

2016

INDUSTRIAL BANK
ANNUAL SUSTAINABILITY REPORT

INDUSTRIAL BANK CO.,LTD.

Annual Sustainability Report 2016



Bearing creates value Sharing breeds advance

 兴业银行股份有限公司
INDUSTRIAL BANK CO.,LTD.



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 兴业银行
INDUSTRIAL BANK CO.,LTD.



10th

*Anniversary of Listing
Green Finance
Development for 10 years*



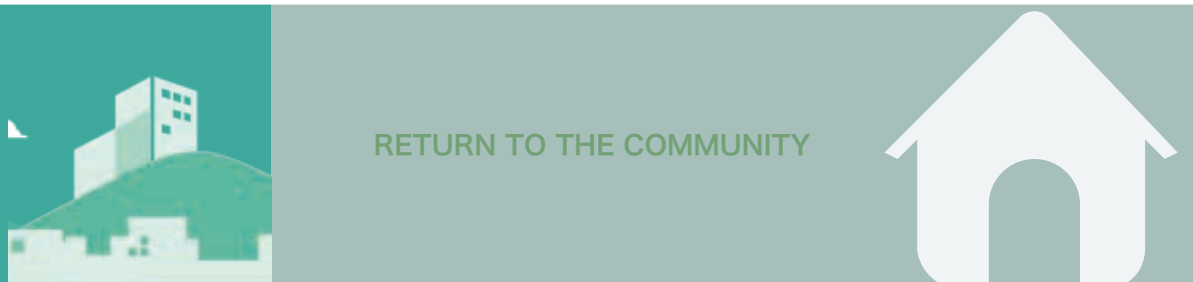
MANAGEMENT



DEVELOPMENT



ENVIRONMENT



RETURN TO THE COMMUNITY



PRACTICE

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The Tenth Anniversary of Listing Writes a New Chapter in the Development of a Comprehensive Financial Service Group

After ten years since its listing, IB has developed rapidly, and has gradually grown into a modern financial services group with banking as the major business and covering trust, leasing, funds, consumer finance, futures, asset management, research and consultation, digital finance and so on.



28

Vigorously Promoting the Supply Side Finance

IB increased the investment and financing support for reform deepening, new urbanization construction, strategic emerging industries, and industrial transformation and upgrading of some key areas, and has also safely retreated from, in a variety of ways, "zombie enterprises" and backward production capacity.



Creating "the Most Enjoyable Lives" for the Senior Care Finance of Industrial Bank

In 2016, relying on the brand of "Enjoyable Life", the Bank constantly cultivated the senior care finance field in such aspects as financial services, value-added services, channel establishment, customer activity platform building and services for the elderly, continually improved the strengths in hardware and software services, and made efforts to improve the level of customer service.



62

Feelings and Responsibilities of the Staff of Industrial Bank in Ten-year Greening

In 2006, the Bank was the first to open the domestic green financial market. After 10 years of exploration and practice, Industrial Bank has formed a wide range and variety of group green product service system covering green finance, green leasing, green trust, green fund, green investment, green wealth management, green consumption and so on so that green DNA has been rooted in all aspects of operation management, business development and customer services of Industrial Bank.



74

Explore Targeted Poverty Alleviation with Innovation Schemes to Aim at Multiple Aspects

As the first EPFI in China, the Bank gave full play to the group advantages to actively explore innovation and find a precision poverty alleviation road with characteristics, changing "flood irrigation" to "targeted drop irrigation".



82

Equator Principles projects

In 2016, the Bank implemented judgment of applicability of the Equator Principles for 72 projects and identified 49 projects where the Equator Principles are applicable, which involves a total investment of RMB 581.332 billion, 49 customers, 24 national standard industries.



Chairman
Gao Jianping

Chairman's Statement

In 2016, the Bank starts the new five-year leaping development in order to create the "Century Blue Chip".

In the background of national focus on the improvement of quality and efficiency, and the supply side structural reform, with accelerating financial marketization, disintermediation, integration, digitization, internationalization and other processes in China, the Bank continues to adhere to the tradition of "no pain, no gain", and firmly grasps the essential requirement for finance serving the real economy. The Bank insists on the reform direction of financial resource allocation by the market, improves and perfects financial supply by providing diverse, effective and convenient financial services and guides and optimizes the allocation of resources. In addition, the Bank continues to achieve new breakthroughs and development in serving the sustainable and healthy development of the economy and society.

Stable operation as the bottom line

In 2016, the Bank focuses on the long-term mission of "steady development, safety assurance, facilitating transformation and strong foundation", and ensures overall stable operation safety and asset quality by reshaping the philosophy of prudent and steady compliance, improving management, consolidating the foundation and strictly observing the risk bottom line. Meanwhile, according to the internal and external development conditions and its operation and management ability, the Bank actively and prospectively adjusts its development speed, asset structure, customer structure, product structure, regional structure, etc., and determines its development goals in a scientific way by changing adaptively, and addressing weaknesses and highlighting strengths.

Servicing the real economy and facilitating transformation

By adhering to the original nature of service, through the optimization of financial resource allocation, the Bank further identifies development strategies for key industries, regions, customers and products. It takes "One Belt, One Road", coordinated development of Beijing, Tianjin and Hebei, Yangtze River Economic Belt, and other major national strategy implementation provinces and cities as key regions, various emerging industries as key industries, promising businesses

and projects with strong driving force as key customers, and financial services which satisfy the needs of business transformation and upgrading as key products. The Bank reduces invalid supply, and increases quality supply. At the same time, by giving full play to the group integrated management advantages and vigorous development of direct financing business, the Bank helps enterprises obtain capital funds with low cost and long term capital funds, and enhances the level of financial services by reducing interests and fees and increasing the quality and efficiency.

Sustainable development for financial inclusion

The Bank adheres to the principle of sustainable business, performs its social responsibility, and provides financial services for areas and fields with insufficient financial services to upgrade the connotation and social significance of financial services. The Bank has established a complete financial inclusion service system by integrating the services, products and channel resources for retail customers, small and micro enterprises, and small and medium-sized financial institutions, including products and brand resources such as small loans, senior care finance, consumer finance and green finance, channel resources such as the "Bank-to-Bank Platform" and community banking, and Internet finance platform resources such as direct banks and Big Money Manager.

Dedication and undertaking are always the power for the Bank to move forward. In 2017, the Bank will continue to uphold the excellent strategic control ability and strong strategic execution ability, and carry forward the corporate culture and spiritual characteristics of innovation, combatant spirit, bravery, simplicity and harmony. The Bank is always committed to promoting the relation rebalance between finance and the real economy, improving the service efficiency for the real economy and the ability to support economic transformation, and ensuring the balanced, healthy, safe and sustainable development of the economy, environment and society.

Chairman
Gao Jianping



Director/President
Tao Yiping

President's Report

Sustaining Initial Intention after Ten Years' Progress

With the passing of the year 2016, the Bank embraces the tenth anniversary of its listing. Over the decade, the Bank has been developed into a regional bank from a local bank, then into a national bank and a listed bank. It has also been developed to an bank-based comprehensive financial service group; asset size increased to RMB 6.0859 trillion at the end of 2016 from RMB 617.7 billion at the beginning of 2007, ranking the first among domestic joint-stock banks; net capital increased to RMB 457 billion from RMB 28.8 billion, with an increase of 14.9 times; annual net profit increased to RMB 53.9 billion in 2016 from RMB 3.8 billion in 2006, with an increase of 13.2 times;

In the first year of the 13th Five-Year Plan, the Bank has always consciously complied with the requirements of national macro-control and financial supervision, assumed the responsibility of serving the real economy, actively cooperated with the supply side structure reform, developed a series of financial service programs for the supply side, and helped with the country's cutting of overcapacity through differentiated credit policies, and coordinated the relationship between overcapacity cutting and the reasonable fund demand of enterprises so as to realize a win-win situation among banks, the government and enterprises. With comprehensive financial advantages and through diversified financial instruments, the Bank has helped enterprises to achieve de-leveraging and lower cost. In 2016, the debt financing instruments of non-financial enterprises underwritten only by the Bank itself as the main underwriter exceeded RMB 400 billion, and the issuing interest rate was lower than the loan interest rate by averagely 107.5 basis points. The Bank saved more than RMB 7 billion of financial costs for enterprises in 2016. Meanwhile, the Bank provides more support for new economic growth points, small and micro enterprises and "innovative and entrepreneurial" enterprises. In addition, as an enterprise with significant pro-cyclical characteristics, the Bank continues to focus on enhancing its internal capacity under the situation of slowing macroeconomic growth, promotes the long-term mechanism construction of compliance management, improves the management capability of risk, compliance and internal control, and ensures a stable asset quality of the whole Bank.

Over the decade, as the first equator bank in China, the Bank has always upheld the "initial intention", and continuously worked in the field of green finance by overcoming difficulties and achieving innovations. It has developed a diverse green financial product system, including green finance, green leasing, green trust, green fund, green investment, green wealth management, green consumption, etc. to continuously strengthen the green gene of the Bank. By the end of December 2016, the projects supported by the green finance of the Bank have achieved the following emission reduction objectives: saving 26.4680 million tons of standard coal each year; reducing 74.0831 million tons of carbon dioxide emission each year. The amount of energy conservation and emission reduction is equivalent to the closing down of 170 100-megawatts heat power stations or the total amount of carbon dioxide absorbed by 7.4 million hectares of forests a year. The Bank always adheres to the social responsibility strategy of "integrating righteousness into profitability".

