,050**
Held-to-maturity investment	854	-	-	-	**854**

(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 the 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 results 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, 2012
Held-for-trading financial assets	8,101	(22)	-	-	**21,540**
Precious metals	1,520	(32)	-	-	**4,976**
Derivative financial assets	2,907	393	-	-	**3,266**
Derivative financial liabilities	3,013		-	-	**2,996**
Available-for-sale financial assets	147,505	-	(1,098)	8	**192,057**
Held-for-trading financial liabilities	10	-	-	-	**-**

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

Unit: RMB million

Item	December 31, 2012	December 31, 2011
On-balance-sheet interest receivable	**19,535**	12,924
Off-balance-sheet interest receivable	**1,683**	1,725

(XIV) Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2012	December 31, 2011	Provision for impairment	Provision method
Other receivables	2,611	1,793	122	At the end of the period, individual and collective tests were done to other receivables to make provision for impairment in combination with account age analysis

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

Unit: RMB million

Item	December 31, 2012	December 31, 2011
Letters of credit	**69,233**	33,325
Letters of guarantee	**25,429**	12,934
Bank acceptance	**392,352**	269,164
Unused credit card commitments	**6,450**	19,751
Reimbursement refinances	**50,004**	123,067

(XVI) Major changes in the operating environment and macro-economic policies, laws and regulations during the reporting period and the impact thereof

1. Impact of the macro-economic control

In 2012, China's economic development was faced with severe internal and external situation, regional risk and micro enterprise operational risk became much more obvious. Based on the changes in the first half of the year like the slowdown of growth of the domestic economy and the fall in the commodity price increment, the Central Bank reduced the deposit reserve ratio twice by 0.5 percentage point each, and reduced the benchmark rates for deposits and loans twice to achieve the reverse-cycle adjustment effect and to facilitate the recovery of the macro economy. The entire Company earnestly implemented the state's macro-economic policies and financial regulatory requirements, continued to reform and innovate, grasped opportunities to speed up growth, and aggressively developed business. As a result, all the business segments witnessed sustainable, balanced and healthy development. Our asset quality remained stable, and we have achieved relatively strong results.

2. Impact of the interest rate adjustment

During the reporting period, the Central Bank reduced the benchmark rates for deposits and loans twice. The liquidity within the banking system was relatively high, and the market interest rate went down steadily. As the Company's demand deposits accounted for approximately 50% of the total deposits, the benchmark rates reductions had a negative impact on the Company's loan-to-deposit interest rate spread. In particular, the second asymmetric interest rate cut further narrowed the loan-to-deposit interest rate spread. The Central Bank's cutting down of the benchmark interest rate also impacted the market interest rate. As at the end of the reporting period, the 1-month Shibor reached 4.899%, decreased 110 basis points from the beginning of the period, while the 6-month Shibor reached 4.1%, decreased 132 basis points from the beginning of the period. The Company successfully captured market opportunities during the reporting period, and adjusted and optimized the resource allocation mechanism and the business development model in a bid to mitigate the impact of the Central Bank's interest rate reduction on the interest rate level and to improve the Company's net income.

3. Impact of the fluctuations in the capital market

For a relatively long period during the reporting period, the capital market was sluggish, and investors were not keen on participating in trading, which in turn posed challenges to attracting customers' funds for securities trading and account settlement. In order to address the unfavorable impact of the capital market, the Company's retail business line was actively engaged in the wealth management for customers including personal wealth management, while its corporate business line adapted to the trend of diversified financing by vigorously conducting debt financing, thus realizing rapid growth of income from the intermediary business, and further driving the transformation of the profitability model and the business mode.

4. Impact of exchange rate changes

As at the end of the reporting period, the middle exchange rate of USD against RMB was 6.29, indicating a 0.23% appreciation of RMB from the beginning of the period. During the reporting period, the Company, based on market situations, used pricing means of funds transfer to balance the funding sources and the application of foreign exchanges, and supported the qualified foreign exchange loan business on a selective basis. As the Company implemented a policy of zero exposure to foreign exchange risk, the risk was generally kept in check.

(XVII) Analysis of risk factors of the Company and countermeasures

During the reporting period, the Company has made endeavors to become more professional in risk management, more efficient in regulation and more sensitive to the market by carrying out the reform on the risk management system, improving the working mechanisms and assuring efficient operation. It strengthened the management of traditional credit business and emerging businesses based on analysis and research by taking into account of both domestic and overseas trends. It conducted forward-looking judgment of risk, and stressed on detection and rectification of key risk. It also kept constant improvement of the risk management system in all aspects and creation of better management methods and tools, so as to strongly guarantee and support the healthy development of its business. As a result, noticeable achievements were made in the field of risk management.

1. Adjusting and improving the risk management system

While furthering the reform of business line system, the Company, based on relatively independent checks and balances, strengthened the effective combination of risk management and business development, whereby proper adjustment and improvement were put forward in respect of organizational structure, path of implementation, management models, working mechanisms and integrated supporting, so that it became more professional in risk management, more efficient in regulation and more sensitive to the market.

The risk management line of the head office uniformly managed the overall risk across the Company, mainly responsible for risk strategies and policies, application and measurement of risk tools, allocation of risk capital, business authorization, construction of the risk management system, organization and implementation of inspection, supervision and professional guidance, and enhancement of overall systematic and structural risk management. All business lines of the head office set up a risk management response unit, as the executor of decisions regarding risk management, subject to matrix management of the risk management line and business lines of the head office. The risk directors of these business lines also served as the chief approval officers of the lines they were responsible for, carried out comprehensive risk management, led their risk management response units and teams at all levels, and reported to the chief officer responsible for risk management in the head office. Meanwhile, professional risk management response units were set up in some professional business departments of the head office, and the professional risk officers led such units and teams and reported to the risk directors of their lines.

2. Improving a supporting mechanism for the reform on risk management system

Firstly, the Company formulated the Measures for the Management of Risk Directors of Business Lines, the Measures for the Management of Employees in Key Positions regarding Business Line Risk and Compliance Management and the Plan for Assessment of Risk Directors of Business Lines and Other Related Persons to enhance the efforts of the risk management line of the head office on management and assessment of employees involving risk management in business lines and ensure independence, professionalism and effectiveness of duty performance. Secondly, the Company formulated the Measures for the Management and Supervision of Performance of Duties regarding Business Line Risk and Compliance Management and the Plan for Inspection and Indicators for Assessment of Performance by Business Line Risk & Compliance Management Teams of Their Duties, as well as assessment plans of the risk management departments of different business lines in an effort to reinforce inspection and supervision of the risk management line of the head office over risk management lines of all business lines, and promote business lines to input more efforts on overall risk management. Thirdly, the Company strengthened supervision and assessment of credit review, examination and approval, and made the procedures in this regard more standard and timely. Fourthly, the head office adopted joint meetings for risk management with a view to further exchange and solve issues in a more efficient way. Fifthly, the Company created the professional job sequence mechanism for risk management and formulated the Detailed Rules for the Management of Professional Job Sequence for Risk Management and the Measures for the Management of Professional Examination & Approval Officers to carry out the said mechanism.

3. Strengthening the overall risk management system

Firstly, the Company amended and issued the Overall Risk Management Strategy, which included a general strategy and eight sub-strategies, and other series documents, incorporating compliance, reputation, specific country, environment and society, new business, holding subsidiary and other risk into the strategic risk management system and enlarging the scope and contents of this system. It also formulated the Work Plan for the Implementation of Risk Management Strategy 2012 to urge its departments and units at all levels concerned to fully execute those strategies. Secondly, the Company amended the Measures for Overall Risk Management Report, upgraded the report template, enriched and improved the report and improved the risk information transmission mechanism at the group level. Thirdly, efforts were made to provide guidance to branches on risk management operation, enhance the function of overall risk management of branches and improve construction of the public platform of the risk management departments. Fourthly, the Company formulated the Norms on Risk Management for Holding Subsidiaries in an effort to strengthen risk guidance to and management of holding subsidiaries and conduct risk management across the group.

4. Credit risk management

Firstly, the Company improved the procedures for delegation of credit business, properly adjusted the delegation of the authority for approval regarding some businesses according to the trends both at home and abroad, and made the procedures for examination and approval of credit programs more standard. Secondly, the Company rationally worked out the annual credit policy, which followed the objective of serving real economy, stressed on cooperation with industrial policies, well reflected the layout of credit for main businesses and properly determined the major industries for credit granting. Thirdly, efforts were made to be more sensitive to the market and more foresighted, stabilize the asset quality, urge risk discovery and elimination by industry, product and line, reinforce emergency management of major risk events, expedite disposal of non-performing assets and achieve the objectives of “early warning, early resolution and early disposal”. Fourthly, the Company steadily carried out quota management, increased its efforts on optimization of industrial and customer mix, prevented the risk arising from concentration of loans, so as to facilitate sustainable development of its business. Fifthly, the Company formulated the Measures for the Management of Impairment Testing of Credit Assets, which improved the way to calculate and withdraw provisions, making them more scientific and accurate by employing historical data on loss from bank loans.

5. Management of liquidity risk

Firstly, the Company adopted the transfer pricing of internal funds in an overall way and the liquidity risk was under the management by the head office. Secondly, the Company enhanced credit line management and controlled the size of newly-added RMB loans to the limits permitted by the Central Bank. Thirdly, it 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 etc., reinforced the liquidity management by combining the head office and all branches as well as coordinating all departments in the head office. Meanwhile, the Company further reinforced the overall management of asset business being conducted in a rational and orderly manner. Fourthly, it upgraded and improved the liquidity management system such as asset-liability system and position management system, etc. to improve the liquidity management techniques. Fifthly, the Company regularly conducted liquidity stress testing and revised the liquidity contingency plan to enhance the ability of risk identification, monitoring and control.

Unit: %

	Alert Value	Tolerance Value	Regulation Value	December 31, 2012	December 31, 2011
RMB excess reserve ratio	≥2	≥1	-	**5.83**	5.10
Liquidity ratio (RMB)	≥30	≥25	≥25	**29.06**	30.71
Loan-to-deposit ratio	≤ 75	-	≤ 75	**66.50**	71.46

6. Market risk management

For the purpose of controlling the market risk, the Company proactively promoted the construction of the program of market risk internal model approach, through which daily risk assessment could be conducted on three types of financial trading, including exchange rate, interest rate and commodity, so that the market risk management could be effectively improved in an overall way. Measurements including market risk stress testing on trading accounts and product relevance analysis were incorporated into daily jobs, which supported the decision making concerning risk management.

(1) Interest rate risk

Based on its judgment on the macro-economy and the trend of interest rates, the Company enhanced the market risk management, built the quantitative risk management system on the basis of the capital trading and analysis system (Murex) and hence strengthened its capability of market risk measurement, monitoring and control. It made reasonable investment strategies, dynamically adjusted the structure, duration and basis point value of its bond portfolio, defined investment authority with annual business letter of authorization, and conducted dynamic adjustment on a regular basis with the investment strategy plan to effectively control interest rate risk. The Company improved the fund transfer pricing mechanism and system and a flexible interest rate pricing mechanism was formed. It also managed the interest risk involving trading accounts through the risk indicator limit system, and set limits for interest risk exposures and the stop-loss limits respectively for different trading products.

(2) Exchange rate risk

The exchange rate was under centralized control of the head office, and the exchange rate risk exposure which was created at the branches in their transactions was transferred to the head office, who conducted a unified management in accordance with relevant internal and external provisions. The exchange rate risk exposure that the Company was subject to was primarily the overall position it held in its RMB market making business and the risk exposure in its foreign exchange capital items. The Company controlled its risk exposure pursuant to provisions of the SAFE. The exposure limit was relatively small with respect to the absolute size of assets of the Company, and therefore, such risk was under control.

7. Management of operating risk

Firstly, the Company improved the operating risk governance and integrated functions of operating risk management as well as the teams concerned by taking advantage of specialization reform on business lines and of the risk management system. As a result, resources were fully utilized; the working mechanism was optimized; and the Company's capability and the effectiveness of management and control of operating risk were raised. Secondly, the Company steadily promoted the design and application of tools for operating risk management to advance sound development of all types of business. Focusing on effective operation and following the principles of "accountability, comprehensive planning, implementation by stage, emphasis of major businesses and pursuit for substantial results and gradual improvement", the Company carried out the pilot program of application of operating risk management tools for major businesses in an orderly way by cutting over from new products and business and reviewing places where there were potential risk, so as to make operating risk management in certain business fields and branches under the pilot program more dedicate and professional. Thirdly, the Company proactively promoted the building of business continuity management system, worked out the managing measures for and improved the organizational structure of business continuity management, drafted contingency plans for major businesses and expedited formation and implementation of the business continuity plan, thus enhancing its capacity in this regard. Fourthly, the Company stepped up efforts on prevention and control of cases. While carrying out the goals of "prevention of risk and maintenance of stability" made by the CBRC, it conducted investigation of risk regarding all kinds of cases and achieved the objectives of "zero criminal case" and "zero major operating risk incident".

8. Compliance risk management

Firstly, the Company promoted the “integrated” construction of compliance, internal control and operating risk management systems across the group and gradually enhanced comprehensive management with focus and at different levels by sharing methods, tools, standards and results. Consequently, its capacity in this aspect was strengthened. Secondly, efforts were made to advance the reform of institutional management, concentrate the channels for adoption of institutions, optimize the platform for institutional management, and continue to review and assessment of institutions during specialization reform on business lines and risk management system so as to improve the efficiency of institutional management. Thirdly, the Company put more efforts in examining compliance of institutions and legal documents, enhanced monitoring of compliance risk in all businesses, especially new products and businesses, disclosed potential compliance risk related to business activities in a timely manner and transmitted the concept of compliance operation with legal guidelines and risk warning; in such way, it boosted the progress of compliance practice in business operation and management. Fourthly, the Company expanded the coverage of pilot compliance monitoring, increased the channels for collection of data concerning compliance, improved the overall compliance management platform, the compliance database and the key indicator system for compliance risk, and continued to set up scientific and normalized procedures for compliance risk assessment. Fifthly, the Company improved the quality and efficiency of the work of anti-money laundering. Guided by giving priority to risk, centering on customers and regulating through procedural control, the Company promoted “risk-oriented” strategic shift of practices in this field by improving the internal control of anti-money laundering and introducing new working mechanism.

9. IT risk management

The Company continued to improve its IT risk management system, and realized comprehensive tracking and monitoring of IT risk by means of regular IT risk monitoring, warning and disposal mechanism. It constantly improved the IT risk assessment and reporting, strengthened periodical assessment of IT risk incidents and important information system risk, and meanwhile, reported IT risk management in a timely, comprehensive and objective way, whereby a daily sustainable management of IT risk was achieved. In addition, disaster exercises regarding core business systems were conducted to ensure stable operation of businesses. The campaign of self-examination and rectification concerning IT security was launched to strengthen IT security management. Moreover, the Company propelled integrated IT operation between the head office and branches and taken multiple measures to help branches to enhance their capability in IT application, and hence improved the overall IT management and risk prevention and control.

10. Management of reputation and country-specific risk

The Company formulated the Sub-strategies of Reputation Risk Management and the Reputation Risk Management System, established a sound reputation risk management framework, clarified functions of divisions and improved the cooperation mechanism. It also modified the procedures and contingency plans regarding public event response, information disclosure and complaint management, enhanced efforts on daily monitoring, alerting and reporting of public opinion and strengthened its capacity in dealing with major events and public opinion at key points.

With respect to country-specific risk, the Company formulated the Sub-strategies of Country-specific Risk Management and the Measures for the Management of Country-specific Risk, improved the country-specific risk management system, and adopted proper measurement, assessment and rating system for such risk with a view to accurately identify and assess country-specific risk relating to business activities and promote sustainable and healthy development of its business.

11. Steady promotion of the new capital accord

The Company steadily promoted the implementation of the new capital accord pursuant to the Measures for the Capital Management of Commercial Banks (Trial) as well as other applicable provisions of the CBRC. Firstly, it facilitated the establishment of retail customer internal rating system and developed assessing card (advanced approach) and the model of pool assignments of risk in this regard. Secondly, the Company initiated the program of risk-weighted assets (RWA) of credit risk, whereby RWA of credit risk and risk capital could be calculated item by item, which would lay a foundation for quantitative risk management in the future. Thirdly, the Company launched the program of market risk internal model approach. For market risk (including risk of interest rate, exchange rate, commodity and equity, etc.), value at risk (VAR) and corresponding capital requirements were calculated day by day with internal model approach in accordance with the Measures for the Capital Management of Commercial Banks (Trial). Fourthly, the Company advanced the implementation of operating risk management system by stage. Currently, the Company has initiated the pilot of application of tools for operating risk management and later it will be dedicated to improving this system as well as the functions of operating risk management by taking into consideration of external monitoring requirements. Fifthly, the non-retail customer internal rating system was improved; the Measures for the Non-retail Customer Internal Rating Management were amended; and the internal rating management was enhanced.

12. Stress testing

By paying close attention to the macro-economic conditions and policy changes, in accordance with the regulatory requirements and needs of business development, the Company conducted stress testing with regard to the credit risk, market risk and liquidity risk on a regular or irregular basis. Additionally, the Company kept on improving the working mechanism of stress testing, made beneficial modifications to the existing models in respect of the suitability, test scope and stress scenarios, and especially developed regular testing models for major industries, whereby the test results could reflect the true risk in macro-economy and loans more comprehensively. Based on the test results, corresponding measures and management advices were recommended to improve the accuracy of stress testing. By utilizing the results of stress testing to provide the basis for periodic auditing of credit asset impairment testing, the Company took steps for realizing the further use of such results from quality to quantity.

IV. Profit distribution

(I) Formulation, implementation or adjustment of the cash dividend policy

In light of the Circular on Further Implementing the Cash Dividend Distribution by Listed Companies of the CSRC, the Company considered and passed the amendments to the articles of association at the first extraordinary general meeting 2012, which stated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general shareholders' meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly should be not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non-distribution of dividends and the purpose of reserves not for dividend distribution if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder to repay the funds he used, where the shareholder appropriated any capital of the Company.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping the continuity and stability of the profit distribution policy, by taking into consideration of its actual operation and development need, the Company launched the Profit Distribution Plan 2012-2014, clarifying the Company's policies relating to profit distribution, including distribution sequence, procedures for formation and adjustment of such policies, form and interval of distribution, conditions and percentage of distribution, and conditions and procedures for amendment of distribution policies. The Company also planned that the profit used for distribution in cash would not be less than 20% (including 20%) of the realized attributable profit of the year where there were profit attributable after recovery of deficit and appropriation of statutory reserve and general provisions from the realized earnings, provided that the regulatory requirements on capital adequacy ratio were met.

The aforesaid amendment to the articles of association and the profit distribution plan were adopted at the first extraordinary general meeting 2012. For details, please see the announcement dated August 29, 2012.

(II) Profit distribution plan 2012

In light of the profit distribution policy as prescribed in the articles of association of the Company as well as the Profit Distribution Plan 2012-2014, by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the Company planned to appropriate RMB733,988,852.60 to statutory surplus reserve, after which the statutory surplus reserve accounted for over 50% of the registered capital of the Company; and appropriate RMB15,135,748,735.3 to general provisions, distribute 5 bonus shares and cash dividend of RMB5.7 for every 10 shares (tax included) based on the total share capital of 12,701,557,834 shares. After implementation of the said profit distribution plan, the remaining undistributed earnings will be carried forward to the next year.

This plan shall be executed within two months after approval by the annual general meeting 2012.

(III) Plan or pre-plan on profit distribution of the previous three years

Unit: RMB million

Year	Number of bonus shares for every 10 shares (tax incl.)	Number of dividends for every 10 shares (Yuan) (tax incl.)	Number of shares converted for every 10 shares	Amount of cash dividends (tax incl.)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year	Percentage of net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year(%)
2012	5	5.70	-	7,240	34,718	20.85
2011	-	3.70	-	3,991	25,505	15.65
2010	-	4.60	8	2,757	18,521	14.89

I. Material lawsuits, arbitrations and issues questioned by media

During the reporting period, there was neither material lawsuit nor arbitration against the Company that was required to be disclosed nor issues broadly questioned by media.

II. Material asset transactions

During the reporting period, there was no material acquisition and sale of assets or M&A.

III. Material related party transactions

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

(I) On March 16, 2012, the Company's 10th meeting of the 7th session of the board of directors approved the Proposal concerning Granting of an Internal Basic Credit Line to China National Cereals, Oils and Foodstuffs Corporation and COFCO Finance Co., Ltd., agreeing to extend an internal basic credit line of RMB1 billion to China National Cereals, Oils and Foodstuffs Corporation for liquidity use, with a term within three years, which should be guaranteed by COFCO Finance Co., Ltd.; and to grant an internal basic credit line of RMB800 million to COFCO Finance Co., Ltd. for RMB interbank lending and note business, with a term of two years, which should be guaranteed by China National Cereals, Oils and Foodstuffs Corporation. The above-mentioned related party transactions arose from the needs of the due course of business activities, and the conditions and interest rates of the transactions complied with the Company's general provisions for business management. For details, please refer to the Company's announcement dated March 20, 2012.

(II) On April 25, 2012, the Company's 11th meeting of the 7th session of the board of directors approved the Proposal concerning Granting of an Internal Basic Credit Line to Hang Seng Bank (including Hang Seng Bank (China) Limited), agreeing to extend an internal basic credit line of RMB2 billion to Hang Seng Bank (including Hang Seng Bank (China) Limited), with a term of one year. The type of business under the credit extension was subject to the types of credit businesses the Company took for credit risk of the credit receiver (excluding buy-back credit asset transfer business). The above-mentioned related party transactions arose from the needs of the due course of business activities, and the conditions and interest rates of the transactions complied with the Company's general provisions for business management. For details, please refer to the Company's announcement dated April 26, 2012.

Please refer to "Related party relationship and transactions" under the Notes to the Financial Statements 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 significant cash assets management

During the reporting period, the Company did not entrust significant 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. External guarantee

In accordance with the relevant provisions of the CSRC, the Company carefully verified its guarantee to external parties in 2012. The Company's external guarantee business was approved by the PBOC and the CBRC and it was part of the Company's regular business operation. As at the end of the reporting period, the balance of the Company's guarantee business was RMB25.429 billion. 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, and at the same time, it strengthened risk monitoring and management of off-balance businesses by issuing risk warning 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 risk concerned was under control.