By actively responding to the policy of targeted poverty alleviation, the Bank gives full play to the group advantages and actively explores innovations so as to achieve in-depth poverty alleviation and warmer financial inclusion by precision IB poverty alleviation other than the traditional "flood irrigation" method. As at the end of December 2016, the Bank's loan balance of precision poverty alleviation was RMB 3.127 billion, an increase of RMB 1.642 billion and an increased rate of 110.57% from the beginning of the year; loan balance of unit precision poverty alleviation was RMB 2.022 billion, an increase of RMB 987 million and an increase rated of 95.36% from the beginning of the year. Previous glory will not last forever. Facing new challenges and opportunities, the Bank has already stepped into a new journey, and the crew of Industrial Bank will continue to uphold the pioneering and innovative spirit and make joint contributions to the century development of Industrial Bank.

Director/President
Tao Yiping



Declaration

• Notice

The Company's board of directors and all directors 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.

• Report name

"Sustainability Report" is the name of the annual social responsibility report by Industrial Bank. The using of this name reflects a combination of the Bank's corporate governance philosophy of sustainable development and corporate social responsibility.

• Reporting period

The reporting period was from January 1, 2016 to December 31, 2016. The time frame of part of the contents extended beyond the period above.

• Reporting cycle

This report is an annual report.

• Organizational scope of the report

This report covered all contents of the Company and part of the contents of its subsidiaries.

• Designations

"Industrial Bank", "the Company" and "the Bank" used in this report all refer to Industrial Bank Co., Ltd.

• Basis of compilation

This report was prepared in accordance with the Opinions on Strengthening the Social Responsibility of Banking Financial Institutions (YJBF [2007] No.252) issued by China Banking Regulatory Commission, the Notice on Strengthening the Undertaking of Social Responsibility of Listed Companies and the Release of the Guidelines of Shanghai Stock Exchange for Environmental Information Disclosure of Listed Companies and the Guidelines for the Preparation of the Report on Performance of Corporate Social Responsibility promulgated by the Shanghai Stock Exchange, the Guidelines for Corporate Social Responsibility of China Banking Financial Institutions released by China Banking Association, and with major reference to relevant contents of the following documents:

• Equator Principles III

• G4 Sustainability Reporting Guidelines released by the Global Reporting Initiative (GRI)

• Social Responsibility Guidelines (GB/T 36000-2015), Social Responsibility Report Writing Guidelines (GB/T 36001-2015) and Social Responsibility Performance Classification Guidelines (GB/T 36002-2015) jointly released by the State Administration of Quality Supervision, Inspection and Quarantine and the Standardization Administration

• ISO Guidance on Social Responsibility (ISO26000)

• The Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR3.0) released by the Chinese Academy of Social Sciences

• Data in the report

Part of financial data in this report originated from the Company's 2016 financial report and part of the data included data from previous years without material changes on the data acquisition and calculation methods. Unless otherwise stated, currency data in the report are in RMB.

• Report availability

This report was released both in hard copies and online. The online version is available at the Company's website at www.cib.com.cn.

• Priority of language

This report was published in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

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MANAGEMENT



Overview of Industrial Bank

About Industrial Bank

Established in August 1988, Industrial Bank Co., Ltd. (Industrial Bank in short) was one of the first batch of joint-stock commercial banks approved by the State Council and the People's Bank of China. It is headquartered in Fuzhou, Fujian Province and was listed on Shanghai Stock Exchange (stock code: 601166) on February 5, 2007. Over more than two decades since its establishment, Industrial Bank always adheres to the business philosophy "sincere service, common

growth", committing to providing clients with comprehensive, high-quality and efficient financial services. As of the end of 2016, Industrial Bank had a total asset of RMB 6085.895 billion, customer deposit balance of RMB 2,694.751 billion, and customer loan balance of RMB 2,079.814 billion; shareholders' equity attributable to the parent company was RMB 350.129 billion; non-performing loans(NPL) ratio was 1.65% and the provision coverage ratio was 210.5%.

| | | | |
|--|---|--|--|
| 60,858.95 RMB 100million Total assets | 26,947.51 RMB 100million Balance of customer deposit | 20,798.14 RMB 100million Balance of customer loan | 3,501.29 RMB 100million Shareholders' equity attributable to the parent company |
|--|---|--|--|



From left to right: Director/Vice President XueHefeng, Vice President Sun Xiongpeng, Director/President Tao Yiping, Vice President Li Weimin, Director/Vice President Chen Jinguang, Director/Vice President/Board Secretary Chen Xinjian

Ranking and major awards

The Banker

GLOBAL FINANCIAL INTELLIGENCE SINCE 1986

According to the "2017 Top 500 Global Bank Brands" published by international authoritative media British magazine The Banker and world famous brand evaluation agency Brand Finance, Industrial Bank ranked the **21st** by virtue of a brand value of **USD 10.567 billion**, ascending by **15 places** compared to last year and the brand value increased by **USD 4.112 billion**, with a growth rate of **63.70%**.

NO. 21

Ranking rises by 15 places compared with last year ↑

41.12 ↑
USD 100million

Growth rate:63.70%

Forbes NO. 59

According to the magazine Forbes "Top 2000 Global Enterprises", Industrial Bank ranked the 59th, and the 13rd among Chinese Mainland enterprises on the list.



According to the Top 1000 Global Banks 2016 published by British magazine The Banker, Industrial Bank ranked the **32nd** in terms of tier-one capital and ranked the **second** among Top 50 Global Banks in terms of the indicator "cost to income ratio".

NO. 129

Risen by 80 places compared with last year ↑

In "2017 Top 500 Global Valuable Brands", Industrial Bank has a substantially **risen by 80 positions** and ranked the **129th** among the top 500 brands.

According to the "2016 Top 500 Valuable Chinese Brands", Industrial Bank has been on the list for seven consecutive years and ranked the **130th** by a brand value of **RMB 25.084 billion**, an added value of **RMB 4.795 billion** over the last year. The brand value has increased by **834.22%** over the debut in 2010, and has made the **largest increase rate in the time period**.

V 250.84 RMB 100million
834.22%

财富 FORTUNE

According to the "2016 Ranking List of the World Top 500", Industrial Bank ranked the **195th** by virtue of its turnover of **USD 46.4464 billion**, ascending by **76 positions** compared to last year with the fastest climb speed and is on the rank finalist of "the Top 50 Highest-Grossing World Corporations among Top 500".

NO. 195

Risen by 76 places compared with last year ↑

NO. 35

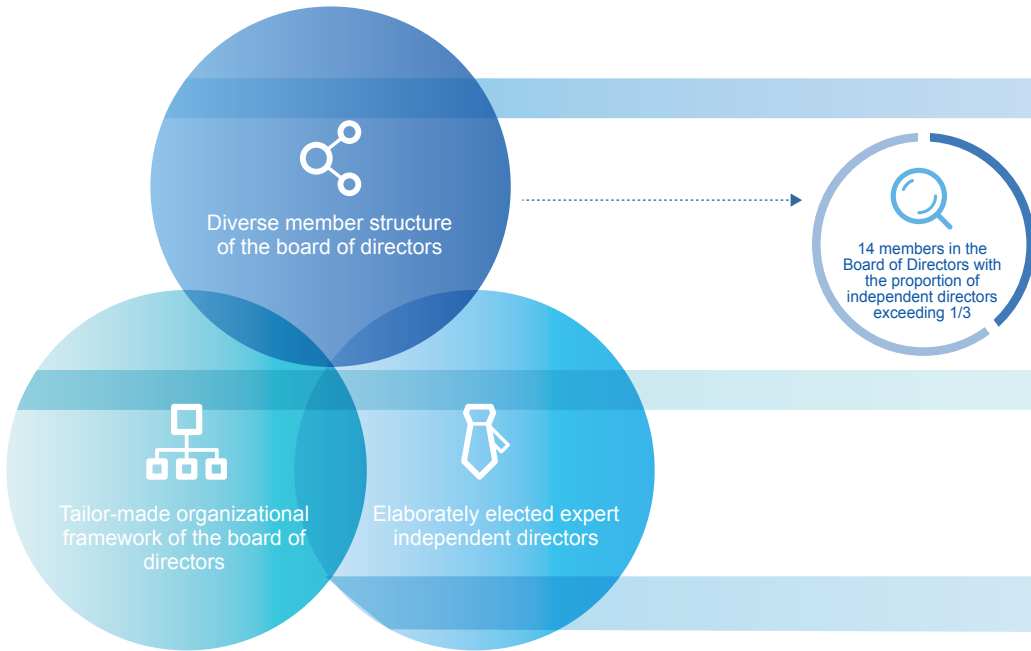
Rising by 5 places compared with last year ↑

S&P Global

According to the latest global bank ranking in published S&P Global Market Intelligence 2016, Industrial Bank ranked the **35th** by virtue of total assets of **USD 815.85 billion**, ascending by **5 places** compared with last year.

Overview of corporate governance

Board of directors



Diversified member structure of the board of directors

Since the establishment of the Bank, there have been nine boards of directors. Currently, the board of directors has 14 members and the proportion of independent directors exceeds 1/3. Member structure, which is diversified in terms of disciplines, regions and professions, has also experienced a gradual transition process from homogenization to pluralization to assist the board of directors in widening the field of vision, enhance the scientificity and pertinence of decision-making, and promote the sustainable development of the Bank.

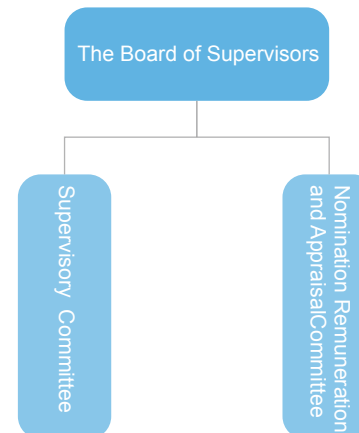
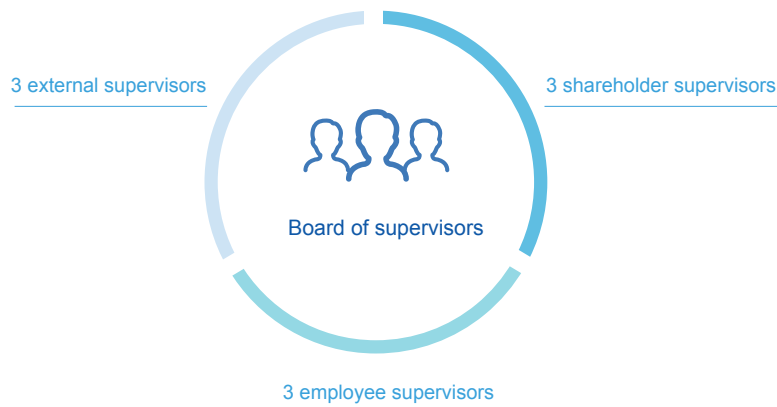
Tailor-made organizational framework of the board of directors

Strategy Committee, Risk Management Committee, Audit and Related Party Transaction Control Committee, Nomination Committee, Remuneration and Evaluation Committee are established under the board of directors. Except for the Strategy Committee, the positions of the chairmen of the other four committees are held by independent directors. Each committee plays an important role in assisting the board of directors' decision-making.

Elaborately elected expert independent directors

Currently, the Bank has 5 independent directors, who are all nominated by the board of directors. Their expertise covers corporate governance, bank management, capital market, accounting, audit, fiscal levy, micro-finance, Internet finance, etc. Their expertise and work experience are mutually supplemented and reasonably matched.

Board of supervisors

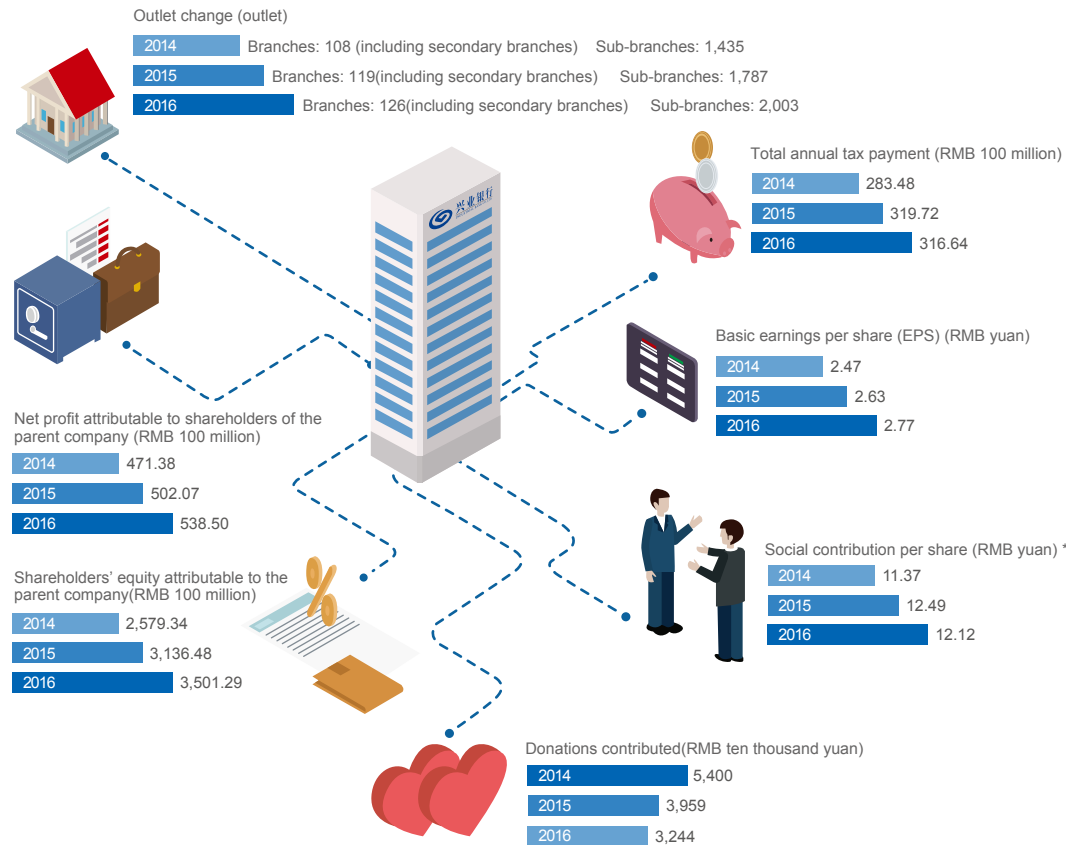
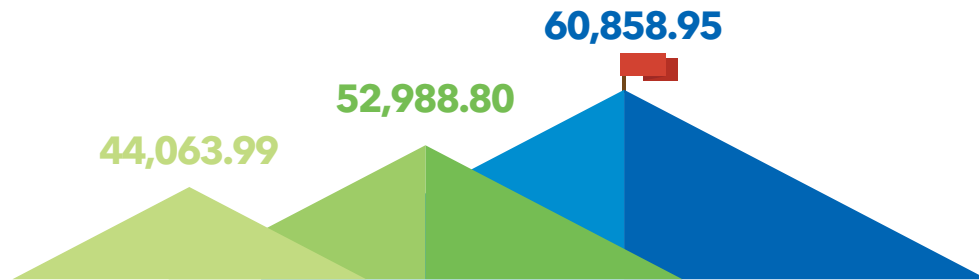


The Bank currently has 9 supervisors, including 3 shareholder supervisors, 3 employee shareholders and 3 external supervisors. Supervisory Committee and Nomination, Remuneration and Appraisal Committee are established under the board of supervisors and external supervisors take the position of committee directors.

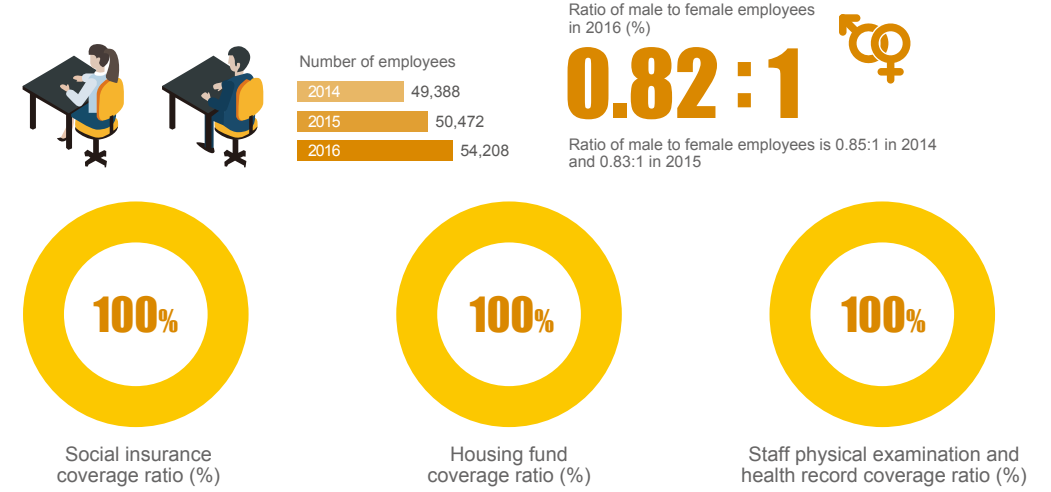
Key performance table

Economic performance

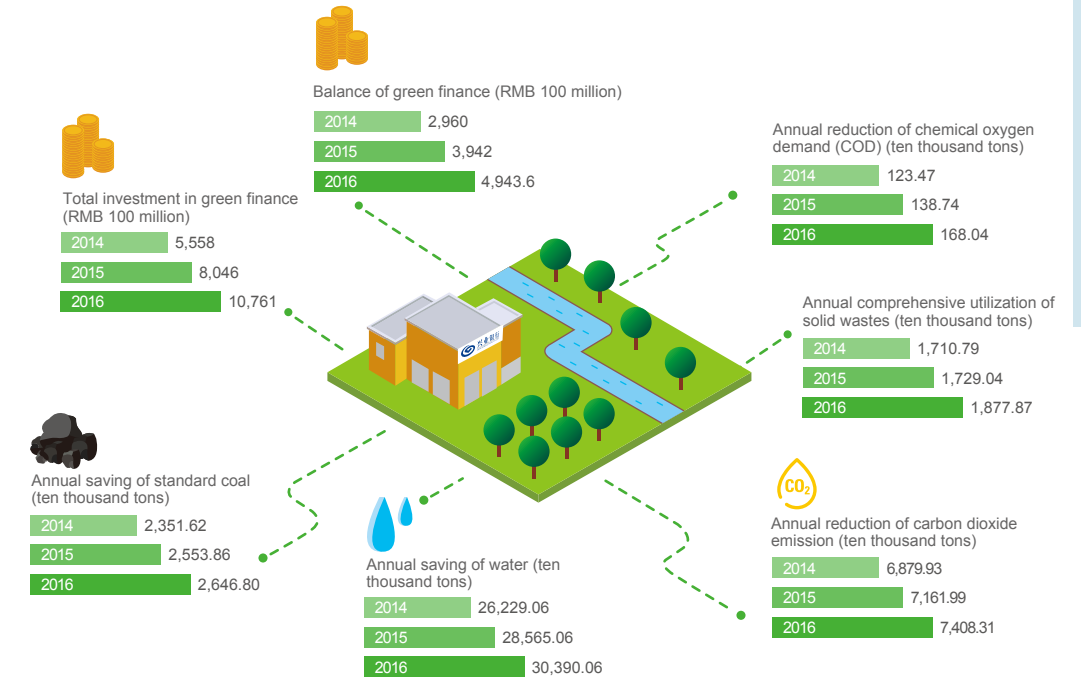
Total assets (RMB 100 million)



Social performance



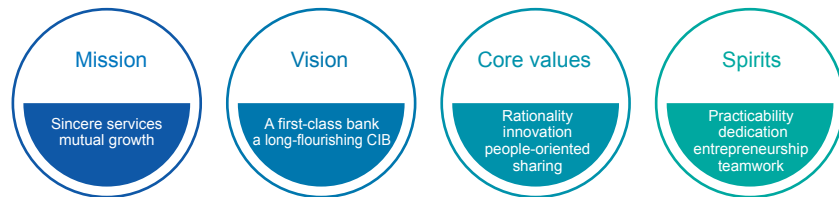
Environmental performance



*The "social contribution per share" hereof was calculated in the way stipulated in the Notice on Strengthening the Undertaking of Social Responsibility of Listed Companies and the Release of the Guidelines of Shanghai Stock Exchange for Environmental Information Disclosure of Listed Companies promulgated by the Shanghai Stock Exchange on May 14, 2008, i.e. Social contribution per share = Earnings per share + (Total tax + Employee expenses + Interest expenses + Investments in public welfare projects - Social costs) / Total capital at the end of the period.