VI. Performance of undertakings

(I) On the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity and stability of the profit distribution policy, by taking into consideration of its actual operation and future development need, the first extraordinary general meeting of the Company adopted the Profit Distribution Plan 2012-2014 (for details, please refer to the announcement of the resolutions of the general meeting dated August 29, 2012), which planned that in the coming three years (2012-2014), the profit used for distribution in cash would not be less than 20% (including 20%) of the realized attributable profit of the year where there were attributable profit after recovery of deficit and appropriation of statutory reserve and general provisions from the realized earnings, provided that the regulatory requirements on capital adequacy ratio were met. The profit distribution plan is currently under performance.

(II) The Company's shareholders, namely The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited (collectively holding 10.87% of the total share capital of the Company) undertook that the non-publicly offered shares of the Company they subscribed for in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed, except otherwise required by the competent regulators on the lock-up period. As at the date of this report, the above-mentioned companies have performed their obligations and the shares concerned were registered for restricted transactions.

(III) The Company's shareholders, namely China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd., holding 3.22% and 0.99% of the total share capital of the Company respectively, undertook that the non-publicly offered shares of the Company they subscribed in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed. As at the date of this report, the above-mentioned companies have performed their obligations and the shares concerned were registered for restricted transaction.

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 of accounting firms and sponsors

Upon approval of the annual general meeting 2011, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the annual report 2012, review the semi-annual report 2012 and provide internal control and audit services with the total audit fee amounting to RMB5.88 million, which included fees and expenses concerning traffic, accommodation, stationery, communication and printing as well as related taxes. Currently, Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit services to the Company for consecutive two years.

Credit Suisse Founder Securities Limited served as the sponsor of the Non-public Offering of the Company, with the sponsorship fee of RMB12 million.

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.

I. Changes in shares during the reporting period

(I) Changes in shares

1. The statement of changes in shares (as at January 7, 2013, the record date of the Non-public Offering)

Unit: share

	Before the change		Changes during the reporting period		After the change	
	Number	Percentage (%)	Non-public Offering	Sub-total	Number	Percentage (%)
I. Restricted shares						
1. State-owned shares	0	0	0	0	0	0
2. Shares held by state-owned legal entities	0	0	1,789,459,400	1,789,459,400	1,789,459,400	14.09
3. Shares held by other domestic investors	0	0	125,687,300	125,687,300	125,687,300	0.99
Incl: Shares held by domestic non-state-owned legal persons	0	0	125,687,300	125,687,300	125,687,300	0.99
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: Share 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**	**1,915,146,700**	**1,915,146,700**	**1,915,146,700**	**15.08**
II. Unrestricted floating shares						
1. RMB ordinary shares	10,786,411,134	100	0	0	10,786,411,134	84.92
2. Domestically listed foreign shares	0	0	0	0	0	0
3. Overseas listed foreign shares	0	0	0	0	0	0
4. Others	0	0	0	0	0	0
Total	**10,786,411,134**	**100**	**0**	**0**	**10,786,411,134**	**84.92**
III. Total shares	**10,786,411,134**	**100**	**1,915,146,700**	**1,915,146,700**	**12,701,557,834**	**100**

2. During the reporting period, upon approval by the CSRC, works relating to collection of the payment for subscription for the non-public offering of A-shares of the Company as well as capital verification were finished and the total share capital of the Company changed to RMB12,701,557,834. The procedures and formalities for custodian and registration of the newly offered shares were completed on January 7, 2013.

3. Impact of changes in shares on such financial indicators as earnings per share and net assets per share for the latest year and the latest reporting period

Works relating to collection of the payment for subscription for the non-publicly offered shares of the Company as well as capital verification were completed on December 31, 2012. After the offering expenses were deducted, the net amount of the actual proceeds raised reached RMB23.532 billion, of which, the amount of RMB1,915,146,700 was recorded in equity and the remaining in capital reserves. Calculated based on the equity after the offering, net assets per share was RMB13.35. The basic EPS and average weighted ROE were calculated in accordance with the No. 9 Rule for the Preparation and Reporting of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010) issued by the CSRC. The said share capital and proceeds raised in December 2012 would be included from January 2013 in accordance with the provisions of the aforesaid document.

(II) Changes in restricted shares (as at January 7, 2013, the record date of the Non-public Offering)

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of shares released from restrictions	Number of restricted shares increased in the period	Number of restricted shares at the end of the period	Reasons of restrictions	Date of release from restrictions
The People's Insurance Company (Group) of China Limited	0	0	116,434,400	116,434,400	Under-takings	January 7, 2016
PICC Property and Casualty Company Limited -traditional- common insurance product -008C-CT001 Hu	0	0	632,000,000	632,000,000		
PICC Life Insurance Company Limited - participating - personal insurance (participating)	0	0	316,000,000	316,000,000		
PICC Life Insurance Company Limited - universal - personal insurance (universal)	0	0	316,000,000	316,000,000		
China National Tobacco Corporation	0	0	409,025,000	409,025,000		
Shanghai Zheng Yang International Business Co., Ltd.	0	0	125,687,300	125,687,300		
Total	**0**	**0**	**1,915,146,700**	**1,915,146,700**	**-**	**-**

Note: The procedures and formalities for registration and custodian of the non-publicly offered shares were handled with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on January 7, 2013. Such shares could not be transferred within 36 months from the day when the offering was completed, except otherwise required by the competent regulators during the lock-up period.

II. Issuance and listing of securities

(I) Issuance of securities in the past three years

Type	Issue date	Issue price (RMB)	Issue quantity (share)	Listing date	Approved volume of listing (share)	End date of transaction
RMB ordinary shares	May 25-31, 2010	18.00	992,450,630	June 8, 2010	992,450,630	N/A
RMB ordinary shares	December 31, 2012	12.36	1,915,146,700	January 7, 2016	1,915,146,700	N/A

(II) Total shares and changes in structures of shareholders and of assets and liabilities

Works relating to collection of the payment for subscription for the non-publicly offered shares of the Company as well as capital verification were finished on December 31, 2012. After the offering expenses were deducted, the net amount of the actual proceeds raised reached RMB23.532 billion, of which, the amount of RMB1,915,146,700 was recorded in equity. Total share capital was changed to RMB12,701,557,834, and the remaining was recorded in capital reserve.

(III) The Company had no employee stocks.

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 201,217 shareholder accounts, and 206,925 accounts at the end of the fifth trading day prior to the release of this annual report.

(II) Shareholdings of top ten shareholders as at the end of the reporting period (excluding the shareholders and their shares that have not been registered after the Non-public Offering as at the end of the reporting period)

Unit: share

Name of shareholders	Type of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares
The Fujian Provincial Department of Finance	State organ	0	2,268,115,846	21.03	0	79,603,780 (frozen)
Hang Seng Bank Limited	Overseas legal person	0	1,380,434,400	12.80	0	N/A
Tetrad Ventures Pte Ltd.	Overseas legal person	-114,295,730	294,729,200	2.73	0	N/A
Fujian Tobacco Haisheng Investment Management Co., Ltd.	State-owned legal person	0	294,336,000	2.73	0	N/A
Longyan Municipal Bureau of Finance, Fujian Province	State organ	0	151,200,000	1.40	0	5,463,005 (frozen) 63,000,000 (pledged)
China Tobacco Hunan Industrial Co., Ltd.	State-owned legal person	0	151,200,000	1.40	0	N/A
Inner Mongolia Xishui Venture Co., Ltd.	Domestic non-state-owned legal person	-13,773,185	116,226,815	1.08	0	98,994,484 (pledged)
International Finance Corporation	Overseas legal person	0	87,335,836	0.81	0	N/A
China National Cereals, Oils and Foodstuffs Corporation	State-owned legal person	-77,049,392	84,150,608	0.78	0	N/A
Zhejiang Southeast Electric Power Company Limited	State-owned legal person	0	78,840,000	0.73	0	N/A

Shareholdings of top ten shareholders as at the end of the Non-public Offering on January 7, 2013

Unit: share

Name of shareholders	Type of shareholders	Changes during the period Note 1	Number of shares held	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares
The Fujian Provincial Department of Finance	State organ	0	2,268,115,846	17.86	0	79,603,780 (frozen)
Hang Seng Bank Limited	Overseas legal person	0	1,380,434,400	10.87	0	None
PICC Property and Casualty Company Limited – traditional - common insurance product -008C- CT001 Hu	State-owned legal person	632,000,000	632,000,000	4.98	632,000,000	None
China National Tobacco Corporation	State-owned legal person	409,025,000	409,025,000	3.22	409,025,000	None
PICC Life Insurance Company Limited - participating - personal insurance (participating)	State-owned legal person	303,526,000	316,000,000	2.49	316,000,000	None
PICC Life Insurance Company Limited - universal - personal insurance (universal)	State-owned legal person	316,000,000	316,000,000	2.49	316,000,000	None
Fujian Tobacco Haisheng Investment Management Co., Ltd.	State-owned legal person	0	294,336,000	2.32	0	None
Tetrad Ventures Pte Ltd.	Overseas legal person	-121,430,461	287,594,469	2.26	0	None
Longyan Municipal Bureau of Finance, Fujian Province	State organ	0	151,200,000	1.19	0	5,463,005 (frozen) 63,000,000 (pledged)
China Tobacco Hunan Industrial Co., Ltd.	State-owned legal person	0	151,200,000	1.19	0	None

Note:

1. The period for comparison of the data on changes in shareholdings of the top ten shareholders as at the end of the Non-public Offering (January 7, 2013) was from January 1, 2012 to January 7, 2013.

2. PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. and China Tobacco Hunan Industrial Co., Ltd. were subsidiaries of the China National Tobacco Corporation.

3. Pursuant to the Reply of China National Tobacco Corporation to Issues regarding Change of Equity Contributors of China Tobacco Hunan Industrial Co., Ltd., 151.20 million shares of the Company held by China Tobacco Hunan Industrial Co., Ltd. were totally transferred to China Tobacco Hunan Investment Management Co., Ltd. For details, please refer to the announcement of the Company dated February 26, 2013. The procedures and formalities for transfer and registration of such shares were completed in March, 2013.

(III) Shareholdings of top ten shareholders of non-restricted shares (as at January 7, 2013, the record date of the Non-public Offering)

Unit: share

Name of shareholders	Number of non-restricted shares	Percentage in total share capital (%)	Type of shares
The Fujian Provincial Department of Finance	2,268,115,846	17.86	RMB ordinary shares
Hang Seng Bank Limited	1,380,434,400	10.87	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	294,336,000	2.32	RMB ordinary shares
Tetrad Ventures Pte Ltd.	287,594,469	2.26	RMB ordinary shares
Longyan Municipal Bureau of Finance, Fujian Province	151,200,000	1.19	RMB ordinary shares
China Tobacco Hunan Industrial Co., Ltd.	151,200,000	1.19	RMB ordinary shares
Inner Mongolia Xishui Venture Co., Ltd.	116,226,815	0.92	RMB ordinary shares
International Finance Corporation	87,335,836	0.69	RMB ordinary shares
China National Cereals, Oils and Foodstuffs Corporation	84,150,608	0.66	RMB ordinary shares
Zhejiang Southeast Electric Power Company Limited	78,840,000	0.62	RMB ordinary shares

Note: Fujian Tobacco Haisheng Investment Management Co., Ltd. and China Tobacco Hunan Industrial Co., Ltd. were subsidiaries of China National Tobacco Corporation.

(IV) Number and conditions of restricted shares held by shareholders (as at January 7, 2013, the record date of the Non-public Offering)

Unit: share

<table>
<tr><th rowspan="2">Name of shareholders holding restricted shares</th><th rowspan="2">Number of restricted shares</th><th colspan="2">Listing and trading of restricted shares</th><th rowspan="2">Restriction conditions</th></tr>
<tr><th>Time for listing and trading</th><th>Number of additional shares available for listing and trading</th></tr>
<tr><td>The People's Insurance Company (Group) of China Limited</td><td>116,434,400</td><td rowspan="6">January 7, 2016</td><td>116,434,400</td><td rowspan="4">Not transferable within 36 months from the day when the offering was finished (except otherwise required by the competent regulators on the lock-up period)</td></tr>
<tr><td>PICC Property and Casualty Company Limited – traditional - common insurance product - 008C - CT001 Hu</td><td>632,000,000</td><td>632,000,000</td></tr>
<tr><td>PICC Life Insurance Company Limited - participating - personal insurance (participating)</td><td>316,000,000</td><td>316,000,000</td></tr>
<tr><td>PICC Life Insurance Company Limited - universal - personal insurance (universal)</td><td>316,000,000</td><td>316,000,000</td></tr>
<tr><td>China National Tobacco Corporation</td><td>409,025,000</td><td>409,025,000</td><td rowspan="2">Not transferable within 36 months from the day when the offering was finished</td></tr>
<tr><td>Shanghai Zheng Yang International Business Co., Ltd.</td><td>125,687,300</td><td>125,687,300</td></tr>
<tr><td colspan="2">Description for related relationship or acting in concert of the above shareholders</td><td colspan="3">PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited.</td></tr>
</table>

(V) The Company has no controlling shareholder or actual controller and its largest shareholder is the Fujian Provincial Department of Finance. Shareholders holding over 10% of the Company's shares are as follows:

1. The Fujian Provincial Department of Finance is a legal person of government organ. Its legal representative is Chen Xiaoping and the address is 5 Zhongshan Road, Fuzhou. It is the largest shareholder of the Company, holding 17.86% of the Company's shares as at the end of the Non-public Offering.

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

3. The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited: as at the end of the Non-public Offering, The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 10.87% of the Company's shares, and PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited.

The People's Insurance Company (Group) of China Limited is a comprehensive insurance (financial) company (organizational code: 10002373-6), incorporated in 1996. Its precedent was The People's Insurance Company of China established in 1949 upon approval of the Government Administration Council of China. As at the end of the reporting period, it had registered capital of RMB34.491 billion, whose legal representative was Wu Yan and registered office was in Beijing. Its scope of business includes: investment in and holding of shares of listed companies, insurance institutions and other financial institutions; and supervision and management of domestic and overseas businesses of its holding ventures. It was listed in The Stock Exchange of Hong Kong Limited in December 2012.

PICC Property and Casualty Company Limited (organizational code: 71093148-3) was established in 2003 and listed in The Stock Exchange of Hong Kong Limited in the same year. It has registered capital of RMB12.256 billion, whose legal representative is Wu Yan and registered office is in Chaoyang District, Beijing. Its business covers all types of property insurance, including motor vehicle, property, marine, credit, accident, energy, aerospace and agricultural insurances. Now, it is the largest property company in China.

PICC Life Insurance Company Limited (organizational code: 71093370-2) is a national life insurance company. Established in 2005, it has registered capital of RMB20.133 billion, whose legal representative is Wu Yan and registered office is in Haidian District, Beijing. Its scope of business includes: life insurance, health insurance, accident insurance, personal reinsurance and investment.

I. Directors, supervisors and senior management members

(I) Basic information

Name	Title	Gender	Date of Birth	Tenure	Total remuneration from the Company during the reporting period (pre-tax) (RMB ten thousand)
Gao Jianping	Chairman of the board of directors	Male	1959.07	2010.10.28-2013.10.27	361.5
Liao Shizhong	Director	Male	1962.10	2010.10.28-2013.10.27	-
Andrew H C Fung	Director	Male	1957.07	2010.10.28-2013.10.27	-
Chua Phuay Hee	Director	Male	1953.09	2010.10.28-2013.10.27	-
Lu Xiaodong	Director	Male	1964.09	2010.12.30-2013.10.27	-
Xu Chiyun	Director	Female	1968.08	2010.12.30-2013.10.27	-
Li Renjie	Director and president	Male	1955.03	2010.10.28-2013.10.27	350.8
Chen Dekang	Director and vice president	Male	1954.09	2010.10.28-2013.10.27	305.6
Tang Bin	Director and board secretary	Male	1957.02	2010.10.28-2013.10.27	263.4
Xu Bin	Independent director	Male	1944.09	2010.10.28-2013.10.27	30
Li Ruoshan	Independent director	Male	1949.02	2010.12.06-2013.10.27	30
Wu Shinong	Independent director	Male	1956.12	2010.12.06-2013.10.27	30
Lim Peng Khoon	Independent director	Male	1949.08	2010.10.28-2013.10.27	28
Zhou Qinye	Independent director	Male	1952.01	2012.06.13-2013.10.27	22.5
Kang Yukun	Director and vice president Chairman of the board of supervisors	Male	1954.05	2010.10.28-2012.11.09 2013.01.11-2013.10.27	328.2
Wu Xiaohui	Supervisor	Female	1961.01	2010.10.28-2013.10.27	-
Xu Guoping	Supervisor	Male	1968.01	2010.10.28-2013.10.27	-
Li Zhaoming	Supervisor	Male	1968.07	2010.10.28-2013.10.27	-
Zhou Yuhan	Supervisor	Female	1968.10	2010.10.28-2013.10.27	-
Tu Baogui	Supervisor	Male	1953.01	2010.10.28-2013.10.27	249.4
Lai Furong	Supervisor	Male	1968.10	2010.10.28-2013.10.27	317.9
Wang Guogang	External supervisor	Male	1955.11	2010.10.28-2013.10.27	24
Zhou Yeliang	External supervisor	Male	1949.06	2010.10.28-2013.10.27	24
Lin Zhangyi	Vice president	Male	1971.09	2010.10.28-2013.10.27	278.1
Chen Jinguang	Vice president	Male	1961.11	2013.02.04-2013.10.27	369.0
Xue Hefeng	Vice president	Male	1969.03	2012.12.27-2013.10.27	346.1
Li Weimin	Vice president	Male	1967.11	2012.12.27-2013.10.27	296.2
Bi Zhonghua	Chairman of the board of supervisors	Female	1952.07	2010.10.28-2012.11.09	332.9
Ba Shusong	Independent director	Male	1969.08	2010.10.28-2012.06.13	7.5

1. The total remuneration for directors, supervisors and senior management members who held full-time positions in the Company during the reporting period has included the annual risk fund, of which, the amount for Gao Jianping (chairman) was RMB1,131.5 thousand, RMB1,097.5 thousand for Li Renjie (director and president), RMB1,020.5 thousand for Bi Zhonghua (chairman of the board of supervisors), RMB1.08 million for Kang Yukun (chairman of the board of supervisors), RMB993 thousand for Chen Dekang (director and vice president), RMB893.5 thousand for Lin Zhangyi (vice president), RMB1.08 million for Chen Jinguang (vice president), RMB1.04 million for Xue Hefeng (vice president), RMB912 thousand for Li Weimin (vice president), and RMB834.5 thousand for Tang Bin (director and board secretary). In accordance with the Measures on Evaluation and Disbursement related to Risk Fund for Senior Management Members, the risk fund should be disbursed in three years following evaluation.

During the reporting period, the actual remuneration paid for all directors, supervisors and senior management members totaled RMB42.736 million.

2. As at the end of the reporting period, neither any director, supervisor or senior management member of the Company held any share of the Company, nor there was any change in shareholding.

3. The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management members were as follows: the remuneration for directors, supervisors and senior management members were decided and paid in accordance with the Regulations of Industrial Bank on Independent Directors' Allowance, the Regulations of Industrial Bank on External Supervisors' Allowance, the Measures of Industrial Bank for Performance Evaluation of Senior Management Members and the Administrative Measures of Industrial Bank for Remuneration of Senior Management Members. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disbursed in accordance with the provisions stated in the Industrial Bank on Independent Directors' Allowance and the Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the compensation and assessment committee under the board of directors and then submitted to the board of directors for 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 Global Banking and Capital Markets
Lu Xiaodong	Fujian Branch, China National Tobacco Corporation Fujian Tobacco Haisheng Investment Management Co., Ltd.	Division chief Director
Wu Xiaohui	China National Cereals, Oils and Foodstuffs Corporation	Chief accountant
Xu Guoping	China Tobacco Hunan Industrial Investment Management Co., Ltd.	Deputy general manager
Li Zhaoming	China Electronic Information Industry Group Corporation	Head of Audit Department

(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, president of Industrial Bank's Shanghai branch, president assistant of Industrial Bank, vice president of Industrial Bank and president of Industrial Bank, 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 global banking and capital markets 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 Insurance, Hang Seng Investment, 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 executive director of Singapore-based Wilmar International Limited.	Director of Singapore-based Temasek Life Sciences Laboratory Ltd
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, deputy 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
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	University graduate, master degree, 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
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 and Ningbo Guangbo

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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 vice chancellor of Xiamen University; and currently as professor and PhD tutor of Xiamen University.	Professor of Xiamen University, independent director of Xiamen Bank, Xiamen Xiangyu, Xiamen International Airport and Midea and 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
Zhou Qinye	Master degree, professor. He served previously as deputy dean of school of accountancy, Shanghai University of Finance and Economics, and deputy director of development research center, director of listing division, deputy general manager and then chief accountant of the Shanghai Stock Exchange.	PhD tutor of Fudan University, adjunct professor of Xiamen University and Shanghai University of Finance and Economics; independent director of Shanghai Pudong Development Bank, Saic Motor, Shanghai Jahwa United and China Coal; and director of Shanghai East-China Computer and Anxin Trust
Kang Yukun	Bachelor degree, senior economist. He served previously as deputy manager of Industrial Bank's credit department, vice president (in charge of overall management) of Industrial Bank's Putian branch, vice president (in charge of overall management) and then president of Industrial Bank's Fuzhou branch and communist party committee member, director and vice president of Industrial Bank, and currently as communist party committee member and chairman of the board of supervisors of Industrial Bank.	None
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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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 deputy director of financial management department, China Tobacco Hunan Industrial Co., Ltd.; and currently as 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, party secretary (director-level), and deputy director of finance department of China Electronic Information Industry Group Corporation; currently as director of audit department, China Electronic Information Industry Group Corporation.	Director of China Electronics Financial Co., Ltd., Huahong Group and Shanghai Belling
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.	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.
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
Lai Furong	Bachelor degree, senior accountant. He served previously as vice head and 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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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 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 Leasing.	Chairman of Industrial Leasing
Chen Jinguang	College graduate, economist. He served previously as head of Pudong sub-branch, Shanghai branch, Industrial Bank, vice president of Industrial Bank's Shanghai branch, president of Industrial Bank's Ningbo branch, president of Industrial Bank's Chengdu branch and president of Industrial Bank's Beijing branch; and currently as party committee member and vice president of Industrial Bank.	None
Xue Hefeng	Bachelor degree. He served previously as deputy manager of operation department, Industrial Bank's Fuzhou branch, deputy head of Majiang office of Industrial Bank's Fuzhou branch, general manager of credit management department of Industrial Bank's Beijing branch and head of Industrial Bank's Chaowai sub-branch, general manager of risk management department of Industrial Bank's Beijing branch; president assistant and general manager of risk management department of Industrial Bank's Beijing branch; vice president of Industrial Bank's Beijing branch; and president of Industrial Bank's Shenzhen branch; and currently as party committee member and vice president of Industrial Bank.	None
Li Weimin	University graduate, master degree, senior economist. He served previously as deputy manager and then manager of operation department of Industrial Bank's Fuzhou branch, president assistant and manager of general office of Industrial Bank's Fuzhou branch, vice president of Industrial Bank's Fuzhou branch, vice president of Industrial Bank's Nanjing branch; president of Industrial Bank's Zhangzhou branch; president of Industrial Bank's Zhengzhou branch; and president of Industrial Bank's Fuzhou branch; and currently as party committee member and vice president of Industrial Bank.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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 communist party committee member and chairwoman of the board of supervisors of Industrial Bank. She has been retired.	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, and independent director of China Minsheng Banking and Guoyuan Securities

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

1. The board of directors received Mr. Ba Shusong's resignation on March 16, 2012. Since Mr. Ba had served as an independent director of the Company for consecutive six years, and in light of the regulatory provision that the tenure of an independent director of a listed company should not exceed six years, Mr. Ba Shusong gave his resignation as an independent director to the board of directors. As the number of independent directors of the Company would be less than the quorum due to Mr. Ba Shusong's resignation, pursuant to the provisions of the articles of association of the Company, Mr. Ba Shusong would continue to perform his duties as an independent director until the new independent director took office on June 13, 2012.

2. Mr. Zhou Qinye was elected as an independent director of the 7th board of directors in the general meeting of the Company on April 9, 2012. He took office after his qualification for directorship was approved by the Fujian Bureau of CBRC on June 13, 2012.

3. The board of directors accepted the resignation of Mr. Kang Yukun as the director and the vice president from November 9, 2012. Mr. Kang Yukun would serve as an employee representative supervisor from November 9, 2012 through election by the Company's employees' conference. He was elected as chairman of the 5th board of supervisors at the 14th meeting of the 5th board of supervisors on the same day. After his qualification for chairman of the board of supervisors was approved by the CBRC on January 11, 2013, Mr. Kang Yukun took office on the same day.

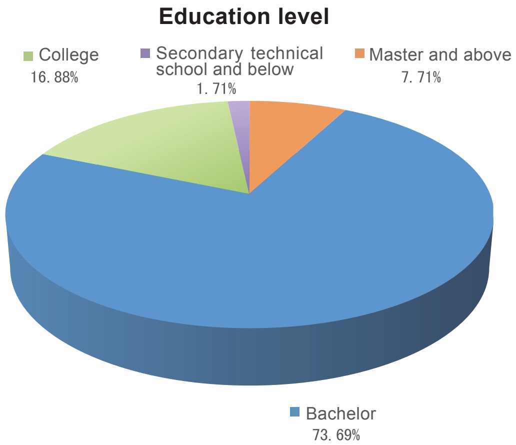
4. The board of supervisors accepted the resignation of Ms. Bi Zhonghua as the chairwoman and the supervisor of the board of supervisors from November 9, 2012, as she reached the age of retirement.

5. On November 9, 2012, Mr. Chen Jinguang, Mr. Xue Hefeng and Mr. Li Weimin were appointed as vice presidents of the Company at the 15th meeting of the 7th board of directors. The qualifications of Mr. Chen Jinguang, Mr. Xue Hefeng and Mr. Li Weimin for vice presidents were approved by the Fujian Bureau of CBRC on February 4, 2013, December 27, 2012 and December 27, 2012 respectively.

II. Employees

As at the end of the reporting period, particulars of employees of the Company were as follows:

Number of the incumbent staff of the parent company	42,199 (incl. 14,136 dispatched employees)
Number of the incumbent staff of main subsidiaries	362 (incl. 54 dispatched employees)
Total number of the incumbent staff	42,561
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	238
Education level	
Type of education	Number
Master and above	3,282
Bachelor	31,364
College	7,186
Secondary technical school and below	729
Total	**42,561**
Professional occupation	
Type of professional occupation	Number
Management	2,666
Business	35,012
Support	4,883
Total	**42,561**



In remuneration management, the Company stuck to the principles of meeting the requirements of corporate governance, promoting the competitiveness and sustainable development of the Bank, adapting to the operating results and coordinating short and long-term incentives. While internal fairness and external competitiveness were emphasized, the remuneration management should contribute to the implementation of the Company's strategic objective, support the demands of business development at different stages, and realize the attraction and retaining of key employees.

During the reporting period, following the idea of "planning before implementation by stage and developing gradually while quickening up steps in certain areas", the Company formulated the Plans for the Creation of a New Training System (2012-2015) and Implementation of Training Program 2012. Through fully execution of the annual training plan, the Company established a sound training system covering employees at all levels with focus on different fields, which enabled employees to learn in more ways, access to more training resources, and improve their professionalism and comprehensive capability, hence serving the strategic development of the Company.

1. Corporate governance overview

Over the last few 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 fully performed its function of making strategic decisions. It worked out the operation plan 2012, enhanced overall capital management, finished the Non-public Offering, furthered group-oriented operation and boosted the specialization reform. Meanwhile, it also organized training and investigation for specific topics for directors and supervisors to enable them to gain a comprehensive understanding of the operation of the Company and improve their capability of professionally performing their duties and responsibility. In addition, the Company amended the Measures for Management of Relationship with Investors and the Administrative Measures of Persons with Inside Information, formulated the Measures for Accountability for Material Errors in Annual Report and the Measures for the Management of Registration and Monitoring of New Media, enhanced the management of archives concerning performance by directors and supervisors of their duties, and made corporate governance operated in a more standard way. Furthermore, the Company effectively implemented the feedback and transmission mechanism for major decisions of the board of directors and the board of supervisors, actually conveyed the spirits of meetings of the board of directors and the board of supervisors, and promoted a sound and sustainable development of the Company to safeguard the interests of all shareholders and stakeholders.

(I) Shareholders and general meetings

During the reporting period, the Company normalized the convening, holding, deliberation and voting procedures of general meetings in accordance with relevant laws and regulations, the articles of association of the Company and the provisions on the rules of procedures for general meetings, and safeguarded the legal rights of shareholders. Meanwhile, the Company improved the channels it communicated with its shareholders, actively solicited opinion and suggestion from shareholders, and ensured that the rights of shareholders to be informed, participate in and vote on major issues of the Company were exercised according to laws.

The Fujian Provincial Department of Finance, which holds17.86% shares in the Company, is the largest shareholder of the Company. The Company is totally independent from its largest shareholder in all aspects, including asset, personnel, finance, institution and business. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company’s major shareholders have neither appropriated any capital of the Company nor 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 consists of fourteen directors. By type, there are six shareholding directors (including two foreign shareholding directors), five independent directors and three senior management directors. By geography, there are eleven domestic shareholders and three overseas shareholders. There are five committees 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 are all chaired by independent directors. By giving full play of their professional strength, those committees review and discuss a number of important issues, and submit their opinion to the board of directors for consideration and approval, whereby the Company's corporate governance and operating efficiency have been improved effectively. During the reporting period, seven meetings of the board of directors were convened and the aforesaid committees held 23 meetings in total, at which 136 proposals were considered or heard. Through these meetings, the board of directors effectively played its role of decision-making in development of corporate strategy, determination of the business plan and enhancement of capital management and group-oriented operation, and the functions of its committees to give support to such decision-making were also strengthened.

(III) Supervisors and the board of supervisors

The board of supervisors has nine supervisors, including four shareholder representatives, three employee representatives and two external supervisors. Two specialized committees have been set up under the board of supervisors, namely the supervision committee and the nomination, remuneration and evaluation committee. Both of the committees are 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 financial activities, risk management and internal control of the Company and supervising performance by the board of directors and senior management of their duties. During the reporting period, the Company held six meetings of the board of supervisors (including three teleconferences), approving 16 proposals and hearing seven reports. The committees under the board of supervisors convened two meetings, at which, five proposals were considered and approved.

(IV) Senior management

As at the end of the reporting period, the Company had seven senior management members, including one president and six vice presidents. Authorized by laws and regulations, the articles of association of the Company and the board of directors, the president took responsibility for guiding overall operation and management of the Company, implementing resolutions approved by the general meeting 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.

Under the senior management, there were several committees, 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

During the reporting period, the Company enhanced management of related party transactions and fully carried out the regulatory spirit in this regard. In light of the Administrative Measures of Industrial Bank Co., Ltd. for Related Party Transactions and the Implementation Rules of Industrial Bank Co., Ltd. for Management of Related Party Transactions, organs at all levels including the general meeting, the board of directors, the senior management and related departments and branches strictly conducted review, examination, approval and management of related party transactions according to their functions respectively, and the board of supervisors made supervision over such practices. The principles of “fairness, openness and valuable consideration” were followed in all related party transactions, and therefore, the benefits of the Company and shareholders were effectively safeguarded and the business enjoyed a sustainable and healthy development.

(VI) Implementation of the management system of the persons with inside information

In addition to the existing information disclosure management system, the Company released the Administrative Measures of Persons with Inside Information pursuant to the requirements of the CSRC and its Fujian Bureau, with a view to enhance the confidentiality management of inside information. By improving the procedures for internal circulation and external submission of material information, the Company strengthened management of filings and archives concerning insiders so as to prevent or eliminate illegal acts including insider trading and ensure fairness in information disclosure. Meanwhile, the Company specially set up a column for prevention of insider trading on its website, where it released latest prevention regulations and rules as well as regulatory dynamics and posted the telephone number to encourage external supervision over insider trading. During the reporting period, the Company fully carried out the information disclosure system, registering and submitting information about insiders to the competent securities regulator in a timely manner, and there was no instance occurred that the insiders traded the stocks by taking advantage of insider information prior to the disclosure of substantial information.

During the reporting period, the board of directors received the “Award of the Board of Directors” at the 11th Annual China Corporate Governance Forum, jointly organized by the Shanghai Stock Exchange and the Chinese Association of Listed Companies and sponsored by the SASAC and the Organization for Economic Co-operation and Development (OECD). This further indicated full recognition by the securities market regulators and the vast majority of investors of the Company’s efforts on corporate governance. In addition, during the reporting period, the board of directors was selected by *the Directors & Boards* magazine as an “Outstanding Board of Directors”. The Company was granted the “Golden Ox Top 100 Listed Companies 2011”, the “China’s Top 100 Most Valuable Main Board Listed Companies 2011”, the “Award for Best Risk Management of Investor Relations 2012” and the “Award of Golden Tripod by the 8th Chinese Securities Market Annual Meeting” and etc. Tang Bin, the board secretary, was named the “Best Board Secretary of the New Wealth Magazine” and the “Most Creative Board Secretary”.

II. Brief introduction to general meetings

Term Number	Date	Name of proposals	Resolution	Index of the website designated for publication of resolution	Date of disclosure for publishing resolution
Annual general meeting 2011	April 9, 2012	The Annual Work Report of the Board of Directors 2011; the Annual Work Report of the Board of Supervisors 2011; the Annual Appraisal Report on Duty Performance of Directors 2011; the Annual Appraisal Report on Duty Performance of Supervisors 2011; the Annual Appraisal Report by the Board of Supervisors on the Duty Performance of Directors and Senior Management Members 2011; the Report on Final Financial Accounts 2011 & Financial Budget Plan 2012; the Annual Profit Distribution Plan 2011; the Proposal on Employment of Accounting Firms for 2012; the Annual Report and Abstract 2011; the Proposal on Satisfaction of the Conditions for Non-public Offering; the Proposal on Non-public Offering; the Proposal on the Report on Use of the Proceeds Previously Raised; the Proposal on the Feasibility Report on Use of the Proceeds Raised in the Non-public Offering; the Proposal on Requesting the General Meeting to Authorize the Board of Directors and the Latter to Authorize Representatives to Handle Issues concerning Shares Issued in the Non-public Offering; the Medium-Term Capital Management Plan; and the Proposal on Change of Directors.	Adopted	Websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Company (www.cib.com.cn)	April 10, 2012
First extraordinary general meeting 2012	August 28, 2012	The Proposal on Amendment of the Articles of Association; the Proposal on Drafting of the Plan for Annual Profit Distribution 2012-2014; the Proposal on Purchase of Office Building in Lujiazui Financial Center of Shanghai; and the Proposal on Construction of the Office Building for Head Office in Fuzhou.	Adopted	Websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Company (www.cib.com.cn)	August 29, 2012

III. Performance by directors of their duties

During the reporting period, the Company held seven meetings of the board of directors, including five onsite meetings and two teleconferences. Specifically, attendance to the meetings of the board of directors and to the general meetings by directors were as follows:

Name	As an independent director	Attendance to meetings of the board of directors						Attendance to meetings of the shareholders
		Expected attendance	Attendance in person	Attendance through teleconference	Attendance by a proxy	Absence	Failure to attend in person for consecutive twice	Attendance
Gao Jianping	No	7	5	2	0	0	No	2
Liao Shizhong	No	7	3	2	2	0	Yes	1
Andrew H C Fung	No	7	5	2	0	0	No	0
Chua Phuay Hee	No	7	3	2	2	0	No	0
Lu Xiaodong	No	7	4	2	1	0	No	1
Xu Chiyun	No	7	5	2	0	0	No	2
Li Renjie	No	7	5	2	0	0	No	2
Chen Dekang	No	7	5	2	0	0	No	1
Tang Bin	No	7	5	2	0	0	No	2
Xu Bin	Yes	7	5	2	0	0	No	1
Li Ruoshan	Yes	7	4	3	0	0	No	0
Wu Shinong	Yes	7	5	2	0	0	No	1
Lim Peng Khoon	Yes	7	5	2	0	0	No	1
Zhou Qinye	Yes	4	3	1	0	0	No	0
Ba Shusong	Yes	3	1	2	0	0	No	0
Kang Yukun	No	7	5	2	0	0	No	1

In March 2012, Director Liao Shizhong failed to attend the 9th and the 10th meetings of the 7th board of directors in person due to health concerns. Nevertheless, he carefully read and reviewed the notices and documents sent by the Company, communicated with the staff in the general office of the board of directors, submitted his opinion on proposals to the general office and entrusted chairman Gao Jianping and director Xu Chiyun to exercise the voting right on his behalf, hence fully performing his duties. He attended all of other meetings convened by the board of directors in person after recovery from sickness.

During the reporting period, independent directors gave no objections to the issues of the Company.

IV. Important opinion and suggestion by the committees under the board of directors in performing their duties during the reporting period

(I) During the reporting period, the executive committee fully performed its duty and responsibility prescribed in the articles of association and exercised its rights authorized by the board of directors. It proposed to give priority to targeted non-public offering for capital replenishment and actively promoted the implementation of such plan after studying capital management when new regulatory standards were adopted. By consideration of the Company's actual situation and regulatory requirements, it made suggestions on revision of the profit distribution policy, in order to further enhance the sustainability, stability and transparency of returns to shareholders. To meet the needs of business development, it advised the management team to improve the plans for purchase of office buildings and strengthen budget management; and following the external economic trend, it suggested the Company should properly increase the amount of writing-off for bad debts, dispose of capital loss in a timely manner, and accurately calculate income and profit, while putting the accountability system into effect.

(II) During the reporting period, by following the macro-economic development trend, the risk management committee made a comprehensive assessment of all kinds of risk based on its analysis of fluctuations of all types of indicators, summarized and commented on risk control measures and provided its opinion on risk management. For example, as to loans to government financing platform, it requested the management team to learn and implement the guiding policies in this regard released by regulators in early 2012. With respect to loans relating to real estate, it advised the management team to pay attention to the changes of policies on real estate regulation, follow the trend and insist on the strategies of "control of the total size and adjustment of structures"; with respect to emerging businesses, it recommended the management team to trace the business-specific risk and accumulate the relevant management experience; with respect to group customers, it required the management team to improve the internal management procedures and information system to ensure execution of unified credit granting.

(III) During the reporting period, the audit and related party transaction control committee made requirements and suggestions on audit of annual reports and internal control and review of semi-annual reports, as well as on works regarding self-assessment of internal control and financial management. Specifically, it required external auditors to focus on capital flow of steel trading companies, pledge over equity for loans, assessment of enterprise risk and IT auditing, and provide evidences for the defects of the internal control. It also required the internal audit department and the internal control department to urge rectification of such defects, and the financial department to put more efforts on financial analysis.

V. Description of risk discovered by the board of supervisors

During the reporting period, the board of supervisors made no objection to the issues under supervision during the reporting period.

VI. Description of independence of the Company from its largest shareholder

The Fujian Provincial Department of Finance, which holds 17.86% shares in the Company, is the largest shareholder of the Company. The Company is totally independent from its largest shareholder in all aspects, including asset, personnel, finance, institution and business. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested the Company to act as a guarantor for a third party in any way whatsoever.

VII. Examination and evaluation mechanism as well as establishment and implementation of the incentive system for senior management members during the reporting period

Senior management members were subject to the examination and assessment by the board of directors. The board of directors has formulated the Measures for Performance Evaluation of Senior Management Members and the Administrative Measures for Remuneration of Senior Management Members. By adopting optimal remuneration structures for senior management members and reasonable evaluation indicators and creating an evaluation mechanism that linked the remuneration with duties, risk and operating results, it motivated senior management members and restrained them to work hard for the Company's benefit.

I. Statement of responsibility for internal control and building of internal control system

The Company consistently enhanced efforts on internal control and improvement of the internal control system, which laid a sound foundation for the Company's sustainable development. The internal control covered the board of directors, the board of supervisors, the management team and the employees at all other levels and control measures were taken in all operation and management activities including decision-making, execution, supervision and feedback. During the reporting period, the Company fully carried out the Basic Internal Control Norms for Enterprises issued by the Ministry of Finance, the CSRC, the CBRC and other two departments, as well as its guidelines. By implementing such internal control norms, it improved the internal control organizational structure and operating system, introduced new tools and methods for internal control, stably boosted the formation of the internal control system and mechanism, and kept on making internal control more scientific, systematic and effective.

In respect of building internal control system, under the guidance of the board of directors and its specialized committees, the management team furthered the strategic transformation of the business development mode and profit-making mode, facilitated the specialization reform of lines, and enhanced organic mechanism of the Company. During the reporting period, the Company conducted the institutional management reform by concentrating the channels for adoption of institutions and optimizing the platform for institutional management. To support the specialization reform of business lines and risk management system, it kept on reviewing, post-evaluating and adjusting the institutional management system, so as to create a unified, complete and enforceable institutional management system with a clear hierarchy. The internal control system covered fields such as internal control environment, risk identification and assessment, internal control activities, information communication and exchange and internal supervision, and all kinds of institutions were dynamically adjusted according to the changes of internal and external situations. In such way, the Company ensured the adaptability, completeness and effectiveness of the internal control system.

In respect of self-assessment of internal control, the Company paid close attention to the self-assessment work concerning internal control. During the reporting period, the management team set up a leadership team for formation of a sound internal control evaluation system, which consisted of heads of the head office and heads of major departments, and was responsible for making decisions, guidance and coordination on major issues related to implementation of self-assessment of internal control. The legal & compliance department was in charge of execution of the internal control self-evaluation of the management team, which was carried out in the functional departments of the head office and its branches.

The self-assessment of internal control was conducted according to the system of "firstly self-assessment, secondly re-assessment and thirdly an independent assessment". Firstly, branches and function departments of the head office carried out self-assessment of their internal control in respect of enterprise, procedure and IT. They were required to collect evidence proving effectiveness of their internal control, complete assessment forms, and identify and analyze the defects of their internal control system and make rectification accordingly. Secondly, after on-site test, the legal & compliance department would make a review with focuses based on self-assessment and rectification by the said branches and departments, and conduct on-site review in some branches. Thirdly, on the basis of the said self-assessment, the internal control department would make independent supervision and evaluation of the works concerning internal control done by branches and departments in accordance with the Guidelines of Industrial Bank for Rating of Internal Control. Based on its knowledge of the general situation of internal control in different branches and departments obtained through on-site audit, daily supervision and rectification tracing, and by taking into consideration of the opinion of external auditors, it would properly evaluate the level of internal control of those branches and departments, record drafts during evaluations, and make re-assessment on the basis of the self-assessment by the management. In this way, it prepared the annual report on self-assessment of internal control.

In the process of self-assessment of internal control, the Company laid stress on compliance culture in this respect. It offered training programs concerning theories and practice of internal control, promoted the application of tools and methods for self-assessment of internal control and organized key employees to receive training in three phases, and its branches also provided trainings in this regard to other employees. In addition, the Company kept close contact and communication with regulators and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the external auditor of the Company, strictly followed the provisions of the regulators with respect to establishment of an internal control system, and ensured coordination between self-assessment and external audit of internal control.

During the reporting period, no material deficiencies were detected in the mechanism or system of the Company's internal control in terms of completeness and reasonableness.

The Company's board of directors has produced a self-assessment report of internal control. Please refer to the website of Shanghai Stock Exchange for details.

II. Description of the internal control audit report

The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP in auditing the effectiveness of its internal control with regard to the Company's financial report, and the latter held that the Company maintained an effective internal control regarding the financial report in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2012.

III. Description of the accountability system regarding material errors in the annual report as well as its implementation

The Company continuously enhanced its management of regular reports disclosure to ensure the truthfulness, accuracy and completeness of information disclosed. The contents of regular reports were constantly enriched and the quality of information disclosure was improved. By releasing the Measures for Accountability for Material Errors in Annual Report, the Company urged the relevant personnel to exercise diligence and fully discharge their obligations in information disclosure and comply with the relevant laws and regulations, accounting standards and disclosure norms, so as to ensure that the financial report gives a true and fair view of the Company's financial position and operating results and to prevent any significant errors or omissions in disclosure of information in the annual report. During the reporting period, there was no material accounting error or omission, or revision of result forecast.

I. The Company's philosophy on social responsibility and its social responsibility management mechanism

Based on its philosophy on pursuit of sustainable development by "maintaining a harmonious relationship between human and nature, environment and society", the Company made efforts to explore different ways to perform its social responsibility as a bank, advocated combination of corporate social responsibility with business development strategies by combining profit and social responsibility, conformed to the three principles of "appropriateness", "growth", and "profit incentive", and adopted the commercial mode of joint development of the Bank and the society in a sustainable way and undertaking of social responsibility.

During the reporting period, the Company improved its social responsibility management mechanism and a multi-directional social responsibility management mode was gradually formed.