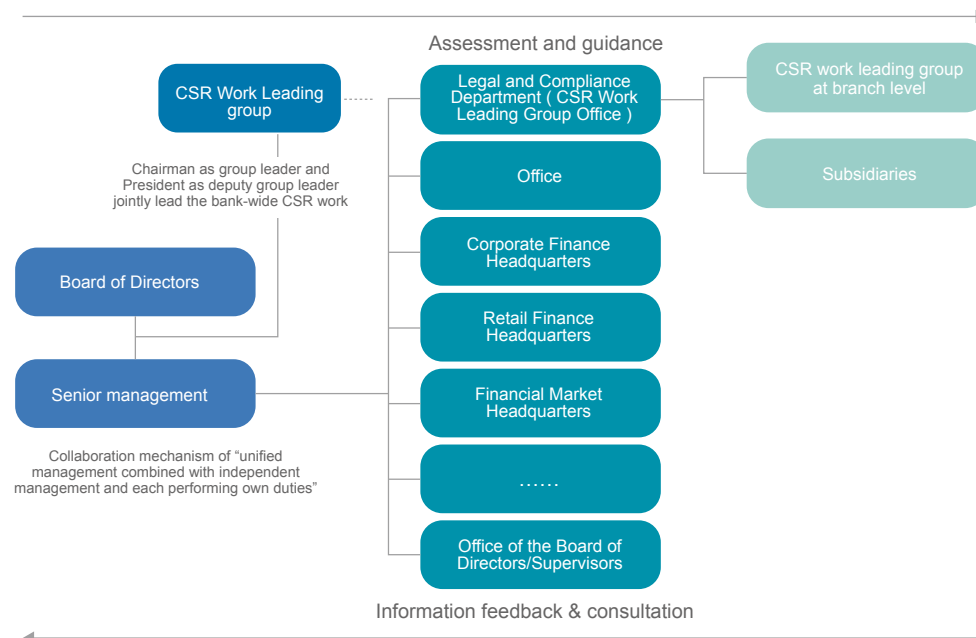
Sustainable development strategy in the group-oriented pattern

“Alternation of old and new things will not be stagnant with the change of time.” Since its listing in February 2007, Industrial Bank has stridden forward on the road of the creation of “a first-class bank, a long-flourishing CIB” and continued to make the mission of the enterprise of “exploring ways for financial reform and making more contributions to economic construction” into vivid reality, making the modern business ethnics of “integrating righteousness into profitability” spread abroad so as to find out a unique and effective way of sustainable development of commercial banks.



Improve the organizational structure of social responsibility management

In 2016, under the background of rapid development of group-oriented integrated services, the Bank continued to improve the Group’s organizational structure of social responsibility management and enhanced the professional operation mechanism of social responsibility management institutions and collaboration mechanism between headquarters and branches and between the parent company and subsidiaries to promote more effective integration of social responsibility work into the Bank’s group business operations and support the further optimization and upgrading of the Bank’s group business management.



Optimize the mechanism of social responsibility management

- Further promoting the quantitative management of social responsibility indicators:** the Bank revised 366 indicators of the social responsibility indicator system and 25 social responsibility information reporting templates respectively applicable to subsidiaries, branches and headquarters departments.
- Summarizing and promoting the excellent experience in the bank-wide CSR work:** the Bank regularly carried out the social responsibility monitoring and post evaluation work to comprehensively evaluate the social responsibility work of branches and selected the excellent cases of the social responsibility work for promotion in the Group.
- Systematically managing social responsibility indicators and information system:** over 2,000 pieces of social responsibility information were collected in 2016 by internal compliance control and operational risk management system, covering 43 branches and 5 subsidiaries.
- Continuing to explore the sustainable development path based on the Equator Principles:** the Bank continued to deepen the research on “Banking Sustainable Development-Empirical Analysis based on the Equator Principles” for providing important theoretical basis and feasible suggestions for the perfection and optimization of internal environment and social risk management policies and promotion of the sustainable development of the Bank’s group business. As of the end of 2016, 5 articles related to this topic have been published in the Journal of Financial Development Research, South China Finance, Credit Reference and other Chinese core journals, achieving periodic major research results.



- Strengthening publicizing and implementation of social responsibility idea through an electronic platform:** the Bank carried out the social responsibility training for the bank-wide personnel through the learning module of “Bank’s CSR and sustainable development” on the electronic training platform “Networking Academy” and a total of 793 people logged in to learn in 2016.

Promote the stakeholder interaction

In 2016, in the face of the risks and opportunities of sustainable development, the Bank paid attention to the stakeholder interaction and effective response in the operation management to implement the sustainable development of corporate governance and strategy in the specific business operations and fully considered demands of multiple stakeholders to effectively identify the key topics concerned by stakeholders and effectively promote the communication with shareholders, customers, communities and other stakeholders and their feedback.

| Stakeholders | Expectation and demand of stakeholder | Our response |
|--|---|--|
| 01 Regulatory authorities | Operation compliance Prudent operation Response to national strategic policies | Deepening the sustainable development concept Optimizing the social responsibility management model Promoting the construction of a long-term mechanism of compliance management Supporting structural reform of national supply-side Implementing "the Belt and Road" strategy Preventing and tackling financial crimes Participating in the exploration on sustainable development |
| 02 Shareholders | Stable returns Value growth Good relationship management | Positive results with realization of the return of value Improving corporate governance continuously Diversifying communication channels for value delivery |
| 03 Clients | Sincere services Creating value Paying attention to people's livelihood Mutual growth | Innovating the establishment of intelligent outlets Enhancing customer experience Growing together with small and micro enterprises Serving "rural areas, agriculture and farmers" Developing inclusive finance |
| 04 Partners | Improving communication Complementing each other with respective advantages Mutual benefits and win-win situation | Establishing a platform for resources sharing and joint development Implementing interbank communication and sharing experience of sustainable development Keeping communication and cooperation with environmental protection NGOs Implementing responsible procurement |
| 05 Environment and resources | Bringing financial leveraging into play Paying attention to global climate changes | Improving the environmental and social risk management system Enhancing the group-oriented development of green finance Adopting and implementing the Equator Principles Implementing green operation |
| 06 Employees | Creating a good environment Creating a fair development platform with equal opportunities Cultivating lifelong employment capability | Develop a high-quality corporate culture Improving the human resources system Respecting and protecting the rights and benefits of employees Establishing a fair occupational development path with equal opportunities for employees Caring about the mental and physical health of employees |
| 07 Communities | Assuming social responsibilities Obeying laws and regulations Participating in community development Committing to the highest business ethics Promoting social harmony | Promoting community banking services for residents Improving the financial awareness and capability of the public Implementing charitable and voluntary activities Maintaining good dialogue and cooperation with all stakeholders |

Diversify the channels of information disclosure

Sustainability Report

Since 2008, an annual sustainability report (and annual social responsibility report) has been published regularly every year to comprehensively report the Bank's social responsibility practice results.



CSR Special Issue

The Bank continued to issue the "Green to Gold" Corporate Social Responsibility, and timely summed up good practical experience and practices of the Bank's social responsibility.



We-Media

The Bank conveyed from multiple angles the Bank's sustainable development concept and social responsibility practice results through the Social Responsibility Column on the Bank's official website, Equator Principles Weibo, the Bank's WeChat Official Account and other we-media platforms to promote public transparency and external supervision.

Focus on the establishment of a long-term compliance management Mechanism



In 2016, the Bank thoroughly carried out the publicizing and implementation of Prohibited Behavior Order for Employees and issued Thirteen Prohibited Behavior Orders for Employees, together with the interpretation, publicizing and implementation of activities plan, and organized over 50,000 employees to sign the Letter of Commitment; the Bank also organized the branches to carry out 1,343 times of compliance training on learning the Orders, etc., and 325 times of publicizing and implementation of the Orders to strengthen the compliance awareness of employees and shape bank-wide compliance culture. Meanwhile, by taking the implementation of the Orders as an opportunity and combining with the spirit of the "Forum on the Establishment of a Long-term Mechanism of Commercial Bank Compliance Management" of China Banking Regulatory Commission, the Bank explored the promotion of the establishment of the bank-wide long-term mechanism of compliance management.

1,343 times

Compliance training including Orders learning

325 times

Orders publicizing and implementation

During the reporting period, the Bank further improved the internal compliance control and operational risk management (integration) tool applications, carried out 2016 annual risk and control identification and assessment and issued the Internal Compliance Control and Operational Risk Handbook of Industrial Bank (2016 Edition), collecting 95 major processes, 1,300 risk points, 2,154 control points, 929 internal control inspection key points and 1,372 internal control inspection issue entries to further improve the level of internal control compliance and operational risk management. In addition, the Bank continued to develop the anti-money laundering system, improved the customized suspicious transaction monitoring standards, put 22 independent monitoring models for suspicious transactions into operation, involving more than 180 telecommunication fraud and illegal fund-raising and other monitoring rules, and took the lead to carry out the development of counter-terrorism financing filtration system to enhance the quality and efficiency of anti-money laundering. In November 2016, the Bank won the first prize (group) in the Fujian Anti-money Laundering Vocational Skill Competition jointly held by Fuzhou Central Branch of People's Bank of China, Fujian Federation of Trade Unions and Fujian Provincial Committee of the Communist Youth League.



The first prize (group) in the Fujian Anti-money Laundering Vocational Skill Competition



In November 2016, the Bank won the first prize (group) in the Fujian Anti-money Laundering Vocational Skill Competition.

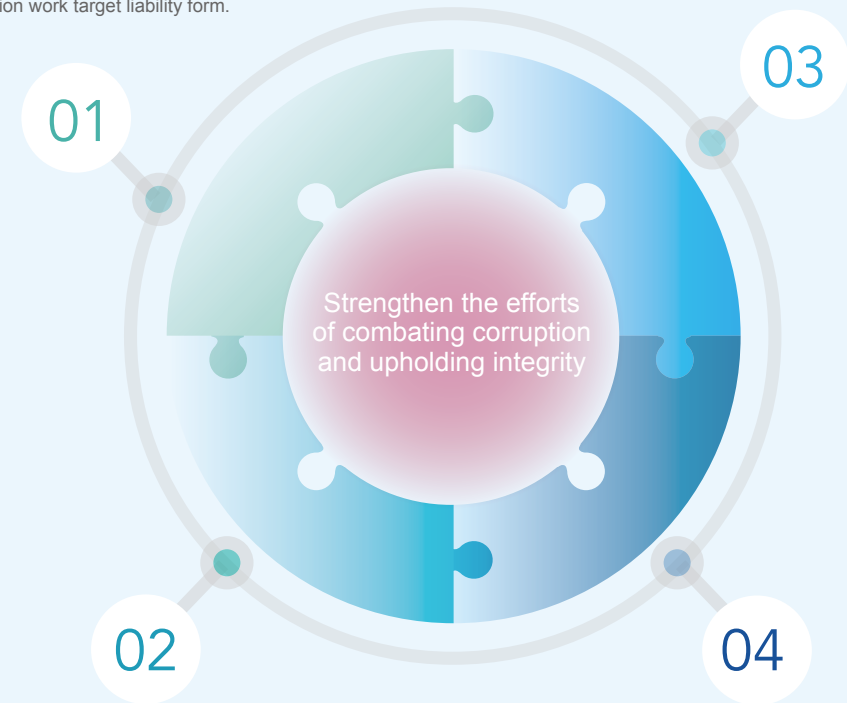
Strengthen the efforts of combating corruption and upholding integrity

Deepening the discipline education and enhancing the integrity consciousness of Party members and cadres:

by combining with "Two Studies, One Action" activities, and forwarding documents, hanging boards for propaganda, sending anti-corruption books and organizing online test and other ways, the Bank vigorously strengthened the study and implementation of Party Constitution and Party rules to build a strong foundation to resist corruption at all levels.

Continuously promoting the implementation of responsibility system of the construction of the Party conduct and of an honest and clean government:

the heads of the Commission for Discipline Inspection of the Headquarters, 42 branches and 3 subsidiaries signed a 2016 commission for discipline inspection work target liability form.



Implementing the spirits of Eight Rules and resolutely investigating and treating four undesirable work styles:

the Bank continued to strengthen integrity and self-discipline, and special work on practicing strict economy of leading cadres daily and during festivals. 27 responsible persons who were guilty of clubhouse consumption, purchase of top grade liquor, use of official cars exceeding the standards, travel with public funds and other behaviors violating the Eight Rules were respectively given Party discipline punishments such as expulsion from the Party, serious warning, warning, etc., and administrative punishments such as dismissal, demotion, warning, etc.

Improving petition case investigation and vigorously carrying out the supervision and enforcement of "Four Forms" work requirements:

in 2016, the Discipline Inspection and Supervision Department of the Headquarters accepted 55 petition and offence reporting cases in total and completed the handling of 45 of them. When the disciplinary violations of cadres of certain institutions are verified, they should assume the accountability. Putting disciplines and rules in the first place, disciplines are really taken as the ruler of Party governance and administrative integrity.

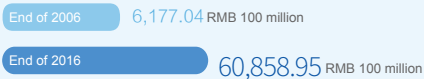


The Tenth Anniversary of Listing Writes a New Chapter in the Development of a Comprehensive Financial Service Group

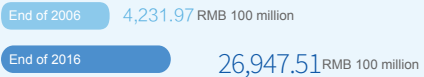
After ten years since its listing, Industrial Bank has developed rapidly and delivered an excellent performance

The number of institutions increasing from 390 at the time of listing to 2,003 at present, establishing a huge service network covering the whole country and connecting China and the world, and the number of employees rising from over 10,000 to over 50,000. The Bank has gradually grown into a modern financial services group with banking as the major business and covering trust, leasing, funds, consumer finance, futures, asset management, research and consultation, digital finance and so on.

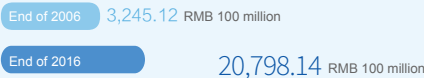
Asset size
Compound Annual
Growth Rate **25.71%** ↑



Total deposit
Compound Annual
Growth Rate **20.34%** ↑



Total loan
Compound Annual
Growth Rate **20.41%** ↑



Shareholders'
equity
Compound Annual
Growth Rate **35.98%** ↑



Ten years ago, to cope with the global climate change, increasingly prominent environmental problems and other issues, Industrial Bank started to consider the relationship between stakeholders and its sustainable development when becoming a listed company. Its corporate governance philosophy as gradually developed from "putting shareholders' interests first" to "giving consideration to various stakeholders' interests" and then to "fully considering the demands of multiple interested parties". Thus, it has comprehensively established the corporate governance philosophy of "sustainable development" and brought social responsibility and sustainable development into its development strategy. In particular, the Bank creatively put forward the social responsibility practice view of "integrating righteousness into profitability", built an excellent situation where humans, nature, environment and society coexist in harmony, and achieved the harmonious development of comprehensive economic benefits and social and environmental benefits through innovations in business models.

Currently, under the background of China's 13th Five-year Plan, the Bank focuses on the transformation direction of "light capital and high efficiency". Relying on the group-oriented and integrated business advantages, the Bank enhances "three capabilities", i.e. settlement, investment and trading, and "four wheels", i.e. institution finance, retail finance, investment banking and asset management. In addition, the Bank develops seven core business groups, including urbanization and supply side finance, investment banking, green finance, senior care finance, comprehensive services for small-and-medium-sized financial institutions, assets management and wealth service, and transaction banking. By continuously accelerating the pace of transformation and innovation, the Bank strives to build a first-class banking group with the most comprehensive financial innovation capabilities and service features.

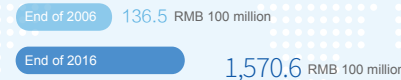


Since its listing, the group-oriented and integrated management process of Industrial Bank continued to accelerate

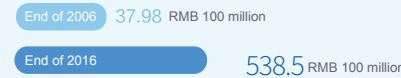
Since 2010, the Bank has successively set up China Industrial International Trust Limited, Industrial Bank Financial Leasing Co., Ltd., CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd., CIB Research, CIB FINTECH and other institutions, and now is one of domestic commercial banks with the most financial licenses and has 4 directly-controlled (wholly-owned) subsidiaries, 7 indirectly-controlled subsidiaries and 6 participating stock companies.

Meanwhile, Group collaboration linkage was continuously strengthened, and the core capabilities of its subsidiaries were further improved. The proportion of its non-banking business revenue continued to increase. As of the end of 2016, the total net profit of its subsidiaries was RMB 2.876 billion, with a year-on-year growth of 12.87%, accounting for 5.34% of the Group's net profit, with a year-on-year increase of 0.27 percentage point. China Industrial International Trust Limited, Industrial Bank Financial Leasing Co., Ltd., CIB Fund Management Co., Ltd. and other subsidiaries ranked among the first echelon in the industry and CIB Research signed a strategic cooperation agreement with nine small and medium banks, providing research reports, regular exchanges and other deep think tank services for them, marking the starting and development of the market-oriented exploration. By taking Hong Kong Branch and Free Trade Zone Branch as the platform, Industrial Bank accelerated the pace of internationalization development so that the cross-border financial business has developed rapidly, comprehensive diversified financial service ability has established good reputation credibility in the domestic and foreign customers and the international influence and brand value have been improved steadily. In 2016, the board of directors approved the establishment of Industrial Bank International Finance Holding Co., Ltd. in Hong Kong to better adapt to the internationalization process of China's economy and finance, and serve the "One Belt, One Road" Initiative, RMB internationalization and other major strategies. In the new normal of economy and new pattern of finance, "risks" and "opportunities", i.e. challenges and opportunities, for the development of China's banking coexist. Industrial Bank will respond actively, strive to survive by transformation and develop with innovation, explore new businesses, expand service groups, optimize the management and improve professional ability to continue to achieve new breakthroughs and development in the sustained and healthy development of the economy, society and environment.

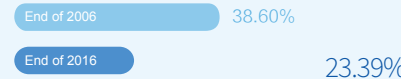
Operating revenue
Compound Annual
Growth Rate **27.67%** ↑



Net profit
Compound Annual
Growth Rate **30.37%** ↑



Cost-income ratio
Declining by **15.21%** ↓



Serve the real economy and help make a good start for the “13th Five-year Plan” / 28

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DEVELOPMENT



Serve the real economy and help make a good start for the “13th Five-year Plan”

The “13th Five-year Plan” has clearly defined the aims of deepening the reform of the financial system in the next five years. Therefore, the Bank is committed to promoting the rebalance of the relationship between finance and the real economy, improving the efficiency of finance to serve the real economy and the ability to support economic transformation, and giving full play to its unique advantages and status in cost reduction, de-leveraging and other aspects. This has derived a series of financial innovation initiatives to serve the real economy.