(I) Improving the organizational structure with regard to social responsibility

The board of directors takes the final responsibility for works related to social responsibility. Under guidance of the board of directors, a leadership team on social responsibility headed by chairman Gao Jianping was set up to lead the efforts in this respect. The legal & compliance department of the head office is in charge of the daily affair of the office of the said team. Additionally, branches set up their leadership teams accordingly and cooperated with different organs or departments of the head office in this regard.

(II) Improving the mechanism concerning social responsibility

During the reporting period, in light of the regulatory requirements and by reference to good practices at home and abroad, the Company streamlined the existing mechanism concerning social responsibility and hence improved efficiency. Firstly, it clarified specific social responsibility of different business lines and management departments and normalized the regular information submission system to ensure information could be disclosed in a more transparent, accurate and timely manner. Secondly, based on its operational mode and strategic development needs, it took steps and established a proper indicator system regarding corporate social responsibility to guide and evaluate the results of efforts in this respect by different organs or departments. Such indicators included quality of service and impartial treatment of consumers, green credit and energy saving and emission reduction, environmental protection, raising of the financial awareness of the public, and innovation practices.

(III) Incorporating social responsibility into corporate culture

The Company is dedicated to developing a corporate culture that incorporates social responsibility and advocating a cultural concept of sustainable development. During the reporting period, the Company conducted activities with the theme of "being the masters, fulfilling responsibilities, and encouraging dedication" with a view to enhance the sense of social responsibility of all employees.

II. The Company's sustainable finance practice

During the reporting period, the Company constantly incorporated the concept of sustainable development into its business mode, supporting sustainable development of its customers by means of finance, hence promoting the improvement of society and environment. Specifically:

(I) Capturing credit granting and optimizing allocation of social resources

1. Supporting national and local economic growth

During the reporting period, the Company carefully implemented the state's policies on macro-economy and industrial structure adjustment, increased credit granting to key industries and projects, stepped up efforts on credit support to local economies, promoted the coordinated regional growth, and provided service to agriculture, rural areas and farmers, hence effectively boosting sustainable economic and social development. As at the end of the reporting period, the balance of loans to large and medium-sized customers amounted to RMB582.859 billion, up RMB231.963 billion from the beginning of the reporting period. The balance of loans to major projects in Fujian reached RMB17.429 billion, up RMB2.517 billion from the beginning of the reporting period. The balance of loans to western areas in China stayed at RMB184.848 billion, and the balance of loans with regard to agriculture was RMB183.938 billion, up 44.93% year-on-year.

2. Assisting SMEs and micro enterprises

During the reporting period, the Company, following the strategic arrangement in the "five-year" business development plan regarding small enterprises and requirements on execution of the specialization reform, continued to improve the capability of specialized operation and financial service for small enterprises in respect of business management, marketing, resource allocation and specialized support, and launched small-enterprise-specific products, such as Industrial Bank express loans, mortgage loans for self-built industrial plants, mortgage loans for equipment of small businesses, small business joint guarantee loans, "Enhancement Loans", "Point-based Loans" and "Sesame Blooming – Growth and Listing Plan for SMEs", so as to meet various needs of customers and support development of the real economy. As at the end of the reporting period, the Company selected almost 4,000 qualified SMEs with listing potential for its "Sesame Blooming" program, which included 108 IPO customers, 234 customers with private placement and 71 customers who offered bonds.

During the reporting period, the Company continued to promote "Xing Ye Express", a comprehensive financial service solution, and as some small and micro enterprises always repaid their loans on an irregular basis, it launched the solution of "repayment of principal by installment" for loans to such businesses, so as to reduce their repayment pressure and support their development.

3. Promoting livelihood financing

During the reporting period, the Company paid close attention to the livelihood issues and increased loans to the programs that aimed at improving living conditions of urban residents, which included indemnificatory housing, shanty town reconstruction and city zone reconstruction. The Company also cooperated with education organizations, launching customized financial service solutions to universities and colleges and granting more loans to this field. In response to national call, the Company actively supported excellent publishers and other enterprises engaging in art and culture business, so as to foster the rapid growth of this industry. Furthermore, the Company promoted the health and medical care undertakings with traditional credit business and other credit service including leasing, trust, investment banking and financing. Additionally, it developed the small guarantee loans business targeting the unemployed to help the disadvantaged to start entrepreneurship and hence ensuring social stability.

(II) Enhancing financial innovation and promoting financial products and service related to environment

Through seven-year practice, the Company initiated and developed a sustainable financial business, which supported sustainable growth with financial innovations, promoted low-carbon economy and circular economy development with various financial tools. During the reporting period, the Company devoted more efforts on financing business concerning energy saving and emission reduction, and cooperated with International Finance Corporation to provide the program of loans for energy saving and emission reduction Phase III. It launched China's first product designated for energy saving and emission reduction by SMEs in less developed areas in China, "emission right mortgage credit business" and the financing mode of pledge over the income right relating to contracted energy management projects. Moreover, the Company developed its business in sectors such as green lease, green trust and low-carbon credit cards. As at the end of the reporting period, with respect to the green finance, the financing balance was RMB112.609 billion, an increase of RMB38.064 billion compared with that at the beginning of the period, among which, the balance of green finance loans was RMB70.590 billion, an increase of RMB10.463 billion; and the balance of non-credit financing was RMB42.019 billion, an increase of RMB27.601 billion. There were 1,717 customers of green finance, an increase of 619 customers from the beginning of the period, including 555 qualified customers and 450 strategically basic customers.

(III) Improving the effectiveness of management of environmental and social policies and optimizing the management system of the Equator Principles

The Company continued to improve the environmental and social risk management system. Based on the existing policies in this regard, it put forward sub-strategies concerned, detailed objectives of management and made requirements on institutions and procedures more appropriate. Meanwhile, by participating in the Equator Principles Association's revision of the Equator Principles and by reference to the best practices of overseas Equator Principles participants, the Company reviewed and optimized its Equator Principles management system during the specialization reform of its business lines. Firstly, it reviewed and amended its environmental and social risk management system and the Equator Principles management system with a view to normalizing the implementation and management of the Equator Principles in respect of policy formulation, business procedures, execution plan, and information disclosure. Secondly, it optimized the financing review procedures for programs to which Equator Principles applied from the perspective of the market, furthered the building and management of expert database and provided business training to improve the capability of specialized management as a whole. Thirdly, it conducted regular performance assessment regarding execution of the Equator Principles.

As at the end of the reporting period, there were157 programs that the Company considered as applicable to the Equator Principles, with the total investment amounting to RMB218.9 billion, involving 154 customers and 33 branches of the Company, among which, 46 loans were granted.

(IV) Developing the "Bank-to-Bank Platform" to share financial resources and complement each other's advantages

Since launch of the "Bank-to-Bank Platform" business in 2005, the Company has developed a comprehensive financial service solution covering payment settlement, wealth management and IT management and established a professional and efficient product and service system for providing national financial service to small and medium-sized financial institutions and their customers, while at the very beginning, it only offered commissioned payment settlement for small and medium-sized banks, including urban commercial banks, rural credit cooperatives, rural commercial banks and rural banks. As at the end of the reporting period, on the "Bank-to-Bank Platform", there were 395 signed customers, increased 96 customers from the beginning of the period; and 318 online customers, an increase of 85 customers from the beginning of the period, among which, there were accumulatively 28 new customers who joined the program of mutually opening counter resources and providing counter services to other party's customers; as a result, the number of banks joined such program totaled 134, covering more than 20,000 outlets. The number of banks participating in the establishment of the commercial bank IT system accumulated to 67. In 2012, there were 9,267.6 thousand settlements incurred on the "Bank-to-Bank Platform", with the amount reaching RMB1,083.509 billion.

(V) Publicizing and popularizing the philosophy of sustainable finance

During the reporting period, the Company put more efforts on public financial education, leading consumers to make rational consumption by properly using banking and financial service. It organized employees to publicize financial knowledge in communities and rural areas for several times to improve consumers' awareness of financial security. It also launched a six-month campaign of publicity and education for cracking down on illegal fund-raising, with a view to maintaining a stable economic and financial order. Moreover, the Company created 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" to encourage more companies and individuals to pay attention to the environmental and social performance management and energy conservation and emission reduction, and hence effectively fostered publicity of the philosophy of sustainable finance. It also promoted the green philosophy in its operation, organized events such as "Earth Hour" and "Low Carbon Carnival" and advocated of practicing low-carbon lifestyle in offices, shopping and travel.

In the process of promotion and practice of sustainable finance, the Company actively participated in activities that urged domestic and overseas banks to join in the progress of sustainable finance, strengthened communication and contact with governments, regulators and other industry peers both at home and abroad, participated in formulation of domestic and overseas standards on sustainability by offering its experience as a reference case and kept multi-dimensional dialogues with domestic and overseas non-governmental organizations.

III. Other public welfare activities

The Company carried out public welfare activities such as donations to schools, setting up of charity scholarships, alleviation of poverty, organization of various volunteer activities, improvement of service and community participation, to help students from poor families complete their studies, provide physical and financial support to persons with difficulties, hence making its contribution to the society. During the reporting period, the donations made by the Company totaled RMB18.3 million, mainly for supporting education and poverty relief.

With its efforts and achievements in performing corporate social responsibility and sustainable financial innovation, the Company received widespread recognition. During the reporting period, the Company was awarded the "Best Corporate Social Responsibility Institution Award" and the "Best Green Finance of Social Responsibility" by China Banking Association and obtained honors such as the "National Advanced Group in Emission Reduction" during the 11th Five-year Plan, the "Low Carbon Pioneer Bank", the "Best Award for Special Contributions of Social Responsibility 2011", the "Best Listed Company of Social Responsibility", the "Award of Best Green Bank", and the "Carbon-value Social Citizen Award". It also stood at the top of the rankings with regard to social responsibility or green credit in the banking industry released by the Policy Research Center for Environment and Economy, the Ministry of Environment Protection, the *Securities Daily* and other domestic non-governmental organizations respectively.

The Company has disclosed its 2012 Annual Sustainability Report. For the full text of the report, please visit the websites of Shanghai Stock Exchange and the Company.

FINANCIAL STATEMENTS

The Company's financial statements 2012 has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Tao Jian and Shen Xiaohong, who have issued a standard and unqualified auditor's report (Deloitte Financial Report (Audit) (13) No. P1059). For full text of the financial statements, please refer to the appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

III. Original annual reports bearing the signature and seal of chairman of the Company.

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

V. The articles of association of Industrial Bank Co., Ltd.

Chairman: Gao Jianping

Board of directors of Industrial Bank Co., Ltd.

April 19, 2013


千帆竞发



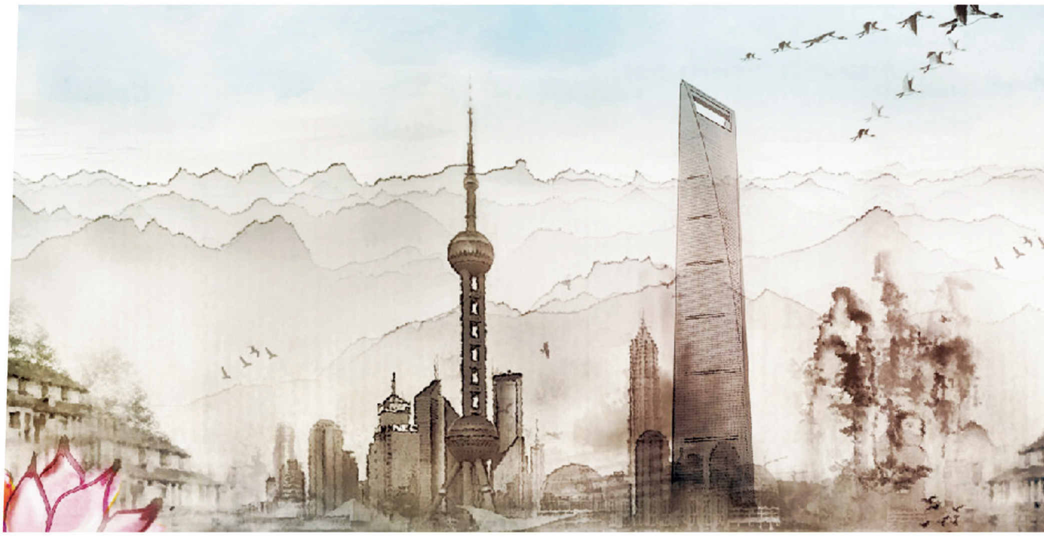



引领可持续发展
推动生态文明建设
—— 兴业银行绿色金融创新论坛

兴业银行广州移动
芯 动


礼仪竞赛北方预赛

兴业银行 资产管理部
INDUSTRIAL BANK CO.,LTD. Asset Management Dept.
兴业银行资产管理业务银基、银证合作高峰论坛
暨签约仪式




银银平台

联名信用卡（IC卡）
上 市

更衣区
DRESSING ROOM
洗手间
TOILET
兴业银行
INDUSTRIAL BANK CO.,LTD.
资金营运中心

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De Shi Bao (Shen) Zi (13) No.P1059

[Translation]

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 2012, 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. 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 Bank present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2012, 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 LLP

Chinese Certified Public Accountant

Tao Jian

Shen Xiaohong

Shanghai, China

19 April 2013

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.

AT 31 DECEMBER 2012 — UNIT: RMB MILLION

	Note VIII	The Group		The Bank	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Assets					
Cash and balances with central bank	1	391,631	296,591	391,433	296,372
Due from banks and other financial institutions	2	164,642	69,425	164,633	69,423
Precious metals		4,976	1,520	4,976	1,520
Placements with banks and other financial institutions	3	214,812	228,899	214,812	228,899
Held-for-trading financial assets	4	21,540	8,101	21,540	8,101
Derivative financial assets	5	3,266	2,907	3,266	2,907
Financial assets held under resale agreements	6	792,797	526,979	792,797	526,979
Interest receivable	7	19,535	12,924	19,482	12,841
Loans and advances to customers	8	1,204,542	968,940	1,204,394	968,740
Available-for-sale financial assets	9	192,057	147,505	190,084	147,006
Held-to-maturity investments	10	69,199	32,764	69,199	32,764
Debt securities classified as receivables	11	111,360	70,205	110,178	70,092
Finance lease receivables	12	33,779	21,485	-	-
Long-term equity investments	13	1,494	1,159	7,532	7,311
Fixed assets	14	6,656	5,240	6,624	5,212
Construction in progress	15	2,731	2,664	2,731	2,664
Intangible assets		250	281	245	278
Goodwill	16	446	446	-	-
Deferred tax assets	17	4,936	2,363	4,796	2,310
Other assets	18	10,326	8,400	4,771	3,390
Total assets		**3,250,975**	**2,408,798**	**3,213,493**	**2,386,809**

(continued)

AT 31 DECEMBER 2012 UNIT: RMB MILLION

	Note VIII	The Group		The Bank	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Liabilities					
Due to banks and other financial institutions	20	894,436	626,831	895,490	629,905
Placements from banks and other financial institutions	21	88,389	52,752	57,679	32,422
Held-for-trading financial liabilities	22	-	10	-	10
Derivative financial liabilities	5	2,996	3,013	2,996	3,013
Financial assets sold under repurchase agreements	23	161,862	141,426	161,862	141,426
Due to customers	24	1,813,266	1,345,279	1,813,266	1,345,279
Employee benefits payable	25	7,435	6,085	7,243	5,980
Tax payable	26	9,556	5,066	9,309	4,904
Interest payable	27	18,895	14,803	18,629	14,582
Debt securities issued	28	68,969	81,013	68,969	81,013
Other liabilities	29	14,536	16,442	9,885	13,302
Total liabilities		**3,080,340**	**2,292,720**	**3,045,328**	**2,271,836**
Shareholders' equity					
Share capital	30	12,702	10,786	12,702	10,786
Capital reserve	31	50,021	28,296	50,244	28,465
Surplus reserve	32	6,648	5,913	6,648	5,913
General and regulatory reserve	33	28,923	13,787	28,923	13,787
Retained earnings	34	71,283	56,427	69,648	56,022
Equity attributable to equity holders of the Bank		**169,577**	**115,209**	**168,165**	**114,973**
Minority interests		1,058	869	-	-
Total shareholders' equity		**170,635**	**116,078**	**168,165**	**114,973**
Total liabilities and shareholders' equity		**3,250,975**	**2,408,798**	**3,213,493**	**2,386,809**

The accompanying notes form part of the financial statements.

The financial statements on pages 98 to 209 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

FOR THE YEAR ENDED 31 DECEMBER 2012

UNIT: RMB MILLION

		The Group		The Bank	
	Note VIII	2012	2011	2012	2011
1. Operating income		87,619	59,870	84,678	58,527
Net interest income	35	72,193	50,734	70,755	49,991
Interest income	35	155,755	108,447	153,005	106,963
Interest expense	35	(83,562)	(57,713)	(82,250)	(56,972)
Net fee and commission income	36	14,947	8,845	13,544	8,274
Fee and commission income	36	15,681	9,418	14,269	8,843
Fee and commission expense	36	(734)	(573)	(725)	(569)
Investment income (losses)	37	(346)	324	(445)	296
Including: income from investments in an associate		221	197	221	197
Gains (losses) from changes in fair values	38	339	(283)	339	(283)
Foreign exchange gains		439	217	439	217
Other operating income		47	33	46	32
2. Operating expenses		(41,551)	(26,338)	(40,504)	(25,657)
Business taxes and levies	39	(5,748)	(4,291)	(5,586)	(4,217)
General and administrative expenses	40	(22,877)	(18,784)	(22,405)	(18,473)
Impairment losses of assets	41	(12,382)	(2,916)	(11,969)	(2,620)
Other operating expenses		(544)	(347)	(544)	(347)
3. Operating profit		46,068	33,532	44,174	32,870
Add: Non-operating income	42	187	166	156	163
Less: Non-operating expenses	43	(62)	(34)	(60)	(33)
4. Profit before tax		46,193	33,664	44,270	33,000
Less: Income tax expenses	44	(11,266)	(8,067)	(10,782)	(7,898)
5. Net profit		34,927	25,597	33,488	25,102
Attributable to:					
Equity holders of the Bank		34,718	25,505	33,488	25,102
Minority interests		209	92	-	-
6. Earnings per share:					
Basic earnings per share (RMB Yuan)	45	3.22	2.36	-	-
7. Other comprehensive income	46	176	610	162	635
8. Total comprehensive income		**35,103**	**26,207**	**33,650**	**25,737**
Attributable to:					
Equity holders of the Bank		34,890	26,127	33,650	25,737
Minority interests		213	80	-	-

FOR THE YEAR ENDED 31 DECEMBER 2012

UNIT: RMB MILLION

	Note VIII	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Cash flows from operating activities:					
Net increase in due to customers and due to banks and other financial institutions		735,592	421,688	733,572	424,031
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		56,073	78,456	45,693	65,665
Cash receipts from interest, fee and commission		151,429	100,808	147,877	98,853
Other cash receipts relating to operating activities		1,273	11,698	745	9,661
Subtotal of cash inflows from operating activities		**944,367**	**612,650**	**927,887**	**598,210**
Net increase in loans and advances to customers		247,225	128,808	247,276	128,691
Net increase in finance leases		11,759	16,776	-	-
Net increase in balances with central bank and due from banks and other financial institutions		142,983	78,029	143,007	77,845
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		308,288	319,404	308,288	319,404
Net decrease in borrowings from central bank		-	365	-	365
Cash payments to interest, fee and commission		76,607	49,472	75,332	48,931
Cash payments to and on behalf of employees		11,195	9,029	10,986	8,922
Cash payments of various types of taxes		15,172	10,986	14,503	10,823
Other cash payments relating to operating activities		14,437	7,666	14,244	7,543
Subtotal of cash outflows from operating activities		**827,666**	**620,535**	**813,636**	**602,524**
Net cash flow from operating activities	**47**	**116,701**	**(7,885)**	**114,251**	**(4,314)**
Cash flows from investing activities:					
Cash receipts from recovery of investments		784,940	639,863	698,473	639,515
Cash receipts from investment income		12,147	10,843	11,908	10,822
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		368	32	368	32
Other cash receipts relating to investing activities		3	-	-	-
Subtotal of cash inflows from investing activities		**797,458**	**650,738**	**710,749**	**650,369**
Net cash payments to acquire investments		922,156	649,598	833,109	648,946
Cash payments for acquisitions of subsidiaries and other business units		-	517	-	4,136
Net cash payments to acquire fixed assets, intangible assets and other long-term assets		3,415	2,289	3,404	2,282
Other cash payments relating to investing activities		5	-	-	-
Subtotal of cash outflows from investing activities		**925,576**	**652,404**	**836,513**	**655,364**
Net cash flow from investing activities		**(128,118)**	**(1,666)**	**(125,764)**	**(4,995)**
Cash flows from financing activities:					
Cash receipts from capital contributions		23,672	326	23,672	-
Including: Cash receipts from capital contributions from minority owners of subsidiaries		-	326	-	-
Cash receipts from issue of bonds		-	40,000	-	40,000
Subtotal of cash inflows from financing activities		**23,672**	**40,326**	**23,672**	**40,000**
Cash repayments of borrowings		12,000	23,920	12,000	23,920
Cash payments for distribution of dividends or profits or settlement of interest expenses		7,718	5,361	7,631	5,360
Including: Payments for distribution of dividends to minority owners of subsidiaries		88	-	-	-
Other cash payments relating to financing activities		-	81	-	-
Subtotal of cash outflows from financing activities		**19,718**	**29,362**	**19,631**	**29,280**
Net cash flow from financing activities		**3,954**	**10,964**	**4,041**	**10,720**
Effect of foreign exchange rate changes on cash and cash equivalents		**(49)**	**(159)**	**(49)**	**(159)**
Net increase (decline) in cash and cash equivalents	**47**	**(7,512)**	**1,254**	**(7,521)**	**1,252**
Add: Opening balance of cash and cash equivalents		262,645	261,391	262,643	261,391
Closing balance of cash and cash equivalents	**47**	**255,133**	**262,645**	**255,122**	**262,643**

FOR THE YEAR ENDED 31 DECEMBER 2012 UNIT: RMB MILLION

	Note VIII	Attributable to owners of the Bank					Minority interests	Total
		Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings		
As at 1 January 2012		10,786	28,296	5,913	13,787	56,427	869	**116,078**
Changes for the year								
(I) Net profit		-	-	-	-	34,718	209	**34,927**
(II) Other comprehensive income	46	-	172	-	-	-	4	**176**
Subtotal		**-**	**172**	**-**	**-**	**34,718**	**213**	**35,103**
(III) Capital contribution from owners		1,916	21,617	-	-	-	-	**23,533**
(IV) Profit distribution		-	-	735	15,136	(19,862)	(24)	**(4,015)**
1. Transfer to surplus reserve		-	-	735	-	(735)	-	-
2. Transfer to general and regulatory reserve		-	-	-	15,136	(15,136)	-	**-**
3. Distribution of dividends		-	-	-	-	(3,991)	-	**(3,991)**
4. Distribution of dividends to minority owners		-	-	-	-	-	(24)	**(24)**
(V) Others		-	(64)	-	-	-	-	**(64)**
As at 31 December 2012		**12,702**	**50,021**	**6,648**	**28,923**	**71,283**	**1,058**	**170,635**

FOR THE YEAR ENDED 31 DECEMBER 2012 UNIT: RMB MILLION

	Note VIII	Attributable to owners of the Bank					Minority interests	Total
		Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings		
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) Increase (decrease) 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. Distribution of dividends		-	-	-	-	(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**

FOR THE YEAR ENDED 31 DECEMBER 2012 UNIT: RMB MILLION

	Note VIII	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 1 January 2012		10,786	28,465	5,913	13,787	56,022	**114,973**
Changes for the year							
(I) Net profit		-	-	-	-	33,488	**33,488**
(II) Other comprehensive income	46	-	162	-	-	-	**162**
Subtotal		**-**	**162**	**-**	**-**	**33,488**	**33,650**
(III) Capital contribution from owners		1,916	21,617	-	-	-	**23,533**
(IV) Profit distribution		-	-	735	15,136	(19,862)	**(3,991)**
1. Transfer to surplus reserve		-	-	735	-	(735)	**-**
2. Transfer to general and regulatory reserve		-	-	-	15,136	(15,136)	**-**
3. Distribution of dividends		-	-	-	-	(3,991)	**(3,991)**
As at 31 December 2012		**12,702**	**50,244**	**6,648**	**28,923**	**69,648**	**168,165**

FOR THE YEAR ENDED 31 DECEMBER 2012 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. Distribution of dividends		-	-	-	-	(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**

The accompanying notes form part of the financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2012

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 service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; settlement services; issuance of discounted bills and notes; issuing financial bonds; issue and encashment, underwriting and trading of government bonds; trading of government and financial bonds and debentures; underwriting and trading of securities except stock; asset management; inter-bank lending and borrowings; foreign exchange; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services; financial leasing and operating leasing; trust 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 2012, 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. 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 financial assets held for trading and those designated as at fair value through profit or loss. The Group's financial assets at FVTPL are all financial assets held for trading.