Vigorously Promoting the Supply Side Finance



By coordinating with the supply side structural reform, the Bank has developed and improved a series of financial service programs on the supply side to increase the investment and financing support for reform deepening, new urbanization construction, strategic emerging industries, and industrial transformation and upgrading of some key areas. The Bank has also safely retreated from, in a variety of ways, “zombie enterprises” or enterprises and backward production capacity whose environmental protection and safe production fail to meet the standards and are unable to be rectified and reformed, so as to promote the transformation and upgrading of enterprises and optimize the layout of businesses.

Adopting differentiated credit policies to boost the country’s cut of excessive industrial capacity

As a joint-stock bank with the largest asset size, according to national and local government policies, when strengthening the risk management and control in the industry and resolving quantity risks, the Bank has also made detailed differentiated credit policies with “protection, control and suppression” in terms of the customer access, business guidance, quota management and other aspects. In addition, knowing what the right things to do are, the Bank has avoided “uniform criterion” during the process of cutting overcapacity to steadily

promote the relationship between cutting overcapacity and meeting the reasonable demand for capital of enterprises, and realize a win-win situation among the Bank, the government and enterprises. As of the end of December, the balance of the Bank’s five industries with severe overcapacity, including steel, cement, electrolytic aluminum, ships and flat glass, was RMB 112.484 billion, decreasing by RMB 6.427 billion over the beginning of the year.

Meanwhile, the Bank has given a full play to the advantages of its integrated operation of multiple licenses to strengthen financial innovation and business interaction, and reduce such corporate financing cost. For example, by cooperating with a wholly owned subsidiary, Industrial Bank Financial Leasing Co., LTD, the Bank has transacted financing lease business for a total amount of RMB 1.3 billion for Yankuang Group, effectively reducing its financial cost. The Bank has also striven to develop investment bank business, trade finance, direct investment by insurance companies and other businesses. The Bank has underwritten the debt financing instruments for the coal enterprises in Shanxi Province for a total amount of RMB 41.8 billion. Especially, in the tough market environment of 2016, the Bank have issued bonds for seven coal enterprises for RMB 5.5 billion,

effectively alleviating their financial strain.

In addition, as a domestic leader in green finance, the Bank has retained the green finance concept, project evaluation criteria and methods throughout the process of developing business and resolving the credit risks of industries with overcapacity. The Bank has set access standards in terms of work safety, environmental protection, energy consumption and other aspects of industries with overcapacity. It prefers business entities that meet the requirements of green finance, supports energy saving and environmental protection projects, and actively promotes the gradual transformation of low-end and backward production capacities to high-end, advanced and green ones.

Implementing integrated strategies to support enterprises to achieve de-leveraging and lower costs

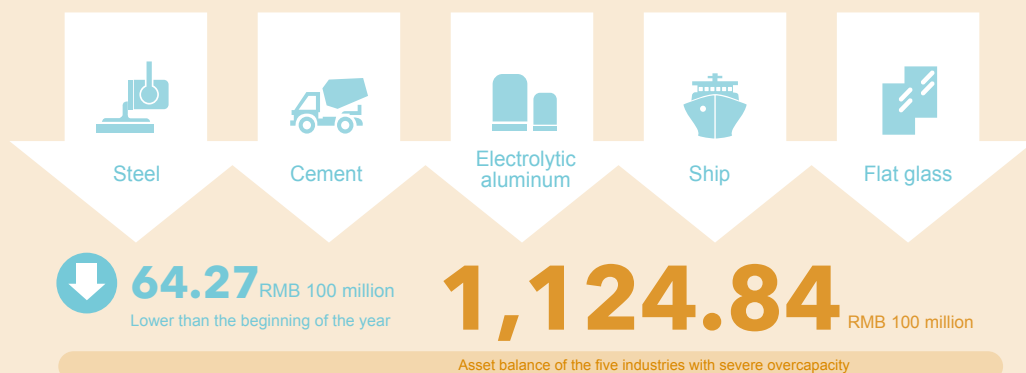
With the better situation of integrated business and the development of “big investment bank” business, the Bank has actively adapted to the new normal of economy, and taken into full consideration the leverage characteristics for different types of industries and enterprises. Through multiple ways of direct financing, including debt financing instruments, equity pledge financing, industry-guiding funds, etc., and by combining with the advantages of multiple licenses, the Bank has taken comprehensive measures to actively strengthen the innovative application of products, achieved a mix of innovation to promote non-financial enterprises to increase the proportion of direct financing, and actively paid attention to and prudently promoted pilot projects of debt-to-equity swap to effectively help enterprises de-leverage.

assets of enterprises, and helps reduce the leverage of the real economy in the process of continually increasing financial supply. For small and microenterprises, the Bank additionally exempts 8 charge items, including legal person overdraft charges, acceptance commitment fees, and daily financial advisory services fees, etc. to effectively reduce corporate financial costs.

Through the coordination and interaction among banking, trust, leasing, fund, securities, asset management and other businesses, the Bank provides enterprises with comprehensive financing services such as “**equity + creditor’s rights**” and “**financing + collaborative intelligence**”, and continues to **innovate and improve the industry funds products, revitalizes the stock**

As of early December 2016, the non-financial corporate debt financing instruments mainly underwritten by the Bank exceeded RMB 400 billion, ranking the first among joint-stock banks and the third in the whole market; and the fund transacted through the bank counter, in terms of enterprise asset securitization business, amounted to RMB 89.339 billion.

In order to save the financing costs of Ganzhou transportation infrastructure, the Bank actively promoted product innovation and issued letters of guarantee to overseas banks to introduce low-cost offshore funds through leasing companies, and finally granted financing of USD 7 million of to Ganzhou Expressway Co., Ltd. with a comprehensive cost lower than the benchmark interest rate by 5%, far below the market interest rate at that time.



Excessive leverage of non-financial enterprises has become China’s economic “growing pains”. At the end of 2016, the Central Economic Working Conference required that “under the premise of controlling the total leverage ratio, priority should be given to reduce enterprises’ leverage ratio”.

Industrial Bank’s opinion
When stabilizing the debt financing, increasing the proportion of direct financing is the most direct and effective method to reduce leverage ratio.”

As of early December 2016

over **4,000** RMB 100 million

The underwriting scale of non-financial corporate debt instruments

Transacted through the bank counter

893.39 RMB 100 million

Business related to enterprise asset securitization



Launching the first domestic “pledge and credit granting by hedging standard warehouse receipts intended to be delivered” business

By taking the standard warehouse receipt of Shanghai Futures Exchange, which enterprises intend to deliver, as the pledge guarantee, the Bank launched the first domestic “pledge and credit granting by hedging standard warehouse receipts intended to be delivered” business in Shanghai. On the basis of bank loans, enterprises only need to pay 10% of the worth of the standard warehouse receipts they intend to buy, to purchase the standard warehouse receipts in Shanghai Futures Exchange, achieving a flexible turnover of capital and greatly reducing the transaction costs.

RMB 50 billion to support Fujian’s “improving weak links”

“Industrial Bank plans to newly invest RMB 50 billion to support the construction of Fujian’s key project of ‘improving weak links’ and help the supply side structural reform of Fujian during the ‘13th Five-year Plan’.” On May 5, 2016, Xue Hefeng, the Vice President of Industrial Bank, said so at the “Introduction and Marketing Event for Key Projects and Businesses to Serve Fujian’s ‘Improving of Weak Links’” held by the Bank.

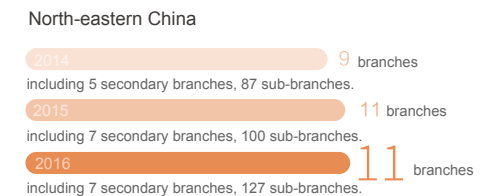
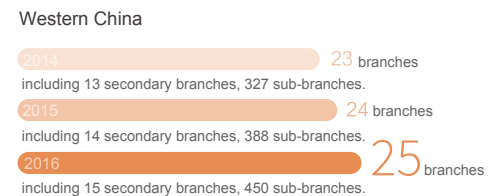
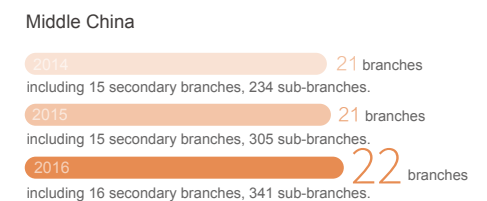
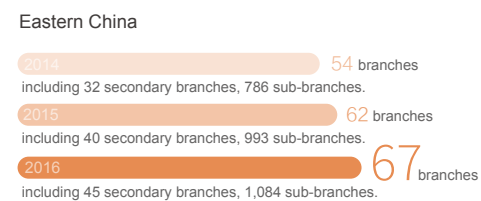
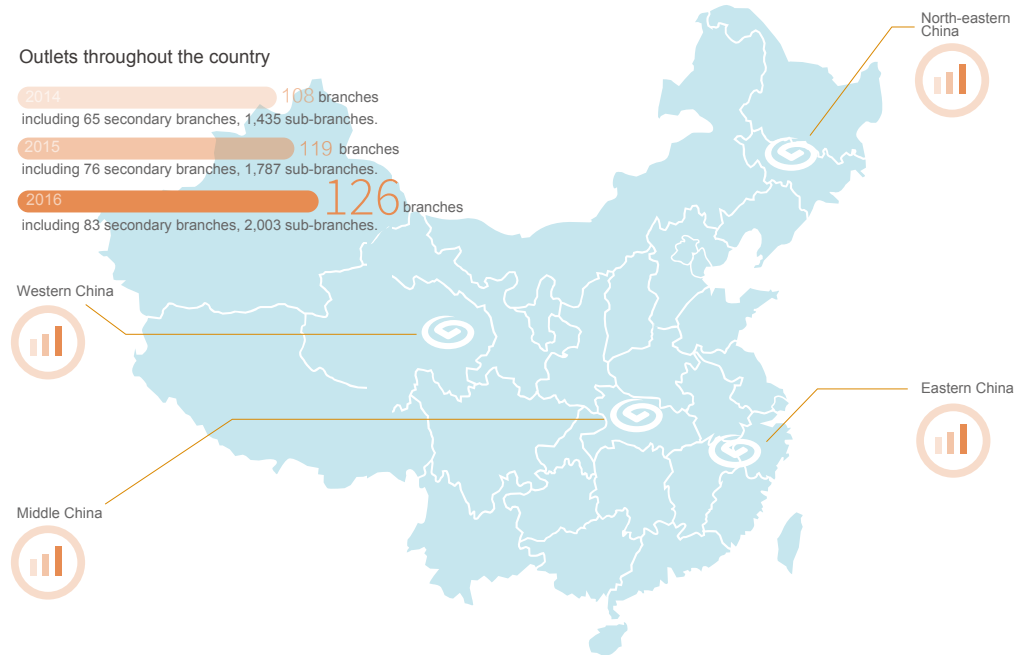


The Vice President, Xue Hefeng (fifth from right), attended the “Introduction and Marketing Event for Key Projects and Businesses to Serve Fujian ‘Improving the Weak Links’ by Industrial Bank”.

In 2016, the Bank issued the *Opinions on the Implementation of the Construction of Key Projects of Improving Weak Links of Fujian Province through Financial Service*, mainly focusing on the infrastructure, emerging industries and social undertakings. It actively catered to major construction projects which are in line with national and regional strategy implementation, contribute to industrial transformation and upgrading, and help to improve people’s livelihood. Among over 2,000 “improving weak links” key projects first designated by Fujian provincial government, the Bank initially selected 439 intention projects and planned to add RMB 50 billion of financial support, involving transportation, energy, water conservancy, and transformation and upgrading projects like municipal infrastructure construction, advanced manufacturing industries, high-end equipment manufacturing and logistics industries, etc., and health and senior care industries, education and cultural industries and so on. As of the end of 2016, the Bank reserved 163 “improving weak links” projects of Fujian, and 64 of them were approved, with the credit amount reaching RMB 37.48 billion. The Bank invested RMB 3.61 billion in the construction of many key “improving weak links” projects, including the 6th generation panel line of Putian CPTF Optronics Co., Ltd., Sanming flood control and drainage series, Xiamen Rail Transit Line 1, etc.

Innovative services to support national strategies

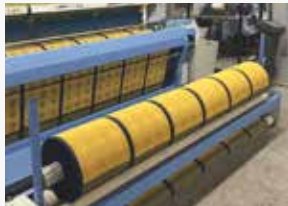
In 2016, the Bank continued to support national strategies, including the “Belt and Road Initiative”, coordinated development of Beijing, Tianjin and Hebei, the Yangtze River Economic Zone, etc. The Bank actively participated in major national strategies and livelihood projects, gave full play to the role of “blood transfusion” and “hemopoiesis” of finance in the real economy, and undertook the responsibility of a financial enterprise with solid work.





Channeling resources to jointly construct Xinjiang

According to the overall strategic layout of regional development in old revolutionary base areas, ethnic minority areas, border areas and undeveloped areas, the Urumqi Branch gives priority to the credit services for agriculture, farmers and rural areas, channels credit resources to support the development of featured agriculture in above-mentioned areas, develops low-carbon and ecological cycle industries, improves financial services for small and microenterprises and people's livelihood, and promotes the economic development in above-mentioned areas. As of the end of 2016, the Branch granted RMB 12.102 billion of agricultural loans, increasing by RMB 2.325 billion over 2015. It also granted RMB 539 million of credit balance to four prefecture-level cities in southern Xinjiang and RMB 1.696 billion to main impoverished counties in Xinjiang, including Atushi, Hotan and Qapqal.



The Urumqi Branch has strengthened the economic construction in the four prefecture-level cities in southern Xinjiang and provided continuous credit support to Aksu Textile City Development Co., Ltd.



The Urumqi Branch has signed a framework cooperation agreement concerning small and micro technology enterprises with the Department of Science and Technology in Xinjiang Autonomous Region, striving to improve the financial services in small and microenterprises and people's livelihood.



The Urumqi Branch has cooperated with the Sunshine Small Loan Co., Ltd. As of the end of 2016, a total of 4,389 small loans were issued to laid-off and unemployed workers, with a total amount of RMB 232.79 million.



"Group operation" comprehensive finance supporting the new Fujian construction

In 2016, the Bank set up the Fujian business headquarters, with Tao Yiping, the President of the Bank, as the President and several vice presidents as executive presidents. The headquarters play the role of coordinating and promoting financial businesses of the Industrial Bank in Fujian Province, unifying and coordinating the financial resources of the whole Group, and further strengthening the financial services in Fujian from such aspects as systems and mechanisms, operating management, etc. As of the end of 2016, the balance of the Industrial Bank's loans in the province amounted to RMB 399.4 billion, a year-on-year increase of 14.9%. In 2016, the Bank invested RMB 75.7 billion in Fujian Province in terms of non-standard investment, bond investment, financial leasing, consumer finance and other products, an increase of 65%, namely RMB 29.8 billion, compared with the previous year. The Bank underwrote RMB 43.2 billion of non-financial corporate debt financing instruments for provincial and key enterprises, an increase of 54%, namely RMB 15.1 billion, compared with the previous year. The Bank actively introduced funds of RMB 126.2 billion through entrusted loans, trust schemes and asset management products, etc. to support the economic development of Fujian Province. Over the past three years, the Bank paid more than RMB 50 billion of taxes in the province, ranking the first in Fujian for several successive years.

On June 18, 2016, the Industrial Bank, with a dozen subsidiaries, appeared in the 14th China Cross-Straits Technology and Projects Fair (CSTPF) to provide comprehensive and diversified financial services for enterprises.



The Vice President, Xue Hefeng (sixth from right in the front row) led the delegation attending the 14th China Cross-Straits Technology and Projects Fair (CSTPF)

On October 10, 2016, Industrial Bank and the Fujian Provincial Department of Finance jointly initiated the establishment of "Fujian Provincial Government Public-Private Partnership (PPP) Guidance Fund" with a scale of RMB 20 billion to support the investment and financing mechanism innovation in Fujian's infrastructure and public services and serve the local economic and social development.

On July 8, 2016, Industrial Bank initiated the establishment of the "Investment Fund for Enterprise Technological Transformation of in Fujian (limited partnership)" with a scale in the first phase of RMB 8 billion to support enterprises' technological transformation and upgrading, reduce financing costs, optimize the structure of assets and liabilities, and to serve the supply side structural reform. As of the end of 2016, the Bank has landed on 23 projects with the investment scale reaching RMB 2.185 billion, achieving the full coverage of the technological transformation projects in Fujian Province (excluding Xiamen) and saving RMB 66 million for enterprises undergoing the technological transformation.

A client said

It greatly reduced the financial costs and eliminated our worries about the development of the company. It also set up a flexible repayment plan according to the situation of the enterprise's production and operation, which really brought us a lot of benefits. -- Head of Fujian Sanming Textile Co., Ltd.

Saving **66** RMB million
Costs saved for enterprises undergoing the technological transformation

23 projects **21.85** RMB 100 million
The investment scale of 23 projects



The President of the Bank, Tao Yiping (third from right in the rear row), attended the "Signing Ceremony of the Joint Strategic Cooperation Framework Agreement on Promoting the Construction of Marine Economy in Fujian Province".

In September 2016, the Industrial Bank successfully underwrote the first DFI (unified registration of a variety of debt financing instruments business model) as the main underwriter in Fujian Province and issued RMB 1 billion. The issue price has been the lowest among the securities loans of the same time limit and rating in the local state-owned enterprises recently. Thus, Industrial Bank has further enriched the ways of financing for enterprises in Fujian Province, reduced the financing costs and significantly improved the financing efficiency and flexibility.

On October 12, 2016, the Bank and Fujian Provincial Ocean and Fishery Department reached a strategic cooperation agreement to jointly promote the construction of marine economy in Fujian Province, and participated in the initiation of the establishment of the special industry fund for promoting marine economy construction with a scale of RMB 10 billion to promote the reform on the supply side of Fujian's marine industry.

"Group operation" Comprehensive Finance Supporting the New Fujian Construction

397.6

RMB 100 million

a balance of financing of projects in nine key fields

The Bank has provided a credit of RMB 130.359 billion for the projects in nine key fields in Fujian Province, including transportation, new urbanization, energy engineering, water conservancy, high-tech and digital engineering, industrial development, modern agricultural development, exchange between Fujian and Taiwan and green ecology, with a balance of financing of RMB 39.76 billion.

563

RMB 100 million

Investing funds of key projects in the leaping development action plan for Fujian's science and technology development

It has supported 190 key projects in the leaping development action plan for Fujian's science and technology development, providing a credit of over RMB 100 billion, and investing funds of RMB 56.3 billion.

450

RMB 100 million

Investment in local government bonds

It has cumulatively invested a total of RMB 45 billion in local government bonds and underwritten a total of RMB 43.2 billion of debt financing instruments in the province.

454.26

RMB 100 million

Providing credits for intelligent manufacturing enterprises in Fujian Province

It has served 252 intelligent manufacturing enterprises in Fujian Province, providing credits of RMB 45.426 billion and investing over RMB 30.8 billion.