A financial asset is classified as held for trading 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.

Financial assets held for trading 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 gains, 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, where decline in the fair value below its cost by 50% or more, or fair value below its cost for one year or longer.

(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	Depreciation period(years)	Estimated Residual value rate(%)	Annual 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 will not be reversed in any subsequent period.

10.4 Other explanations

The Group reviews the useful life and estimated net residual value rate 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 other assets 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 can not 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

The income tax expenses include current income tax and deferred income tax.

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.

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.

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.

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.

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 operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

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 judgements, 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 judgements 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 judgement. In making this judgement, 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 judgement. In making this judgement, 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 judgement. 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 judgement, 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%.

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 in the board of directors(%)
Industrrial Bank Financial Leasing Co., Ltd.	2010	Tianjin	100.00	Financial Leasing	RMB 3,500 million	100.00
China Industrial International Trust Limited(1)	2003	Fuzhou	73.00	Trust	RMB 2,576 million	73.00

(1) On 25 April,2012, General Meeting of China Industrial International Trust Limited (the "Industrial Trust") approved transfer authorised capital by RMB 88million from retained earning, and the authorised capital reached RMB 1,288 million.

On 26 September, 2012, RMB 1,288million capital reserve was capitalized, approved by the shareholders at the Extraordinary General Meeting of China Industrial International Trust Limited, and the authorised capital reached RMB 2,576 million.

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Cash	5,705	4,922	5,704	4,922
Statutory deposit reserves (1)	292,837	228,094	292,641	227,875
Surplus deposit reserves (2)	92,585	63,417	92,584	63,417
Other deposit reserves (3)	504	158	504	158
Total	**391,631**	**296,591**	**391,433**	**296,372**

(1) The Group places statutory deposit recerves 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 transfered without the PBOC's approval. On 31 December 2012, the ratio of the Bank's RMB deposit reserves is 18% (31 December 2011: 19%), the ratio of foreign deposit reserves is 5% (31 December 2011: 5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing.

(2) Surplus deposit reserves 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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Banks in mainland China	160,604	66,595	160,595	66,594
Other financial institutions in mainland China	1,495	1,592	1,495	1,591
Banks outside mainland China	2,564	1,259	2,564	1,259
Subtotal	**164,663**	**69,446**	**164,654**	**69,444**
Less: Provisions for impairment	(21)	(21)	(21)	(21)
Net value	**164,642**	**69,425**	**164,633**	**69,423**

3. Placements with banks and other financial institutions

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Banks in mainland China	186,175	201,467
Other financial institutions in mainland China	28,454	27,511
Banks outside mainland China	251	-
Subtotal	**214,880**	**228,978**
Less: Provisions for impairment	(68)	(79)
Net value	**214,812**	**228,899**

4. Held-for-trading financial assets

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Government bonds	1,255	597
The central bank bills and financial bonds	2,096	1,872
Corporate bonds	18,189	5,632
Total	**21,540**	**8,101**

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					
	12/31/2012			12/31/2011		
		Fair Value			Fair Value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	346,583	1,385	1,255	389,637	2,193	2,131
Exchange rate derivatives	418,952	1,821	1,658	129,742	667	665
Precious metal derivatives	4,926	59	83	9,170	43	205
Credit derivatives	859	1	-	798	4	12
Total		**3,266**	**2,996**		**2,907**	**3,013**

6. Financial assets held under resale agreements

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Bonds	23,265	25,610
Bills	370,452	192,664
Beneficial rights of trust and others	394,715	283,120
Credit assets	3,291	25,270
Lease receivables	1,074	315
Total	**792,797**	**526,979**

7. Interest receivable

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Due from central bank and financial institutions	2,266	632	2,266	632
Placements with banks and other financial institutions	3,284	2,790	3,284	2,790
Financial assets held under resale agreements	5,761	4,464	5,761	4,464
Loans and advances to customers	3,428	2,374	3,427	2,374
Bonds and other investment	4,738	2,586	4,712	2,579
Others	58	78	32	2
Total	**19,535**	**12,924**	**19,482**	**12,841**

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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Personal loans and advances				
Residential and business mortgage loans	172,943	174,980	172,943	174,980
Credit cards	40,354	20,002	40,354	20,002
Others	86,639	65,659	86,639	65,659
Subtotal	**299,936**	**260,641**	**299,936**	**260,641**
Corporate loans and advances				
Loans and advances	912,187	703,948	912,038	703,748
Discounted bills	17,042	18,665	17,042	18,665
Subtotal	**929,229**	**722,613**	**929,080**	**722,413**
Gross loans and advances	**1,229,165**	**983,254**	**1,229,016**	**983,054**
Less: Loan loss provisions	(24,623)	(14,314)	(24,622)	(14,314)
-Individually assessed	(2,025)	(1,868)	(2,025)	(1,868)
-Collectively assessed	(22,598)	(12,446)	(22,597)	(12,446)
Loans and advances to customers	**1,204,542**	**968,940**	**1,204,394**	**968,740**

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

	The Group				The Bank			
	12/31/2012		12/31/2011		12/31/2012		12/31/2011	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Manufacturing	261,458	21.27	175,078	17.82	261,458	21.27	175,078	17.82
Water, environment and public								
facilities administration	55,106	4.48	78,159	7.95	55,106	4.48	78,159	7.95
Real estate	110,649	9.00	91,454	9.30	110,649	9.00	91,454	9.30
Leasing and commercial services	81,371	6.62	79,648	8.10	81,371	6.62	79,648	8.10
Retail and wholesale	165,785	13.49	88,127	8.97	165,745	13.49	88,127	8.97
Transport, logistics and postal service	55,524	4.52	54,067	5.50	55,524	4.52	54,067	5.50
Construction	50,385	4.10	38,379	3.90	50,385	4.10	38,379	3.90
Production and supply of power,								
gas and water	40,676	3.31	33,551	3.41	40,676	3.31	33,551	3.41
Mining	50,974	4.15	29,933	3.03	50,974	4.15	29,733	3.03
Public administration								
and social organization activities	7,073	0.58	7,945	0.81	7,073	0.58	7,945	0.81
Other corporate industries	33,186	2.70	27,607	2.80	33,077	2.69	27,607	2.80
Bill discounted	17,042	1.39	18,665	1.90	17,042	1.39	18,665	1.90
Personal loans	299,936	24.39	260,641	26.51	299,936	24.40	260,641	26.51
Gross loans and advances	**1,229,165**	**100.00**	**983,254**	**100.00**	**1,229,016**	**100.00**	**983,054**	**100.00**
Less: Loan loss provisions	(24,623)		(14,314)		(24,622)		(14,314)	
-Individually assessed	(2,025)		(1,868)		(2,025)		(1,868)	
-Collectively assessed	(22,598)		(12,446)		(22,597)		(12,446)	
Loans and advances to customers	**1,204,542**		**968,940**		**1,204,394**		**968,740**	

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

	The Group				The Bank			
	12/31/2012		12/31/2011		12/31/2012		12/31/2011	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Head office [note 1]	53,740	4.37	24,968	2.54	53,740	4.37	24,968	2.54
Fujian	181,543	14.77	153,431	15.60	181,394	14.76	153,231	15.59
Beijing	72,552	5.90	61,686	6.27	72,552	5.90	61,686	6.27
Shanghai	89,420	7.28	71,114	7.23	89,420	7.28	71,114	7.23
Guangdong	132,172	10.75	99,547	10.12	132,172	10.75	99,547	10.13
Zhejiang	93,723	7.63	84,014	8.55	93,723	7.63	84,014	8.55
Jiangsu	66,274	5.39	54,646	5.56	66,274	5.39	54,646	5.56
Others [note 2]	539,741	43.91	433,848	44.13	539,741	43.92	433,848	44.13
Gross loans and advances	**1,229,165**	**100.00**	**983,254**	**100.00**	**1,229,016**	**100.00**	**983,054**	**100.00**
Less: Loan loss provisions	(24,623)		(14,314)		(24,622)		(14,314)	
-Individually assessed	(2,025)		(1,868)		(2,025)		(1,868)	
-Collectively assessed	(22,598)		(12,446)		(22,597)		(12,446)	
Loans and advances to customers	**1,204,542**		**968,940**		**1,204,394**		**968,740**	

Note 1: Head office contains credit card center and treasury center.

Note 2: As at 31 December 2012, the Bank has 38 tier-1 branches, apart from the tier-1 branches mentioned above, the rest are included in “Others”.

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

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Unsecured loans	231,063	207,240	231,063	207,040
Guaranteed loans	276,693	224,841	276,544	224,841
Collateralised loans	704,367	532,508	704,367	532,508
-Secured by mortgage	531,556	473,459	531,556	473,459
-Secured by collaterals	172,811	59,049	172,811	59,049
Discounted bills	17,042	18,665	17,042	18,665
Gross loans and advances	1,229,165	983,254	1,229,016	983,054
Less: Loan loss provisions	(24,623)	(14,314)	(24,622)	(14,314)
-Individually assessed	(2,025)	(1,868)	(2,025)	(1,868)
-Collectively assessed	(22,598)	(12,446)	(22,597)	(12,446)
Loans and advances to customers	**1,204,542**	**968,940**	**1,204,394**	**968,740**

(5) Past due loans

UNIT: RMB MILLION

	The Group and the Bank									
	12/31/2012					12/31/2011				
	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	644	337	160	27	**1,168**	501	110	49	48	**708**
Guaranteed loans	1,348	859	597	325	**3,129**	254	463	719	622	**2,058**
Collateralised loans	2,513	1,204	680	411	**4,808**	1,889	503	425	646	**3,463**
-Secured by mortgage	2,352	1,057	649	312	**4,370**	1,776	469	402	471	**3,118**
-Secured by collaterals	161	147	31	99	**438**	113	34	23	175	**345**
Total	**4,505**	**2,400**	**1,437**	**763**	**9,105**	**2,644**	**1,076**	**1,193**	**1,316**	**6,229**

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					
	2012			2011		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	1,868	12,446	**14,314**	2,039	9,732	**11,771**
Credit/(charge) for the year	1,388	10,370	**11,758**	(135)	2,760	**2,625**
Write-offs	(924)	(207)	**(1,131)**	(33)	(58)	**(91)**
Transfer in/out	(307)	(11)	**(318)**	(3)	12	**9**
-Recoveries of loans and advances written off in previous years	37	17	**54**	101	23	**124**
-Unwinding of discount on allowance	(161)	(28)	**(189)**	(104)	(11)	**(115)**
-Transfer in/out due to other reasons	(183)	-	**(183)**	-	-	**-**
Closing balance	**2,025**	**22,598**	**24,623**	**1,868**	**12,446**	**14,314**

UNIT: RMB MILLION

	The Bank					
	2012			2011		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	1,868	12,446	**14,314**	2,039	9,732	**11,771**
Credit/(charge) for the year	1,388	10,369	**11,757**	(135)	2,760	**2,625**
Write-offs	(924)	(207)	**(1,131)**	(33)	(58)	**(91)**
Transfer in/out	(307)	(11)	**(318)**	(3)	12	**9**
-Recoveries of loans and advances written off in previous years	37	17	**54**	101	23	**124**
-Unwinding of discount on allowance	(161)	(28)	**(189)**	(104)	(11)	**(115)**
-Transfer in/out due to other reasons	(183)	-	**(183)**	-	-	**-**
Closing balance	**2,025**	**22,597**	**24,622**	**1,868**	**12,446**	**14,314**

9. Available-for-sale financial assets

Listed by types:

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Bond investment:				
Government bonds	13,170	35,821	13,170	35,821
The central bank bills and financial bonds	50,913	56,335	50,913	56,335
Bonds issued by banks and other financial institutions	5,556	4,892	5,556	4,892
Corporate bonds	66,078	36,410	65,113	36,163
Subtotal	**135,717**	**133,458**	**134,752**	**133,211**
Wealth management products	-	80	-	-
Trust fund plans and others (Note 1)	55,914	13,886	55,314	13,781
Equity instrument	434	81	18	14
Subtotal	**192,065**	**147,505**	**190,084**	**147,006**
Less: Provisions	(8)	-	-	-
Total	**192,057**	**147,505**	**190,084**	**147,006**

Note 1: Trust fund plans and others are the beneficial rights of trust and other asset management plans which are designated as available-for-sale financial assets when initially invested by the Group. These products' investment directions are mainly the trust loans and asset management plans run by the trust companies or security companies as entrusted fund administrators. According to the requirements of liquidity management or operation management, these beneficial rights of trust or asset management plans will be probably on sale.

10. Held-to-maturity investments

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Government bonds	46,863	16,499
The central bank bills and financial bonds	2,276	2,737
Bonds issued by banks and other financial institutions	19	19
Corporate bonds	20,167	13,635
Total	**69,325**	**32,890**
Less: Provisions	(126)	(126)
Net Value	**69,199**	**32,764**

11. Debt securities classified as receivables

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Government bonds	819	976	819	976
Bonds issued by banks and other financial institutions	7,770	6,472	7,770	6,472
Corporate bonds	17,732	2,808	17,732	2,808
Wealth management products (Note 1)	4,450	2,400	4,450	2,400
Trust fund plans and others (Note 2)	80,740	57,624	79,558	57,511
Total	**111,511**	**70,280**	**110,329**	**70,167**
Less:Provisions	(151)	(75)	(151)	(75)
Net value	**111,360**	**70,205**	**110,178**	**70,092**

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

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

12. Finance lease receivables

Analysis by nature:

UNIT: RMB MILLION

	The Group	
	12/31/2012	12/31/2011
Finance lease receivables	40,391	25,867
Less: unrealized financing income	(5,901)	(4,071)
Total	**34,490**	**21,796**
Less: Provision for finance lease	(711)	(311)
-Collectively assessed	(711)	(311)
Net value	**33,779**	**21,485**

List as follows:

UNIT: RMB MILLION

	The Group	
	12/31/2012	12/31/2011
1st year subsequant to the balance sheet date	10,641	6,502
2nd year subsequant to the balance sheet date	10,099	6,923
3rd year subsequant to the balance sheet date	8,519	5,194
Subsequant periods	11,132	7,248
Total	**40,391**	**25,867**
Unrealized financing income	(5,901)	(4,071)
Total	**34,490**	**21,796**
Less: Provision for finance lease	(711)	(311)
-Collectively assessed	(711)	(311)
Net value	**33,779**	**21,485**
-Finance lease receivables due less than 1 year	8,160	4,835
-Finance lease receivables due more than 1 year	25,619	16,650

13. Long term equity investments

Breakdown of long term equity investments:

UNIT: RMB MILLION

Investee	The Group									
	Accounting method	Initial investment	12/31/2011	Additions	12/31/2012	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. [1]	Equity method	561	873	221	1,094	14.72	14.72	Not Applicable	-	-
China Unionpay Co., Ltd.	Cost method	81	81	-	81	2.13	2.13	Not Applicable	-	2
Huafu Securities Co., Ltd. [2]	Cost method	180	180	-	180	4.35	4.35	Not Applicable	-	2
Zijin Mining Group Finance Limited [2]	Cost method	25	25	-	25	5.00	5.00	Not Applicable	-	14
Chongqing Machinery and Electronics Holding Group Finance Company Limited [2][3]	Equity method	114	-	114	114	19.00	19.00	Not Applicable	-	-
Total			**1,159**	**335**	**1,494**				**-**	**18**

Investee	The Bank									
	Accounting method	Initial investment	12/31/2011	Additions	12/31/2012	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. [1]	Equity method	561	873	221	1,094	14.72	14.72	Not Applicable	-	-
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	3,500	3,500	-	3,500	100.00	100.00	Not Applicable	-	-
China Industrial International Trust Limited (Note 7)	Cost method	2,857	2,857	-	2,857	73.00	73.00	Not Applicable	-	1
Total			**7,311**	**221**	**7,532**				**-**	**3**

(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 a 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 investment is accounted for using the equity method, as the Bank sent a director to the Bank of Jiujiang and has significant influence over the Bank of Jiujiang.

(2) Huafu Securities Co., Ltd., Zijin Mining Group Finance Limited, Chongqing Machinery and Electronics Holding Group Finance Company Limited is the investees of Industrial Trust's long-term investments.

(3) Chongqing Machinery and Electronics Holding Group Finance Company Limited is a new investee of Industrial Trust. As Industrial Trust holds 19% of the total shares and sends directors to the investee, Industrial Trust has significant influence over Chongqing Machinery and Electronics Holding Group Finance Company Limited, therefore the equity investment is accounted by the equity method.

(4) There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December 2012.

14. Fixed Asset

UNIT: RMB MILLION

	The Group				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2012	4,548	346	3,088	290	**8,272**
Purchase	217	10	985	91	**1,303**
Transfers from					
constructions in progress	1,194	30	18	-	**1,242**
Sales/disposals	(5)	(1)	(446)	(45)	**(497)**
12/31/2012	**5,954**	**385**	**3,645**	**336**	**10,320**
Accumulated depreciation					
1/1/2012	1,151	165	1,612	101	**3,029**
Depreciation for the year	172	37	514	36	**759**
Eliminated on sales/disposals	(1)	-	(105)	(21)	**(127)**
12/31/2012	**1,322**	**202**	**2,021**	**116**	**3,661**
Net value					
1/1/2012	3,397	181	1,476	189	**5,243**
12/31/2012	**4,632**	**183**	**1,624**	**220**	**6,659**
Provision for impairment					
1/1/2012	(3)	-	-	-	**(3)**
Recognised in profit or loss	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
12/31/2012	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
1/1/2012	3,394	181	1,476	189	**5,240**
12/31/2012	**4,629**	**183**	**1,624**	**220**	**6,656**

All the buildings of the Group are located in the PRC. Buildings cost RMB825 million are in use but the legal ownership registrations were still in process as at 31 December, 2012 (31 December 2011: RMB792 million).

14. Fixed Asset

UNIT: RMB MILLION

	The Bank				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2012	4,532	346	3,079	282	**8,239**
Purchase	217	10	981	87	**1,295**
Transfers from					
constructions in progress	1,194	30	18	-	**1,242**
Sales/disposals	(5)	(1)	(445)	(45)	**(496)**
12/31/2012	**5,938**	**385**	**3,633**	**324**	**10,280**
Accumulated depreciation					
1/1/2012	1,150	165	1,609	100	**3,024**
Depreciation for the year	171	37	512	35	**755**
Eliminated on sales/disposals	(1)	-	(105)	(20)	**(126)**
12/31/2012	**1,320**	**202**	**2,016**	**115**	**3,653**
Net value					
1/1/2012	3,382	181	1,470	182	**5,215**
12/31/2012	**4,618**	**183**	**1,617**	**209**	**6,627**
Provision for impairment					
1/1/2012	(3)	-	-	-	**(3)**
Recognised in profit or loss	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
12/31/2012	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
1/1/2012	3,379	181	1,470	182	**5,212**
12/31/2012	**4,615**	**183**	**1,617**	**209**	**6,624**

All the buildings of the Bank are located in the PRC. Buildings cost RMB825 million are in use but the legal ownership registrations were still in process as at 31 December, 2012(31 December 2011: RMB792 million).

15. Construction in progress

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

UNIT: RMB MILLION

	The Group and the Bank					
	12/31/2012			12/31/2011		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
CIB building, Beijing	1,108	-	1,108	1,098	-	1,098
Operating building, Lujiazui Shanghai	804	-	804	-	-	-
Operating building, Zhengzhou	172	-	172	138	-	138
Operating building,Wuxi	144	-	144	-	-	-
Operating building,Taizhou	90	-	90	89	-	89
Operating building, Luzhou	54	-	54	53	-	53
Others	359	-	359	1,286	-	1,286
Total	**2,731**	**-**	**2,731**	**2,664**	**-**	**2,664**

(2) Changes in significant construction in progress:

UNIT: RMB MILLION

	The Group and the Bank				
	2012				
	1/1/2012	Increase	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2012
CIB building, Beijing	1,098	10	-	-	1,108
Operating building, Lujiazui Shanghai	-	804	-	-	804
Operating building, Zhengzhou	138	34	-	-	172
Operating building, Wuxi	-	144	-	-	144
Operating building, Taizhou	89	1	-	-	90
Operating building, Luzhou	53	1	-	-	54
Others	1,286	665	(1,242)	(350)	359
Total	**2,664**	**1,659**	**(1,242)**	**(350)**	**2,731**

16. Goodwill

UNIT: RMB MILLION

Investee	The Group				
	12/31/2011	Increase	Decrease	12/31/2012	12/31/2012Provision
China Industrial International Trust Limited	446	-	-	446	-

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011.

At the end of the year, the Group performed impairment tests on goodwill based on future cash flow of the investee for next 5 years, applying appropriate discount rate, which should reflect current time value of money and the risk of specific assets. No evidence shows that the recoverable amount of goodwill is less than the carrying amount, therefore no impairment is recognised.

17. Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities before offset

UNIT: RMB MILLION

	The Group				The Bank			
	12/31/2012		12/31/2011		12/31/2012		12/31/2011	
	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	12,383	3,095	2,892	723	11,976	2,994	2,763	691
Fair value changes of derivative financial instruments	-	-	106	26	-	-	106	26
Fair value changes of held-for-trading financial instruments	89	21	67	16	89	21	67	16
Fair value changes of available-for-sale financial assets	1,098	275	1,332	333	1,111	278	1,327	332
Accrued but not paid staff cost	5,916	1,479	4,604	1,151	5,753	1,438	4,524	1,131
Fair value changes of precious metals	164	41	132	33	164	41	132	33
Others	367	92	323	81	365	91	323	81
Subtotal	**20,017**	**5,003**	**9,456**	**2,363**	**19,458**	**4,863**	**9,242**	**2,310**
Deferred tax liabilities								
Fair value changes of derivative instruments	(270)	(67)	-	-	(270)	(67)	-	-
Subtotal	**(270)**	**(67)**	**-**	**-**	**(270)**	**(67)**	**-**	**-**

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.

17. Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities before offset

UNIT: RMB MILLION

	The Group	The Bank
	2012	2012
Opening balance of net value	2,363	2,310
-Deferred tax assets	2,363	2,310
-Deferred tax liabilities	-	-
Net changes of deferred tax recognised in income tax expenses	2,631	2,540
Net changes of deferred tax recognised in other comprehensive benefit	(58)	(54)
Closing balance of net value	**4,936**	**4,796**
-Deferred tax assets	5,003	4,863
-Deferred tax liabilities	(67)	(67)

(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	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Other receivables	(1)	2,611	1,793	2,460	1,667
Prepaid purchase cost of finance lease assets		5,396	4,874	-	-
Foreclosed assets	(2)	479	460	479	460
Items in the process of clearance and settlement		644	200	644	200
Long term deferred assets	(3)	1,196	1,046	1,188	1,036
Continuous involved assets		-	27	-	27
Total		**10,326**	**8,400**	**4,771**	**3,390**

(1) Other receivables

Listed by account age:

UNIT: RMB MILLION

Account age	The Group				The Bank			
	12/31/2012		12/31/2011		12/31/2012		12/31/2011	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,406	88.04	1,668	87.79	2,280	88.30	1,550	87.37
1-2years	201	7.35	122	6.42	176	6.82	114	6.43
2-3years	34	1.24	26	1.37	34	1.32	26	1.47
Over 3 years	92	3.37	84	4.42	92	3.56	84	4.73
Total	**2,733**	**100.00**	**1,900**	**100.00**	**2,582**	**100.00**	**1,774**	**100.00**
Less: Provision for bad debts	(122)		(107)		(122)		(107)	
Net Value	**2,611**		**1,793**		**2,460**		**1,667**	

(2) Foreclosed assets

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Buildings	616	539
Land use rights	31	31
Others	1	1
Subtotal	**648**	**571**
Less: Provision for losses	(169)	(111)
Net Value	**479**	**460**

(3) Long term deferred assets

UNIT: RMB MILLION

	The Group				
	12/31/2011	Acquisition	Transferred from construction in progress	Amortization	12/31/2012
Leasehold improvements	998	173	302	(363)	1,110
Others	48	16	48	(26)	86
Total	**1,046**	**189**	**350**	**(389)**	**1,196**

UNIT: RMB MILLION

	The Bank				
	12/31/2011	Acquisition	Transferred from construction in progress	Amortization	12/31/2012
Leasehold improvements	988	172	302	(360)	1,102
Others	48	16	48	(26)	86
Total	**1,036**	**188**	**350**	**(386)**	**1,188**

19. Provision for impairment losses of assets

UNIT: RMB MILLION

	The Group 2012				
	1/1/2012	Charge/ (credit)	Transfer in/(out)	Write-off	12/31/2012
Loss provision for due from banks and other financial institutions	21	-	-	-	21
Loss provision for placement with banks and other financial institutions	79	(11)	-	-	68
Loss provision for loans and advances to customers	14,314	11,758	(318)	(1,131)	24,623
Loss provision for held-to-maturity investments	126	-	-	-	126
Loss provision for available-for-sale financial assets	-	8	-	-	8
Loss provision for debt securities classified as receivables	75	76	-	-	151
Loss provision for finance lease receivables	311	400	-	-	711
Loss provision for fixed assets	3	-	-	-	3
Loss provision for foreclosed assets	111	58	-	-	169
Loss provision for prepaid purchase cost of finance lease assets	84	4	-	-	88
Loss provision for other receivables	107	89	-	(74)	122
Total	**15,231**	**12,382**	**(318)**	**(1,205)**	**26,090**

UNIT: RMB MILLION

	The Bank 2012				
	1/1/2012	Charge/ (credit)	Transfer in/(out)	Write-off	12/31/2012
Loss provision for due from banks and other financial institutions	21	-	-	-	21
Loss provision for placement with banks and other financial institutions	79	(11)	-	-	68
Loss provision for loans and advances to customers	14,314	11,757	(318)	(1,131)	24,622
Loss provision for held-to-maturity investments	126	-	-	-	126
Loss provision for debt securities classified as receivables	75	76	-	-	151
Loss provision for fixed assets	3	-	-	-	3
Loss provision for foreclosed assets	111	58	-	-	169
Loss provision for other payables	107	89	-	(74)	122
Total	**14,836**	**11,969**	**(318)**	**(1,205)**	**25,282**

20. Due to banks and other financial institutions

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Analyzed by counterparty:				
Domestic banks	670,470	376,048	670,470	376,048
Domestic other financial institutions	223,966	250,783	225,020	253,857
Total	**894,436**	**626,831**	**895,490**	**629,905**

21. Placements from banks and other financial institutions

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Domestic banks	83,964	51,863	53,254	31,533
Domestic other financial institutions	400	700	400	700
Overseas banks	4,025	189	4,025	189
Total	**88,389**	**52,752**	**57,679**	**32,422**

22. Held-for-trading financial liabilities

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Sale of bonds outright repo	**-**	**10**

23. Financial assets sold under repurchase agreements

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Bonds	102,488	43,410
Bills	47,398	95,444
Others	11,976	2,572
Total	**161,862**	**141,426**

24. Due to customers

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Demand deposits		
Corporate	599,305	487,695
Personal	148,994	111,157
Subtotal	**748,299**	**598,852**
Term deposits (including call deposits)		
Corporate	670,317	457,665
Personal	150,151	113,573
Subtotal	**820,468**	**571,238**
Guaranteed and margin deposits	241,265	172,724
Others	3,234	2,465
Total	**1,813,266**	**1,345,279**

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

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Bank acceptances	126,002	105,570
Reimbursement refinance	4,946	24,687
Letters of credit	24,722	13,052
Guarantee	2,868	1,729
Others	82,727	27,686
Total	**241,265**	**172,724**

25. Employee benefits payable

UNIT: RMB MILLION

	The Group				The Bank			
	12/31/2011	Increase	Decrease	12/31/2012	12/31/2011	Increase	Decrease	12/31/2012
Salaries and bonus	5,602	9,725	(8,494)	6,833	5,505	9,473	(8,326)	6,652
Labour union expenditure and staff educational funds	407	436	(341)	502	406	425	(333)	498
Social insurance	76	1,538	(1,514)	100	69	1,505	(1,481)	93
Supplementary pension funds	-	846	(846)	-	-	846	(846)	-
Total	**6,085**	**12,545**	**(11,195)**	**7,435**	**5,980**	**12,249**	**(10,986)**	**7,243**

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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Income tax	7,450	3,521	7,266	3,391
Business tax	1,704	1,249	1,661	1,226
City maintenance and construction tax	116	89	113	87
Others	286	207	269	200
Total	**9,556**	**5,066**	**9,309**	**4,904**

27. Interest payable

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Interest of due to banks and other financial institutions	3,649	3,193	3,649	3,193
Interest of placement from banks and other financial institutions	396	278	130	57
Interest of debt securities issued	697	1,054	697	1,054
Interest of financial assets sold under repurchase agreements	487	929	487	929
Interest of due to customers	13,653	9,349	13,653	9,349
Others	13	-	13	-
Total	**18,895**	**14,803**	**18,629**	**14,582**

28. Debt securities issued

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Long term subordinated bonds	22,944	22,941
Financial bonds	42,025	54,072
Hybrid capital bonds	4,000	4,000
Total	**68,969**	**81,013**

Debt securities issued by the Group include long-term subordinated bonds, financial bonds, and 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	Interest payable frequency	12/31/2012
Long-term subordinate bonds			
09 CIB 01[(1)]	2009-09-09	Yearly	2,005
09 CIB 02[(2)]	2009-09-09	Yearly	7,995
10 CIB 01[(3)]	2010-03-29	Yearly	3,000
11 CIB 01[(4)]	2011-06-28	Yearly	10,000
Less: unamortized issuance cost			(56)
Subtotal			**22,944**
Financial bonds			
06 CIB 03[(5)]	2006-12-15	Yearly	8,000
08 CIB 03 floating[(6)]	2008-08-07	Yearly	4,080
11 CIB 01 [(7)]	2011-12-28	Yearly	30,000
Less: unamortized issuance cost			(55)
Subtotal			42,025
Hybrid capital bonds			
06 CIB 02 fixed [(8)]	2006-09-28	Yearly	3,000
06 CIB 02 floating [(9)]	2006-09-28	Yearly	1,000
Subtotal			**4,000**
Total			**68,969**

(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 interest 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 interest 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 interest 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 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%.

(7) 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%.

(8) In September 2006, the Group issued RMB3,000 million hybrid capital bond with a 15-year maturity and a fixed interest rate. The Group 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 Group does not exercise this option, the annual coupon rate of the bonds will be 7.74% for the next five years.

(9) In September 2006, the Group issued RMB1,000 million hybrid capital bond with a 15-year maturity and a floating interest rate. The Group 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 Group 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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Bank promissory notes	151	164	151	164
Items in the process of clearance and settlement	863	846	863	846
Dividend payables	5	4	5	4
Continuous involved liabilities	-	27	-	27
Wealth management fund	3,881	8,495	3,881	8,495
Deferred income	2,058	822	1,187	227
Other payables	7,578	6,084	3,798	3,539
Total	**14,536**	**16,442**	**9,885**	**13,302**

30. Share capital

UNIT: RMB MILLION

	The Group and the Bank		
		Change for the year	
	1/1/2012	Capitalisation of reserve	12/31/2012
Shares without limited sales restrictions			
RMB ordinary shares (A shares)	10,786	-	10,786
Shares with limited sales restrictions			
RMB ordinary shares (A shares)	-	1,916	1,916
Total shares	**10,786**	**1,916**	**12,702**

The Bank issued Non-public Offering of A shares to PICC Asset Management Company Limited, China Tobacco Corporation and Shanghai Zhengyang International Business Co., Ltd. during this year. The National number of shares issued is 1,915,146,700, and the proceed from the fund-raising was RMB 23,671,213,212.00 .The net proceed is RMB 23,532,165,305.68 after deduction of issuance costs of RMB139,047,906.32. Deloitte Touche Tohmatsu CPA LTD had verified and issued the capital verification report De Shi Bao (Yan) Zi (12) No. 0076 for the above shares issued. The shares issued this time should not be transferred in 36 months since the issue date.

As at 31 December 2012, the share capital of the Bank is RMB12,702 million (31 December 2011: RMB 10,786 million) with par value of RMB1 Yuan per share.

31. Capital reserve

UNIT: RMB MILLION

	The Group				The Bank			
	1/1/2012	Increase	Decrease	12/31/2012	1/1/2012	Increase	Decrease	12/31/2012
Equity premium	29,275	21,617	(64)	50,828	29,431	21,617	-	51,048
Changes in fair value of available-for-sale financial assets	(1,008)	172	-	(836)	(995)	162	-	(833)
Others	29	-	-	29	29	-	-	29
Total	**28,296**	**21,789**	**(64)**	**50,021**	**28,465**	**21,779**	**-**	**50,244**

32. Surplus reserve

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Statutory surplus reserve	6,351	5,616
Discretionary surplus reserve	297	297
Total	**6,648**	**5,913**

Pursuant to the relating laws issued by the government, 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. As of December 31, 2012, the Bank appropriated the statutory surplus reserve in accordance with the difference between 50% of the share capital and the statutory surplus reserve of the previous year.

33. General and regulatory reserve

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
General and regulatory reserve	**28,923**	**13,787**

Pursuant to (CJ[2012] No. 20)"Regulations on Creation and Management of Provisions by Financial Institutions"("the Requirement") 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. The general and regulatory reserve balance should not be lower than 1.5% of the ending balance of gross risk-bearing assets as defined by the Requirement. Gross risk-bearing assets, include loans and advances in customers, available for sale financial assets, held to maturity investments, long term equity investments, due from banks, lending funds, foreclosed assets, other receivables and so forth. As at 31 December, 2012, the provision appropriated of the Bank has reached 1.5% of the aggregate amount of the gross risk-bearing assets.

34. Retained earnings

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Opening balance	56,427	40,039	56,022	40,037
Net profit for the year	34,718	25,505	33,488	25,102
Appropriations to statutory surplus reserve	(735)	(2,510)	(735)	(2,510)
Appropriations to general and regulatory reserve	(15,136)	(3,850)	(15,136)	(3,850)
Dividend distributions	(3,991)	(2,757)	(3,991)	(2,757)
Closing balance	**71,283**	**56,427**	**69,648**	**56,022**

(1) 2012 Profit Distribution Proposal of Industrial Bank was approved by the Board of Directors on 19 April , 2013 and sent to the Annual General Meeting of the Bank for approval:

(i) Transfer RMB 735 million to statutory surplus reserve based on the net profit, RMB33,488 million. As at 31 December 2012, the statutory surplus reserve recommended to transfer has been included in the surplus reserve.

(ii) Transfer RMB15,136 million to general and regulatory reserve. As at 31 December 2012, the general and regulatory reserve recommended to transfer has been included in the general and regulatory reserve.

(iii) Distribute 5 ordinary shares (tax inclusive) every 10 shares and a cash dividend of RMB0.57 per ordinary share (tax inclusive) on the basis of 12,701,557,834 ordinary shares in the end of 2012.

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) 2011 Profit Distribution Proposal of Industrial Bank was approved on 09,April 2012 on the Annual General Meeting of the Bank, the detailed plan are as follows:

(i) Transfer RMB2,510 million to statutory surplus reserve based on the net profit, RMB25,102 million.

(ii)Transfer RMB3,850 million to general and regulatory reserve.

The above two items have been included in profit distribution of 2011.

(iii) Distribute a cash dividend of RMB0.37 per ordinary share (tax inclusive) on the basis of 10,786,411,134 ordinary shares at the end of 2012, therefore RMB3,990,972,119.58 has been distributed.

As at December 31, 2012, the above-mentioned cash dividend distribution scheme has been done.

(3) Surplus reserves and risk reserves appropriated by subsidiaries

As at 31 December 2012, the balance of the Group’s retained earnings contained surplus reserves appropriated by subsidiaries: RMB 192 million (31 December 2011: RMB 69 million) and statutory reserves (including general and regulatory reserve, trust compensation reserve, etc.) appropriated by subsidiaries: RMB 700 million (31 December 2011: RMB 27 million).

35. Net interest income

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Interest income:				
Balances with central bank	4,532	3,698	4,532	3,698
Due from banks and other financial institutions	5,369	1,392	5,360	1,390
Placements with banks and other financial institutions	12,865	5,816	12,865	5,816
Financial assets held under resale agreements	40,836	26,119	40,836	26,119
Loans and advances to customers	74,727	59,149	74,707	59,130
Including: Corporate	54,356	43,349	54,336	43,330
Personal	17,549	14,123	17,549	14,123
Bill discount	2,822	1,677	2,822	1,677
Interest from bonds and other investment	14,888	10,810	14,689	10,810
Interest from finance lease	2,522	1,463	-	-
Others	16	-	16	-
Subtotal	**155,755**	**108,447**	**153,005**	**106,963**
Interest expense:				
Due to banks and other financial institutions	(35,997)	(22,919)	(36,036)	(22,959)
Placement from banks and other financial institutions	(2,066)	(1,532)	(734)	(755)
Financial assets sold under repurchase agreements	(7,801)	(6,529)	(7,782)	(6,529)
Due to customers	(33,662)	(23,713)	(33,662)	(23,713)
Debt securities issued	(3,283)	(2,656)	(3,283)	(2,656)
Others	(753)	(364)	(753)	(360)
Subtotal	**(83,562)**	**(57,713)**	**(82,250)**	**(56,972)**
Net interest income	**72,193**	**50,734**	**70,755**	**49,991**
Including: Interest income accrued on impaired financial assets	189	115	189	115

36. Net fee and commission income

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Fee and commission income				
Settlement and clearing fees	474	556	474	556
Bank card fees	2,497	1,716	2,497	1,716
Agency commissions	1,832	1,655	1,832	1,655
Guarantee and commitment commissions	1,343	557	1,343	557
Transactional service fees	127	102	127	102
Custodian fees	1,494	515	1,494	515
Consultancy and advisory fees	6,046	3,467	5,988	3,413
Trust service fees	1,090	410	-	-
Lease service fees	264	111	-	-
Others	514	329	514	329
Subtotal	**15,681**	**9,418**	**14,269**	**8,843**
Fee and commission expense				
Settlement and clearing fees expense	(64)	(58)	(64)	(58)
Bank card fees expense	(162)	(49)	(162)	(49)
Inter-bank fees expense	(175)	(219)	(175)	(219)
Other fees expense	(333)	(247)	(324)	(243)
Subtotal	**(734)**	**(573)**	**(725)**	**(569)**
Net income of fee and commission	**14,947**	**8,845**	**13,544**	**8,274**

37. Investment income (loss)

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Precious metals	56	630	56	630
Held-for-trading financial assets	(19)	(114)	(19)	(106)
Derivative financial instruments	(785)	(138)	(785)	(138)
Available-for-sale financial assets	162	(288)	78	(323)
Long-term equity investment (equity method)	221	197	221	197
Dividend declared by investee (cost method)	18	3	3	2
Held-for-trading financial liabilities	1	34	1	34
Total	**(346)**	**324**	**(445)**	**296**

38. Gains (losses) from changes in fair value

UNIT: RMB MILLION

	The Group and the bank	
	2012	2011
Precious metals	(32)	(138)
Held-for-trading financial assets	(22)	(37)
Derivative financial instruments	393	(104)
Held-for-trading financial liabilities	-	(4)
Total	**339**	**(283)**

39. Business tax and levies

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Business tax	5,103	3,824	4,960	3,759
City maintenance and construction tax	356	267	346	263
Education surcharge	241	170	233	166
Others	48	30	47	29
Total	**5,748**	**4,291**	**5,586**	**4,217**

40. General and administrative expenses

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Staff costs	12,545	10,552	12,249	10,368
Depreciation and amortization	1,230	1,039	1,223	1,033
Lease expenses	1,469	1,214	1,442	1,197
Others	7,633	5,979	7,491	5,875
Total	**22,877**	**18,784**	**22,405**	**18,473**

41. Impairment losses of assets

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Loans and advances to customers	11,758	2,625	11,757	2,625
Investment classified as receivables	76	52	76	52
Available-for-sale financial assets	8	-	-	-
Finance lease receivables	400	212	-	-
Others	140	27	136	(57)
Total	**12,382**	**2,916**	**11,969**	**2,620**

42. Non-operating income

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Gains from disposal of non-current assets	1	15	1	15
Including: Gains from disposal of fixed assets	1	5	1	5
Gains from disposal of foreclosed assets	-	10	-	10
Penalties and fines received	1	3	1	2
Gains from dormant accounts	6	15	6	15
Government grants	119	89	89	87
Others	60	44	59	44
Total	**187**	**166**	**156**	**163**

The credit card center of the Bank received Financial Contribution Award of RMB89 million from Shanghai Municipal People's Government under "The Regulations of Focalizing Financial Resources, Strengthening Financial Services, and Facilitating the Development of Financial Industry in Shanghai" (HFF [2009] No.40) on 28 June, 2012; Industrial Bank Financial Leasing Co., Ltd, the subsidiary entity of the Bank, received financial support fund of RMB 30 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 28 December, 2012.

43. Non-operating expenses

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Losses on disposal of non-current assets	3	1	3	1
Including: Losses on disposal of fixed assets	3	1	3	1
Losses on disposal of foreclosed assets	-	-	-	-
Looses from dormant accounts	2	-	1	-
Donation expenses	18	10	17	10
Penalties and fines paid	3	6	3	6
Others	36	17	36	16
Total	**62**	**34**	**60**	**33**

44. Income tax expenses

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Current income tax	13,904	8,252	13,329	8,035
Deferred income tax	(2,631)	(181)	(2,540)	(133)
Adjustment income tax for previous year	(7)	(4)	(7)	(4)
Total	**11,266**	**8,067**	**10,782**	**7,898**

The tax charges for the year ended 31 December 2012 can be reconciled to the profit as follows:

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Profit before tax	46,193	33,664	44,270	33,000
Tax calculated at applicable statutory tax rate of 25%	11,548	8,416	11,068	8,250
Adjustments on income tax:				
Income not taxable for tax purpose	(557)	(469)	(554)	(469)
Expenses not deductible for tax purpose	282	130	275	127
Adjustment on income tax for previous year	(7)	(4)	(7)	(4)
Effect of different tax rates in certain geographical area	-	(6)	-	(6)
Total	**11,266**	**8,067**	**10,782**	**7,898**

45. Earnings per share

UNIT: RMB MILLION

	The Group	
	2012	2011
Net profit attributable to ordinary shareholders of the Bank (RMB million)	34,718	25,505
Weighted average ordinary shares issued by the Bank (shares in million)	10,786	10,786
Basic earnings per share (RMB Yuan)	3.22	2.36

Note : As at 31 December 2012 and 31 December 2011, there is no dilutive potential ordinary share of the Group.

46. Other comprehensive income

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
Profit generated from available-for-sale financial assets	914	940	883	960
Tax impact from available-for-sale financial assets	(229)	(206)	(221)	(212)
Net value recognised in comprehensive income in last period and currently transferred to profit and loss	(509)	(124)	(500)	(113)
Total	**176**	**610**	**162**	**635**

47. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

UNIT: RMB MILLION

	The Group		The Bank	
	2012	2011	2012	2011
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	34,927	25,597	33,488	25,102
Add: Provision for impairment losses of assets	12,382	2,916	11,969	2,620
Depreciation of fixed assets	759	642	755	638
Amortisation of intangible assets	82	85	82	85
Amortisation of long-term prepaid expenses	389	312	386	310
Gains from disposal of fixed assets, intangible assets and other long-term assets	2	(14)	2	(14)
Interest income of bonds and other investments	(14,888)	(10,810)	(14,689)	(10,810)
Interest income of impairment financial assets	(189)	(115)	(189)	(115)
Gains (losses) from changes in fair value	(339)	283	(339)	283
Investment income	346	(324)	445	(296)
Interest expense for debt securities issued	3,283	2,656	3,283	2,656
Increase in deferred tax assets	(2,698)	(183)	(2,607)	(135)
Decrease in deferred tax liabilities	67	2	67	2
Increase in receivables of operating activities	(717,380)	(546,263)	(704,192)	(528,987)
Increase in payables of operating activities	799,958	517,331	785,790	504,347
Net cash flow from operating activities	**116,701**	**(7,885)**	**114,251**	**(4,314)**
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	255,133	262,645	255,122	262,643
Less: Opening balance of cash and cash equivalents	262,645	261,391	262,643	261,391
Net increase (decrease) of cash and cash equivalents	**(7,512)**	**1,254**	**(7,521)**	**1,252**

(2) Composition of cash and cash equivalents

UNIT: RMB MILLION

	The Group		The Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Cash on hand	5,705	4,922	5,704	4,922
Balances with central bank	92,585	63,417	92,584	63,417
Deposits with banks and other financial institutions with original maturity of less than three months	66,521	49,199	66,512	49,197
Placements with banks and other financial institutions with original maturity of less than three months	10,626	6,820	10,626	6,820
Financial assets held under resale agreements with original maturity of less than three months	77,485	137,848	77,485	137,848
Bonds investment with original maturity of less than three months	2,211	439	2,211	439
Closing balance of cash and cash equivalents	**255,133**	**262,645**	**255,122**	**262,643**

IX. SEGMENT REPORTING

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and a few customers in other regions. The Group has no deep dependence on one 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: Chengdu branch, Guiyang branch, Chongqing branch, Xi'an branch, Kunming branch, Nanning branch and Urumqi branch.

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

UNIT: RMB MILLION

	The Group											
	2012											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	Total
Operating income	9,377	11,498	5,719	6,129	9,031	4,733	4,784	12,443	11,545	12,360	-	**87,619**
Net interest income	5,009	9,578	5,175	4,971	7,764	4,203	3,709	10,791	9,793	11,200	-	**72,193**
Including: Net inter-segment												
interest income	(10,282)	711	3,272	2,826	919	(18)	639	(1,265)	462	2,736	-	**-**
Net fee and commission income	4,372	1,751	475	1,099	1,191	513	1,059	1,615	1,737	1,135	-	**14,947**
Other income	(4)	169	69	59	76	17	16	37	15	25	-	**479**
Operating expenses	(12,246)	(4,227)	(1,708)	(2,013)	(3,661)	(2,716)	(1,692)	(4,810)	(3,804)	(4,674)	-	**(41,551)**
Operating profit	(2,869)	7,271	4,011	4,116	5,370	2,017	3,092	7,633	7,741	7,686	-	**46,068**
Add: Non-operating income	99	10	1	3	7	1	2	52	9	3	-	**187**
Less: Non-operating expenses	(13)	(6)	(2)	(13)	(1)	(8)	(4)	(3)	(4)	(8)	-	**(62)**
Profit before tax	(2,783)	7,275	4,010	4,106	5,376	2,010	3,090	7,682	7,746	7,681	-	**46,193**
Less: Income tax expenses												**(11,266)**
Net profit												**34,927**
Segment assets	883,958	285,537	219,473	241,901	351,683	166,340	196,181	480,956	409,040	524,564	(513,594)	**3,246,039**
Including: Investment in an												
associate	1,208	-	-	-	-	-	-	-	-	-	-	**1,208**
Undistributed assets												**4,936**
Total assets												**3,250,975**
Segment liabilities	773,657	275,400	215,372	237,734	346,357	164,330	193,091	469,818	401,294	516,881	(513,594)	**3,080,340**
Undistributed liabilities												**-**
Total liabilities												**3,080,340**
Supplemental information												
Credit commitments	6,450	43,042	4,720	10,115	52,182	38,238	51,061	122,900	82,557	132,203	-	**543,468**
Depreciation and amortization	221	180	30	54	160	80	67	153	114	171	-	**1,230**
Capital expenditure	210	269	69	842	245	48	317	384	380	574	-	**3,338**

UNIT: RMB MILLION

	The Group											
	2012											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	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**

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
Fujian Provisional Department of Finance	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Chen Xiaoping
Hang Seng Bank Limited	Limited Company	Hong Kong	HKD11 billion	Financial services	Rose Lee
PICC Property and Casualty Company Limited	Incorporated Company	Beijing	RMB12 billion	Insurance services	Wu Yan
PICC Life Insurance Company Limited	Incorporated Company	Beijing	RMB20 billion	Insurance services	Wu Yan
China National Tobacco Corporation(Note)	Limited Company	Beijing	RMB57 billion	Production, and sales of tobacco products	Jiang Chengkang
Fujian Tobacco Haisheng Investment Management Co., Ltd(Note)	Limited Company	Xiamen	- RMB1 billion	Diverse investment management of commercial system in Fujian province	Li Xiaolu
China Tobacco Hunan Industrial Co., Ltd(Note)	Limited Company	Changsha	RMB4 billion	Production, and sales of tobacco products	Zhou Changgong
The People's Insurance Company(group) of China Limited(Note)	Incorporated Company	Beijing	RMB34 billion	Insurance services	Wu Yan

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

Name of share holders	12/31/2012		12/31/2011	
	Shares Million Shares	Proportion (%)	Shares Million Shares	Proportion (%)
Fujian Provisional Department of Finance	2,268	17.86	2,268	21.03
Hang Seng Bank Limited	1,380	10.87	1,380	12.80
PICC Property and Casualty Company Limited	632	4.98	-	-
PICC Life Insurance Company Limited	632	4.98	12	0.12
China National Tobacco Corporation	409	3.22	-	-
Fujian Tobacco Haisheng Investment Management Co., Ltd	294	2.32	294	2.73
China Tobacco Hunan Industrial Co., Ltd	151	1.19	151	1.40
The People's Insurance Company (group) of China Limited	116	0.91	-	-
Total	**5,882**	**46.33**	**4,105**	**38.08**

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are all subsidiaries of The People's Insurance Company(Group) Of China Limited. The aggregate proportion is 10.87%. Both Fujian Tobacco Haisheng Investment Management Co., Ltd and China Tobacco Hunan Industrial Co., Ltd are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 6.73%. All the parties mentioned above are newly added related parties except Fujian Provisional Department of Finance.

(2) An associate

Name of related party	Economic nature	Domicile	Registered Capital RMB100 million	Business Scope	Legal Representative
Bank of Jiujiang Co., Ltd.	Incorporated 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.

For newly added related parties, comparative numbers in previous year has not been disclosed.

(1) Interest income

UNIT: RMB MILLION

Related party	2012	2011
Bank of Jiujiang Co., Ltd.	83	122
Hang Seng Bank Limited	1	-
PICC Property and Casualty Company Limited	37	-
Total	**121**	**122**

(2) Interest expense

UNIT: RMB MILLION

Related party	2012	2011
China National Tobacco Corporation	275	-
Fujian Provincial Department of Finance	211	170
China Tobacco Hunan Industrial Co., LTD	40	-
Hang Seng Bank Limited	4	1
Fujian Tobacco Haisheng Investment Management Co., Ltd	2	-
Hang Seng Bank (China) Limited	1	24
PICC Life Insurance Company Limited	1	-
Bank of Jiujiang Co., Ltd.	-	54
Total	**534**	**249**

(3) Net fee and commission income

UNIT: RMB MILLION

Related party	2012	2011
Bank of Jiujiang Co., Ltd.	7	5
Total	**7**	**5**

3. Unsettled amount of related party transactions

(1) Due from banks

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Hang Seng Bank Limited	**11**	**101**

(2) Placements with banks

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Bank of Jiujiang Co., Ltd.	**1,275**	**306**

(3) Derivative financial instruments

UNIT: RMB MILLION

Related party	Transaction Type	12/31/2012		12/31/2011	
		Nominal amount	Fair value	Nominal amount	Fair value
Hang Seng Bank (China) Limited	Interest rate derivative	5,925	(1)	7,675	(10)
Hang Seng Bank (China) Limited	Exchange rate derivative	2,763	2	2,205	5
PICC Life Insurance Company Limited	Interest rate derivative	1,300	(15)	-	-
Total		**9,988**	**(14)**	**9,880**	**(5)**

(4) Financial assets held under resale agreements

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Bank of Jiujiang Co., Ltd.	2,190	-

(5) Interest receivable

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Bank of Jiujiang Co., Ltd.	32	-
PICC Property and Casualty Company Limited	10	-
Total	**42**	**-**

(6) Investment classified as receivables

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
PICC Property and Casualty Company Limited	**850**	**-**

(7) Loans and advances to customers

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Key management personnel and their close relatives	**11**	**9**

(8) Due to banks

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Bank of Jiujiang Co., Ltd.	2,198	19
Hang Seng Bank Limited	485	319
Hang Seng Bank (China) Limited	11	109
Total	**2,694**	**447**

(9) Placements from banks

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Hang Seng Bank Limited	1,131	-
Hang Seng Bank (China) Limited	250	450
Total	**1,381**	**450**

(10) Due to customers

UNIT: RMB MILLION

Related party	31/12/2012	31/12/2011
Fujian Provincial Department of Finance	14,489	10,287
China National Tobacco Corporation	11,662	-
China Tobacco Hunan Industrial Co., LTD	3,850	-
Fujian Tobacco Haisheng Investment Management Co., Ltd	835	-
PICC Life Insurance Company Limited	840	-
PICC Property and Casualty Company Limited	102	-
Key management personnel and their close relatives	17	20
Total	**31,795**	**10,307**

(11) Interest payable

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Hang Seng Bank (China) Limited	1	4
Hang Seng Bank Limited	1	-
Total	**2**	**4**

(12) Other payables

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Fujian Provincial Department of Finance	**2**	**2**

(13) Credit facility

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Hang Seng Bank Limited & Hang Seng Bank (China) Limited	**2,000**	**2,000**

4. Key management personnel remuneration

UNIT: RMB MILLION

Related party	12/31/2012	12/31/2011
Salary and welfare	**45**	**32**

XI. CONTINGENCIES AND COMMITMENTS

1. Pending Litigations

On 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	
	12/31/2012	12/31/2011
Credit card commitments	6,450	19,751
Letters of credit	69,233	33,325
Letters of guarantee	25,429	12,934
Bank acceptances	392,352	269,164
Reimbursement refinances	50,004	123,067
Total	**543,468**	**458,241**

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 undrawn facilities.

3. Capital commitments

UNIT: RMB MILLION

	Contractual amount of the Group		Contractual amount of the Bank	
	12/31/2012	12/31/2011	12/31/2012	12/31/2
Authorised but not contracted for	104	114	104	114
Contracted but not paid for	296	406	293	403
Total	**400**	**520**	**397**	**517**

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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Within one year	1,883	731	1,859	714
One to five years	3,061	2,302	3,035	2,267
Over five years	1,232	1,213	1,232	1,213
Total	**6,176**	**4,246**	**6,126**	**4,194**

5. Collateral

(1) Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Bonds	101,812	44,573
Bills	47,398	95,444
Others	11,976	2,572
Total	**161,186**	**142,589**

On 31 December 2012, the bills purchased under resale agreements of the Group used for sale under repurchase agreements amount to RMB47,398 million (31 December 2011: RMB95,444 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 2012 is RMB370,452 million. (31 December 2011: RMB194,559 million). Except the bills used for sale transactions under repurchase agreements mentioned in note (1), the Group has not used bonds purchased under resale agreements for trading financial liabilities (31 December 2011: RMB10 million).

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 2012 and 31 December 2011, 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	
	12/31/2012	12/31/2011
Certificate government bonds and saving government bonds	**4,071**	**4,955**

The Group believes, before maturity date of certificate government bonds and saving government bonds, the amount redeemed by the Group is not significant.

7. Fiduciary Business

UNIT: RMB MILLION

	The Group and the Bank	
	12/31/2012	12/31/2011
Fiduciary deposits and loans	133,608	79,866
Fiduciary wealth management	**417,222**	**183,684**

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				
	2012				
	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	8,101	(22)	-	-	21,540
Derivative financial assets	2,907	359	-	-	3,266
Available-for-sale financial assets	147,505	-	(1,098)	8	192,057
Total	**158,513**	**337**	**(1,098)**	**8**	**216,863**
Financial liabilities(1)	**(3,023)**	**34**	**-**	**-**	**(2,996)**

UNIT: RMB MILLION

	The Group				
	2012				
	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	8,101	(22)	-	-	21,540
Derivative financial assets	2,907	359	-	-	3,266
Available-for-sale financial assets	147,006	-	(1,111)	-	190,084
Total	**158,014**	**337**	**(1,111)**	**-**	**214,890**
Financial liabilities(1)	**(3,023)**	**34**	**-**	**-**	**(2,996)**

(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				
	2012				
	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	1,139	-	-	-	6,989
Due from banks and other financial institutions	2,893	-	-	-	24,178
Placements with banks and other financial institutions	233	-	-	-	7,417
Derivative financial assets	135	848	-	-	983
Loans and advances to customers	9,751	-	-	867	103,322
Available-for-sale financial assets	1,038	-	57	-	1,050
Held-to-maturity investments	854	-	-	-	854
Other financial assets	116	-	-	-	1,562
Total of financial assets	**16,159**	**848**	**57**	**867**	**146,355**
Financial liabilities(1)	**(16,463)**	**(863)**	**-**	**-**	**(151,499)**

UNIT: RMB MILLION

	The Bank				
	2012				
	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	1,139	-	-	-	6,989
Due from banks and other financial institutions	2,893	-	-	-	24,178
Placements with banks and other financial institutions	233	-	-	-	7,417
Derivative financial assets	135	848	-	-	983
Loans and advances to customers	9,751	-	-	867	103,322
Available-for-sale financial assets	1,038	-	57	-	1,050
Held-to-maturity investments	854	-	-	-	854
Other financial assets	116	-	-	-	1,562
Total of financial assets	**16,159**	**848**	**57**	**867**	**146,355**
Financial liabilities(1)	**(16,463)**	**(863)**	**-**	**-**	**(151,499)**

(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. Operation institutions take precautions against all the business and operating risk, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. 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.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the group, it is also responsible for making basic rules for the group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail banking line and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it also responsible for making detailed regulation and operating rules, approving projects within the approving authority. 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 sets up "Detailed Rules for the Implementation of Credit Policy", it intensifies the credit support for the real economy. In accordance with the discriminative credit policy of "protecting, controlling, and pressing", the group also goes along with the policy that "speed up the transforming of economy development mode, intensify the adjustment of economic structure, tie to the core spirit of protecting and improving the people's livelihood". the group should accurately understand the credit layout of mainstream business, give more financial support to related entities in key industry or field, strengthen the credit management over the industries that involves in "high contaminative, high level of energy consumption, and industries over capacities" .The Group should compress and gradually withdraw projects that belong to the restrictive and eliminative list of backward production capacity, and continue to promote the structure optimization and adjustment of credit assets.

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 New Basel Capital Accord and the relevant guidelines of CBRC, the accomplishment is put into practice in risk management such as business authorization, quota management and development of client to enhance the ability of credit risk identification, estimation and control. The retail section of internal rating system is in progress.

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 strengthen 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", and etc. to guide the operating units to optimize the allocation of capital and credit resources and strengthen the awareness of risk management. Based on the five grades classification method established by CBRC, the Company further classifies its credit assets into nine grades:

pass 1, 2 and 3; special 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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Balances with central bank	385,926	291,669	385,729	291,450
Due from banks and other financial institutions	164,642	69,425	164,633	69,423
Placements with banks and other financial institutions	214,812	228,899	214,812	228,899
Held-for-trading financial assets	21,540	8,101	21,540	8,101
Derivative financial assets	3,266	2,907	3,266	2,907
Financial assets held under resale agreements	792,797	526,979	792,797	526,979
Loans and advances to customers	1,204,542	968,940	1,204,394	968,740
Available-for-sale financial assets	191,631	147,424	190,066	146,992
Debt securities classified as receivables	111,360	70,205	110,178	70,092
Finance lease receivables	33,779	21,485	-	-
Held-to-maturity investments	69,199	32,764	69,199	32,764
Other financial assets (1)	28,186	19,818	22,586	14,735
Total on-balance sheet	**3,221,680**	**2,388,616**	**3,179,200**	**2,361,082**
Total off-balance sheet	**543,468**	**458,241**	**543,468**	**458,241**
Total	**3,765,148**	**2,846,857**	**3,722,668**	**2,819,323**

(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				
	12/31/2012				
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	4,334	89	126	-	**4,549**
Provision for impairment	(2,025)	(89)	(126)	-	**(2,240)**
Net value of assets	**2,309**	**-**	**-**	**-**	**2,309**
Collective assessment					
Total assets	953	-	-	-	**953**
Provision for impairment	(506)	-	-	-	**(506)**
Net value of assets	**447**	**-**	**-**	**-**	**447**
Past due but not impaired:					
Total assets	3,873	**-**	**-**	**-**	**3,873**
Including:					
Within 90 days	3,542	-	-	-	**3,542**
90 to 360 days	-	-	-	-	**-**
360 days to 3 years	331	-	-	-	**331**
Provision for impairment	(326)	-	-	-	**(326)**
Net value of assets	**3,547**	**-**	**-**	**-**	**3,547**
Neither past due nor impaired:					
Total assets	**1,220,005**	**1,172,251**	**393,881**	**34,490**	**2,820,627**
Provision for impairment	(21,766)	-	(151)	(711)	**(22,628)**
Net value of assets	**1,198,239**	**1,172,251**	**393,730**	**33,779**	**2,797,999**
Total of net value of assets	**1,204,542**	**1,172,251**	**393,730**	**33,779**	**2,804,302**

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**
Provision 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 Bank			
	12/31/2012			
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Total
Impaired:				
Individual assessment				
Total assets	4,334	89	126	**4,549**
Provision for impairment	(2,025)	(89)	(126)	**(2,240)**
Net value of assets	**2,309**	**-**	**-**	**2,309**
Collective assessment				
Total assets	953	-	-	**953**
Provision for impairment	(506)	-	-	**(506)**
Net value of assets	**447**	**-**	**-**	**447**
Past due but not impaired:				
Total assets	3,873	-	-	**3,873**
Including:				
Within 90 days	3,542	-	-	**3,542**
90 to 360 days	-	-	-	**-**
360 days to 3 years	331	-	-	**331**
Provision for impairment	(326)	-	-	**(326)**
Net value of assets	**3,547**	**-**	**-**	**3,547**
Neither past due nor impaired:				
Total assets	1,219,856	1,172,242	391,134	**2,783,232**
Provision for impairment	(21,765)	-	(151)	**(21,916)**
Net value of assets	**1,198,091**	**1,172,242**	**390,983**	**2,761,316**
Total of net value of assets	**1,204,394**	**1,172,242**	**390,983**	**2,767,619**

UNIT: RMB MILLION

	The Bank			
	12/31/2011			
	Loans and advances to customers	Inter-bank placement [1]	Investment[2]	Total
Impaired:				
Individual assessment				
Total assets	3,230	100	126	**3,456**
Provision 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 past 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**

(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 pledges, 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 2012, the fair value of collateral that related to loans past due but not impaired amounted to RMB 6,055 million (31 December 2011: RMB 1,930 million). The collateral includes land, properties, equipment and shares.

B. As at 31 December 2012, the fair value of collateral that related to loans individually determined to be impaired amounted to RMB2,143 million (31 December 2011: RMB2,878 million). The collateral includes land, properties, equipment and shares.

3.5.2 The book value of foreclosed assets the Group obtained during 2012 amounted to RMB26 million (2011: RMB 82 million), which mainly included land and properties.

3.6 Rescheduled loans and advances

As at 31 December 2012, the carrying amount of rescheduled loans and advances to customers amounted to RMB981 million (31 December 2011: RMB675million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB108 million (31 December 2011: RMB162 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 the 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 treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

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 use of financial transactions and analysis system and the scientific exposure measurement 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					
	12/31/2012					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	379,037	-	-	-	12,594	**391,631**
Due from banks and other financial institutions	87,799	72,325	4,518	-	-	**164,642**
Placements with banks and other financial institutions	117,322	97,490	-	-	-	**214,812**
Held-for-trading financial assets	2,638	5,305	10,107	3,490	-	**21,540**
Derivative financial assets	-	-	-	-	3,266	**3,266**
Financial assets held under resale agreements	335,443	344,377	112,977	-	-	**792,797**
Loans and advances to customers	670,181	515,569	16,657	2,135	-	**1,204,542**
Available-for-sale financial assets	17,559	23,123	105,956	44,393	1,026	**192,057**
Debt securities classified as receivables	8,059	29,740	65,354	8,207	-	**111,360**
Finance lease receivables	33,779	-	-	-	-	**33,779**
Held-to-maturity investments	285	2,014	8,911	57,989	-	**69,199**
Other assets	5,396	-	-	-	22,790	**28,186**
Total financial assets	**1,657,498**	**1,089,943**	**324,480**	**116,214**	**39,676**	**3,227,811**
Financial liabilities:						
Due to banks and other financial institutions	806,378	84,258	3,800	-	-	**894,436**
Placements from banks and other financial institutions	59,101	29,288	-	-	-	**88,389**
Held-for-trading financial liabilities	-	-	-	-	2,996	**2,996**
Derivative financial liabilities	149,719	12,143	-	-	-	**161,862**
Financial assets sold under repurchase agreements	1,154,334	421,334	234,971	10	2,617	**1,813,266**
Due to customers	-	5,078	42,947	20,944	-	**68,969**
Other liabilities	22	-	-	-	31,351	**31,373**
Total financial liabilities	**2,169,554**	**552,101**	**281,718**	**20,954**	**36,964**	**3,061,291**
Net position	**(512,056)**	**537,842**	**42,762**	**95,260**	**2,712**	**166,520**

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 Bank					
	12/31/2012					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	378,839	-	-	-	12,594	**391,433**
Due from banks and other financial institutions	87,790	72,325	4,518	-	-	**164,633**
Placements with banks and other financial institutions	117,322	97,490	-	-	-	**214,812**
Held-for-trading financial assets	2,638	5,305	10,107	3,490	-	**21,540**
Derivative financial assets	-	-	-	-	3,266	**3,266**
Financial assets held under resale agreements	335,443	344,377	112,977	-	-	**792,797**
Loans and advances to customers	670,033	515,569	16,657	2,135	-	**1,204,394**
Available-for-sale financial assets	17,559	23,123	105,842	43,542	18	**190,084**
Debt securities classified as receivables	8,028	29,204	64,739	8,207	-	**110,178**
Held-to-maturity investments	285	2,014	8,911	57,989	-	**69,199**
Other assets	-	-	-	-	22,586	**22,586**
Total financial assets	**1,617,937**	**1,089,407**	**323,751**	**115,363**	**38,464**	**3,184,922**
Financial liabilities:：						
Due to banks and other financial institutions	807,432	84,258	3,800	-	-	**895,490**
Placements from banks other financial institutions	50,411	7,268	-	-	-	**57,679**
Derivative financial liabilities	-	-	-	-	2,996	**2,996**
Financial assets sold under repurchase agreements	149,719	12,143	-	-	-	**161,862**
Due to customers	1,154,334	421,334	234,971	10	2,617	**1,813,266**
Debt securities issued	-	5,078	42,947	20,944	-	**68,969**
Other liabilities	-	-	-	-	27,327	**27,327**
Total financial liabilities	**2,161,896**	**530,081**	**281,718**	**20,954**	**32,940**	**3,027,589**
Net position	**(543,959)**	**559,326**	**42,033**	**94,409**	**5,524**	**157,333**

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**
Available-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**

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			
	12/31/2012		12/31/2011	
	Net interest income increase / (decrease)	Other comprehensive income increase / (decrease)	Net interest income increase / (decrease)	Other comprehensive income increase / (decrease)
+100 basis points	4,084	(3,413)	5,080	(3,752)
- 100 basis points	(4,084)	3,639	(5,080)	3,980

	The Bank			
	12/31/2012		12/31/2011	
	Net interest income increase / (decrease)	Other comprehensive income increase / (decrease)	Net interest income increase / (decrease)	Other comprehensive income increase / (decrease)
+100 basis points	3,885	(3,369)	4,898	(3,744)
- 100 basis points	(3,885)	3,592	(4,898)	3,972

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 prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward paralleled. 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			
	12/31/2012			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	384,642	6,725	264	**391,631**
Due from banks and other financial institutions	140,464	23,402	776	**164,642**
Placements with banks and other financial institutions	207,395	7,417	-	**214,812**
Held-for-trading financial assets	21,540	-	-	**21,540**
Derivative financial assets	2,283	414	569	**3,266**
Financial assets held under resale agreements	792,797	-	-	**792,797**
Loans and advances to customers	1,101,220	85,178	18,144	**1,204,542**
Available-for-sale financial assets	191,007	985	65	**192,057**
Debt securities classified as receivables	111,360	-	-	**111,360**
Finance lease receivables	33,779	-	-	**33,779**
Held-to-maturity investments	68,345	688	166	**69,199**
Other assets	26,624	1,267	295	**28,186**
Total financial assets	**3,081,456**	**126,076**	**20,279**	**3,227,811**
Financial liabilities:				
Due to banks and other financial institutions	892,861	1,400	175	**894,436**
Placements from banks and other financial institutions	79,757	8,585	47	**88,389**
Derivative financial liabilities	1,220	1,517	259	**2,996**
Financial assets sold under repurchase agreements	161,862	-	-	**161,862**
Due to customers	1,675,241	125,232	12,793	**1,813,266**
Debt securities issued	68,969	-	-	**68,969**
Other liabilities	29,882	1,335	156	**31,373**
Total financial liabilities	**2,909,792**	**138,069**	**13,430**	**3,061,291**
Net position	**171,664**	**(11,993)**	**6,849**	**166,520**

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 Bank			
	12/31/2012			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	384,444	6,725	264	**391,433**
Due from banks and other financial institutions	140,455	23,402	776	**164,633**
Placements with banks and other financial institutions	207,395	7,417	-	**214,812**
Held-for-trading financial assets	21,540	-	-	**21,540**
Derivative financial assets	2,283	414	569	**3,266**
Financial assets held under resale agreements	792,797	-	-	**792,797**
Loans and advances to customers	1,101,072	85,178	18,144	**1,204,394**
Available-for-sale financial assets	189,034	985	65	**190,084**
Debt securities classified as receivables	110,178	-	-	**110,178**
Held-to-maturity investments	68,345	688	166	**69,199**
Other assets	21,024	1,267	295	**22,586**
Total financial assets	**3,038,567**	**126,076**	**20,279**	**3,184,922**
Financial liabilities:				
Due to banks and other financial institutions	893,915	1,400	175	**895,490**
Placements from banks and other financial institutions	49,047	8,585	47	**57,679**
Derivative financial liabilities	1,220	1,517	259	**2,996**
Financial assets sold under repurchase agreements	161,862	-	-	**161,862**
Due to customers	1,675,241	125,232	12,793	**1,813,266**
Debt securities issued	68,969	-	-	**68,969**
Other liabilities	25,836	1,335	156	**27,327**
Total financial liabilities	**2,876,090**	**138,069**	**13,430**	**3,027,589**
Net position	**162,477**	**(11,993)**	**6,849**	**157,333**

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**

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

	2012	2011
	Foreign exchange	Foreign exchange
5% appreciation	(32)	14
5% depreciation	32	(14)

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 mainly 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 portfolio 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; (3) analyzing the liquidity risk and reporting to the assets and liability management committee regularly; and (4) the daily operation of the liquidity management, 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							
	12/31/2012							
	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	98,802	-	-	-	-	-	292,970	**391,772**
Due from banks and other financial institutions	24,949	43,792	19,257	74,153	4,853	-	21	**167,025**
Placements with banks and other financial institutions	-	42,771	77,653	100,872	-	-	68	**221,364**
Held-for-trading financial assets	-	204	2,651	6,048	11,880	3,994	-	**24,777**
Financial assets held under resale agreements	-	111,904	247,104	345,989	120,079	-	-	**825,076**
Loans and advances to customers	-	55,138	142,433	605,949	330,492	278,370	7,318	**1,419,700**
Available-for-sale financial assets	-	1,102	6,262	31,490	129,214	51,732	1,026	**220,826**
Debt securities classified as receivables	-	1,195	4,298	34,217	78,056	10,518	-	**128,284**
Financial lease receivables	-	650	1,735	8,256	27,902	1,847	-	**40,390**
Held-to-maturity investments	-	30	696	4,248	19,204	83,737	126	**108,041**
Other non-derivative financial assets	693	790	493	2,160	5,222	447	4	**9,809**
Total non-derivative financial assets:	**124,444**	**257,576**	**502,582**	**1,213,382**	**726,902**	**430,645**	**301,533**	**3,557,064**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	157,180	353,493	303,941	84,465	3,867	-	-	**902,946**
Placements from banks and other financial institutions	-	36,823	22,316	30,125	408	-	-	**89,672**
Financial assets sold under repurchase agreements	-	116,255	34,584	12,110	-	-	-	**162,949**
Due to customers	869,482	112,458	170,870	460,082	290,908	12	-	**1,903,812**
Debt securities issued	-	-	144	7,084	53,886	24,559	-	**85,673**
Other non-derivative financial liabilities	2,720	4,389	151	1,131	2,540	582	965	**12,478**
Total non-derivative financial liabilities	**1,029,382**	**623,418**	**532,006**	**594,997**	**351,609**	**25,153**	**965**	**3,157,530**
Net position	**(904,938)**	**(365,842)**	**(29,424)**	**618,385**	**375,293**	**405,492**	**300,568**	**399,534**

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 financial 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 financial institutions	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**

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							
	12/31/2012							
	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	98,801	-	-	-	-	-	292,773	**391,574**
Due from banks and other financial institutions	24,940	43,792	19,257	74,153	4,853	-	21	**167,016**
Placements with banks and other								
financial institutions	-	42,771	77,653	100,872	-	-	68	**221,364**
Held-for-trading financial assets	-	204	2,651	6,048	11,880	3,994	-	**24,777**
Financial assets held under resale agreements	-	111,904	247,104	345,989	120,079	-	-	**825,076**
Loans and advances to customers	-	55,138	142,423	605,787	330,492	278,370	7,318	**1,419,528**
Available-for-sale financial assets	-	1,102	6,258	31,423	128,820	50,748	18	**218,369**
Debt securities classified as receivables	-	1,182	4,273	33,605	77,378	10,519	-	**126,957**
Held-to-maturity investments	-	30	696	4,248	19,204	83,737	126	**108,041**
Other non-derivative financial assets	693	712	281	1,226	162	26	4	**3,104**
Total non-derivative financial assets:	**124,434**	**256,835**	**500,596**	**1,203,351**	**692,868**	**427,394**	**300,328**	**3,505,806**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	158,234	353,493	303,941	84,465	3,867	-	-	**904,000**
Placements with banks and other								
financial institutions	-	34,113	16,417	7,476	-	-	-	**58,006**
Financial assets sold under								
repurchase agreements	-	116,255	34,584	12,110	-	-	-	**162,949**
Due to customers	869,482	112,458	170,870	460,082	290,908	12	-	**1,903,812**
Debt securities issued	-	-	144	7,084	53,886	24,559	-	**85,673**
Other non-derivative financial liabilities	2,720	4,388	136	1,011	404	39	-	**8,698**
Total non-derivative financial liabilities	**1,030,436**	**620,707**	**526,092**	**572,228**	**349,065**	**24,610**	**-**	**3,123,138**
Net position	**(906,002)**	**(363,872)**	**(25,496)**	**631,123**	**343,803**	**402,784**	**300,328**	**382,668**

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 financial 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 financial 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**

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					
	12/31/2012					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(2)	16	55	74	-	**143**
Other derivatives	(68)	-	45	-	-	**(23)**
Total	**(70)**	**16**	**100**	**74**	**-**	**120**

UNIT: RMB MILLION

	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)**

(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					
	12/31/2012					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	224,307	51,755	140,426	1,037	-	**417,525**
-Cash outflow	(224,265)	(51,716)	(140,328)	(1,037)	-	**(417,346)**
Other derviatives						
-Cash inflow	-	-	-	-	-	**-**
-Cash outflow	-	-	(618)	-	-	**(618)**
Total	**42**	**39**	**(520)**	**-**	**-**	**(439)**

UNIT: RMB MILLION

	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)**

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							
	12/31/2012				12/31/2011			
	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	6,450	-	-	**6,450**	19,751	-	-	**19,751**
Letter of credit	69,137	96	-	**69,233**	32,228	1,097	-	**33,325**
Letter of guarantee	13,108	4,780	7,541	**25,429**	7,852	3,561	1,521	**12,934**
Bank acceptance	392,352	-	-	**392,352**	269,164	-	-	**269,164**
Reimbursement refinances	50,004	-	-	**50,004**	123,067	-	-	**123,067**
Total	**531,051**	**4,876**	**7,541**	**543,468**	**452,062**	**4,658**	**1,521**	**458,241**

6. Capital Management

In accordance with the “2011-2015 Development Strategy Plan”, the Group makes a reasonable forecast of the future business development starting from business strategy, risk conditions and regulatory requirements. Based on the balance of growth rate of assets, capital requirements and supplementary channel for capital, The Group fully demonstrates the necessity and feasibility of additional capital, and makes clear that the Group should maintain the level of capital adequacy ratio and core capital adequacy ratio to achieve healthy, sustainable and rapid development.

In specific operation, the Group conscientiously implements directional private placement equity refinancing plan according to the principle that the total amount of available capital match the Group’s current and future business development plans. The Group raised the capital of RMB 23,532 Million yuan in 2012, all used to supplement the core tier one capital, leading to a large increase in the capital adequacy ratio and core capital adequacy ratio. The Group strengthened capital allocation in the internal management, orienting towards to the yield of target risk assets, co-ordinating the arrangements for the risk-weighted assets size of various operating divisions and business lines, promoting the optimal allocation of capital to maximize the yield of risk-weighted assets.

According to “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” enacted by CBRC and other regulations, the Group implements the new capital agreement in a serious way, monitoring 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							
	12/31/2012				12/31/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Held-for-trading financial assets	-	21,540	-	**21,540**	-	8,101	-	**8,101**
Derivative financial assets	-	3,266	-	**3,266**	-	2,907	-	**2,907**
Available-for-sale financial assets	407	135,717	55,933	**192,057**	81	133,458	13,966	**147,505**
Total	**407**	**160,523**	**55,933**	**216,863**	**81**	**144,466**	**13,966**	**158,513**
Financial liabilities:								
Held-for-trading financial liabilities	-	-	-	**-**	-	10	-	**10**
Derivative financial liabilities	-	2,996	-	**2,996**	-	3,013	-	**3,013**
Total	**-**	**2,996**	**-**	**2,996**	**-**	**3,023**	**-**	**3,023**

UNIT: RMB MILLION

	The Bank							
	12/31/2012				12/31/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Held-for-trading financial assets	-	21,540	-	**21,540**	-	8,101	-	**8,101**
Derivative financial assets	-	3,266	-	**3,266**	-	2,907	-	**2,907**
Available-for-sale financial assets	18	134,752	55,314	**190,084**	14	133,211	13,781	**147,006**
Total	**18**	**159,558**	**55,314**	**214,890**	**14**	**144,219**	**13,781**	**158,014**
Financial liabilities:								
Held-for-trading financial liabilities	-	-	-	**-**	-	10	-	**10**
Derivative financial liabilities	-	2,996	-	**2,996**	-	3,013	-	**3,013**
Total	**-**	**2,996**	**-**	**2,996**	**-**	**3,023**	**-**	**3,023**

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 2012 and in 2011.

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	
	12/31/2012	12/31/2011
Opening balance	13,966	7,010
Total profit or loss	1,411	627
Profit	1,411	627
Purchases/disposals	46,106	14,316
Settlements	(5,550)	(7,987)
Closing balance	**55,933**	**13,966**
Profit or loss from assets/liabilities held at the end of 31 December 2012	**1,206**	**554**

UNIT: RMB MILLION

Available-for-sale financial assets	The Bank	
	12/31/2012	12/31/2011
Opening balance	13,781	7,010
Total profit or loss	1,405	627
Profit	1,405	627
Purchases/disposals	45,096	14,131
Settlements	(4,968)	(7,987)
Closing balance	**55,314**	**13,781**
Profit or loss from assets/liabilities held at the end of 31 December 2012	**1,200**	**554**

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 amount 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			
	12/31/2012		12/31/2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans and advances to customers	1,204,542	1,205,895	968,940	968,372
Held-to-maturity investments	69,199	69,093	32,764	32,828
Debt securities issued	111,360	111,117	70,205	70,147
Total	**1,385,101**	**1,386,105**	**1,071,909**	**1,071,347**
Financial liabilities:				
Due to customers	1,813,266	1,817,309	1,345,279	1,340,734
Debt securities issued	68,969	68,351	81,013	80,098
Total	**1,882,235**	**1,885,660**	**1,426,292**	**1,420,832**

UNIT: RMB MILLION

	The Bank			
	12/31/2012		12/31/2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans and advances to customers	1,204,394	1,205,747	968,740	968,172
Held-to-maturity investments	69,199	69,093	32,764	32,828
Debt securities classified as receivables	110,178	109,935	70,092	70,034
Total	**1,383,771**	**1,384,775**	**1,071,596**	**1,071,034**
Financial liabilities:				
Due to customers	1,813,266	1,817,309	1,345,279	1,340,734
Debt securities issued	68,969	68,351	81,013	80,098
Total	**1,882,235**	**1,885,660**	**1,426,292**	**1,420,832**

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

The Bank's non-public offering of shares was completed registration hosting formalities by the China Securities Depository and Clearing Corporation Limited Shanghai Branch on January 7, 2013. The issue of the shares may not be transferred within 36 months from the date of issuing (otherwise the locked period was required by the relevant regulatory authorities, such provisions shall prevail).

Under the "Reply of China National Tobacco Corporation to Issues regarding Change of Equity Contributors of China Tobacco Hunan Industrial Co., Ltd.", the 151 million shares held by China Tobacco Hunan Industrial Co., Ltd will change to China Tobacco Hunan Investment Management Co., Ltd. (a subsidiary of China National Tobacco Corporation). The above shareholders' transfer of the ownership registration was handled accordingly in March, 2013. After the change of equity, the China Tobacco Hunan Investment Management Co., Ltd holds 151 million shares of the Bank's shares, accounting for 1.19% of the total share capital of the Bank.

The Bank received the "Reply of CBRC to Issues regarding Setting Up of Fund Management Company by Industrial Bank" (YJF [2013] NO.105) on March 5, 2013. The Bank was approved to set up a fund management company co-sponsored with the China Shipping Investment Co., Ltd. Under the approval, the Bank officially applied to the CSRC, and received "Approval of the Establishment of Industrial Fund Management Company" (ZJXK [2013] NO.288) from the CSRC on March 27, 2013. The Bank is to set up the fund management company accordingly.

XV. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The financial statements were approved by the Board of Directors on 19 April, 2013.

END OF FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION
YEAR 2012

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	
	2012	2011
Gains and losses on the disposal of non-current assets	(2)	14
Government grants recognised in profit or loss	119	89
Recovery of assets written-off in previous years	54	124
Net non-operating income and expense in addition to the above	8	29
Subtotal	**179**	**256**
Impact on income tax expenses	(46)	(66)
Net earnings attributable to the parent company shareholders	**133**	**190**
Net earnings attributable to the parent company shareholders, after deduction of non-recurring gains and losses	**34,585**	**25,315**

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")

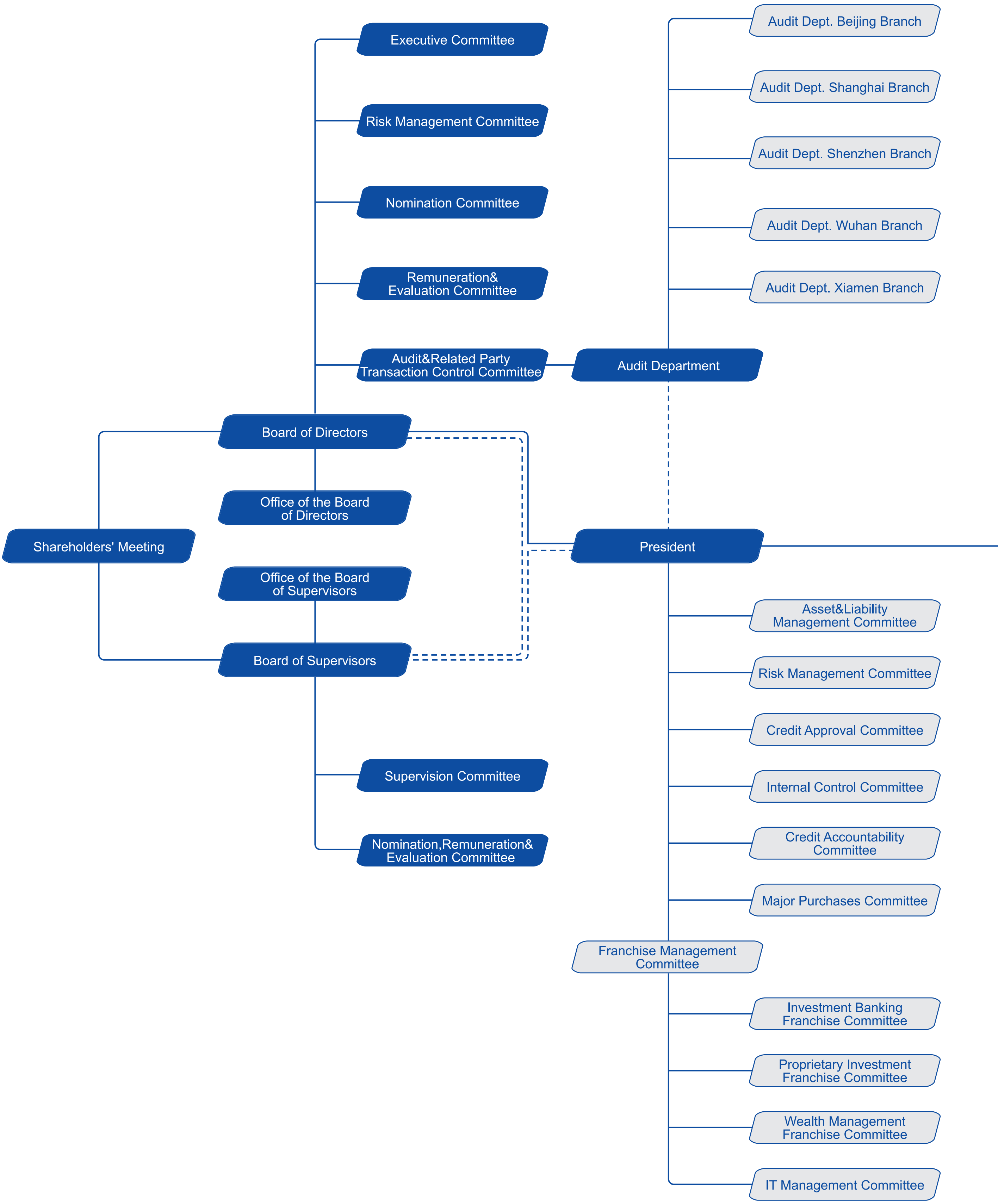
The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

2012	The Group	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	26.65	3.22
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	26.54	3.21

2011	The Group	
	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

The Group has no diluted potential ordinary share.

THE COMPANY'S ORGANIZATIONAL STRUCTURE

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