709.74

RMB 100 million

Financing trust for the enterprises in the province

Through the issuance of the simple trust and collective trust, Industrial Bank International Trust Company has provided a total of RMB 70.974 billion of financing trust for the enterprises in the province, strongly supporting the development of more than 30 large enterprises, such as Fujian Energy Group.

85.8

RMB 100 million

Provided leasing funds for the enterprises in the province

Industrial Bank Financial Leasing Company has provided leasing funds of nearly RMB 8.58 billion for the enterprises in the province.

Asset securitization effectively served the real economy

In 2016, the Bank was awarded a number of awards in the first annual selection of China asset securitization, and it paid off by applying asset securitization to serve the real economy effectively.

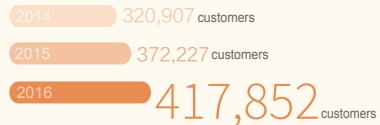


Among these awards, "Huzhou Housing Fund Xingqian No. 1", which won "2016 Housing Fund Loans ABS Best Asset Award", is the first product of housing fund asset securitization listed on the stock exchange. It has played a unique role in revitalizing the stock assets in local provident fund centers, improving the capital usage efficiency of the provident fund, supporting the real estate's "de-stocking" and ensuring people's needs.

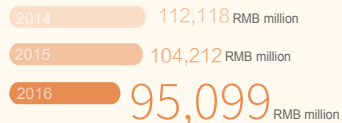
In recent years, in order to shape the pattern of "big investment bank" business system, the Bank has given the asset securitization a positive role in "cutting overcapacity, de-stocking, de-leveraging, reducing costs, and improving weak links" and other aspects. Its product types are getting increasingly abundant, and the basic assets involve housing provident fund loans, general enterprises' receivables, usufruct of power line communication, lease payments receivable and other types. The rapid development of asset securitization business has been continually improving the efficiency and quality of serving the real economy. In 2016, the Bank issued a total of RMB 153.927 billion of asset securitization products, accounting for more than 18.28%, and continued to take a leading position in the industry.

Supporting the entrepreneurship and innovation of small and microenterprises and continuing to improve the systems and mechanisms

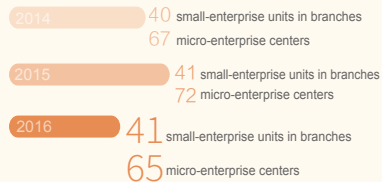
Bank-defined small enterprise customers



Bank-defined small enterprise loan balance



Quantity of professional organizations for small enterprises' financial services (organizations)



In 2016, the Bank has constantly improved the systems and mechanisms for the small and micro businesses, actively explored the construction mode of "credit factory" for the small and microenterprises, strengthened the business incentives and resources inclination for the small and microenterprises, and improved the ability of financial services for the small and microenterprises. As of the end of December 2016, the "Trident" ("Easy Fast Loan", "Trade Loan" and "Consecutive Loan") alone provided about RMB 37.875 billion of financing support for more than 8,886 small and microenterprises. Meanwhile, the Bank has further improved the professional operational framework of small and microenterprises, which constitutes three levels of organizations: the small-enterprise units in the Head Office, the small-enterprise units in branches and urban small-enterprise centers, to build a professional service team with the small-enterprises of the Bank, continue to expand the scope of financial services provided to small and microenterprises, strengthen the product creation and design systems in both the Head Office and branches based on different regional characteristics, and vigorously promote the small and microenterprises cluster business to be launched.

As of the end of 2016, the Bank owned 374 small business franchise teams, 1,246 small business staff members, and 579 small enterprises' industrial clusters with a loan balance of RMB 26.791 billion.



Sparing no efforts to promote the "Industrial Keeper".

The Bank took the lead to achieve the mobile financial services for the small and microenterprise customers in terms of "account management, financial audit, transfer and remittance, payment password system, and mobile working. Only with a mobile phone, one can make external payment and transfer through an enterprise account wherever and whenever for 7*24 hours, which is free of charge and helps medium, small and micro-sized enterprises, particularly small and micro ones, increase their operational efficiency and reduce their financial costs. As of the end of 2016, the "Industrial Keeper" reached an agreement with a total of 35,871 customers, with 802,500 external payments and a total of RMB 48.147 billion, saving RMB 4.8558 million of charges for transfers and remittances for small and microenterprises.

Optimizing and improving the products that support loan renewal without repayment of the principal for small and microenterprises.

The Bank has further clarified the product positioning of "Consecutive Loan", simplified the operation process and the procedures of examination and approval, and expanded the range of application, effectively reducing the cost of capital turnover for enterprises. As of the end of December 2016, the Bank conducted 9,901 online loans with an amount of RMB 970 million; the cumulative amount of "Consecutive Loan" reached RMB 1.31 billion.

Building an "entrepreneurial finance" service system for small and microenterprises.

The Bank has kept up with the rapid development tendency of China's multi-level capital market, focused on high-quality small and microenterprises customers of the entrepreneurial, innovative and technological type, actively researched and developed a new financing mode for small and microenterprises combining stocks

and bonds, continuously explored an "entrepreneurial finance" service system by integrating "settling and managing accounts, debt financing, equity financing, and counseling services", and effectively satisfied the emerging industry consumers' financial service needs. As of the end of 2016, the NEEQ (National Equities Exchange and Quotations) customers cooperating with the Bank reached 1,848, accounting for 18.07% of all the NEEQ customers.

Continuously improving the "Internet + bank + platform" online financing mode for small and micro finance.

By featuring "Online Self-service Circulating Loan" and "Industrial E Financing" online financing, the Bank has been carrying out system optimization and upgrading, revision and improvement concerning the "Online Self-service Circulating Loan", enhancing small and microenterprises' autonomy in paying loans, and solving the geographical restrictions to provide more personalized service solutions for customers.



Industrial Bank's "Bank-Tax Interaction" products open up a new financing channel for small and microenterprises

By cooperating with tax authorities, the Bank has explored and developed "Tax E Loan", a new financing mode for small and microenterprises, realizing the information exchange between the banks and the tax authorities. The Bank can estimate and rate the operating status and credit situation of a small and microenterprise through its tax information and shorten the loan approval time into a few days, which solves the two major problems bothering small and microenterprises, the long period and high requirements of the examination and approval of bank loans, and promotes small and microenterprises to honestly pay the taxes at the same time. At present, Industrial Bank has provided "bank-tax interaction" loans of more than RMB 7.6 billion for 15,549 enterprises that pay taxes honestly.

A client said

It took less than a week from online application to loan granting, and really helped the company out." Wang Wei (pseudonym) was a young farmer entrepreneur. Thanks to the company's good taxation records, he submitted online loan application, and staff of Industrial Bank came to Wang's company the next day and a credit loan of RMB 1.5 million was approved soon.



A client said

This year, a Scale 15 typhoon, "Meranti", swept through Xiamen, resulting in power failure and computer paralysis, but the company's fund payments system was not interrupted, because we could directly make payments through 'Industrial Keeper' in the mobile phones. We did business as usual!"

-- Weng Yayan, head of Xiamen Ameson New Material Inc.



Sincerely repaying the shareholders and enhancing the effectiveness of information disclosure

Solid growth in performance and excellent value return

“Outstanding Board of Directors of Chinese Strategic Listed Company in 2016”
21st Century China Business Herald

The Chairman of the Bank, GaoJianping, won the award of “the Most Respected President of the Chinese Listed Companies in 2016”
21st Century China Business Herald

“Top 20 Best Practices of the Listed Company Board of Supervisors”
The highest award of the listed company board of supervisors elected by China Listed Companies Association, Shanghai Stock Exchange, and Shenzhen Stock Exchange.

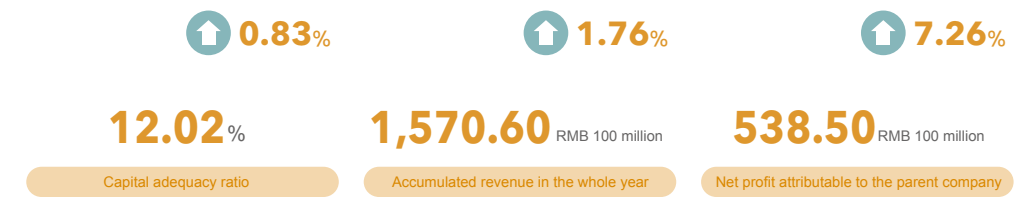
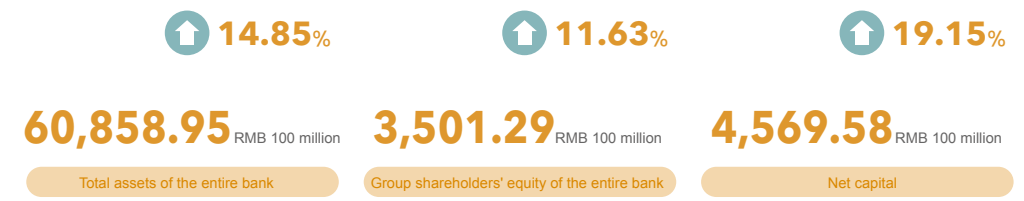
“2015 Annual Taurus Most Profitable Company”
China Securities Journal

In 2016, the domestic macro-economic operation was slow but gradually stable, but the downward pressure was still huge. The continuous appearance of new financial models and new commercial activities has resulted in an increasing pressure on commercial banks. Confronted with severe challenges, the Bank has been strictly implementing the main working plan of “stabilizing growth, controlling risks, strengthening foundation, and promoting transformation”, making steady progress and seizing the opportunities, achieving a stable and healthy development of all the businesses as well as a better operating results than expected, and enabling a good start for the development of a new round of five years.



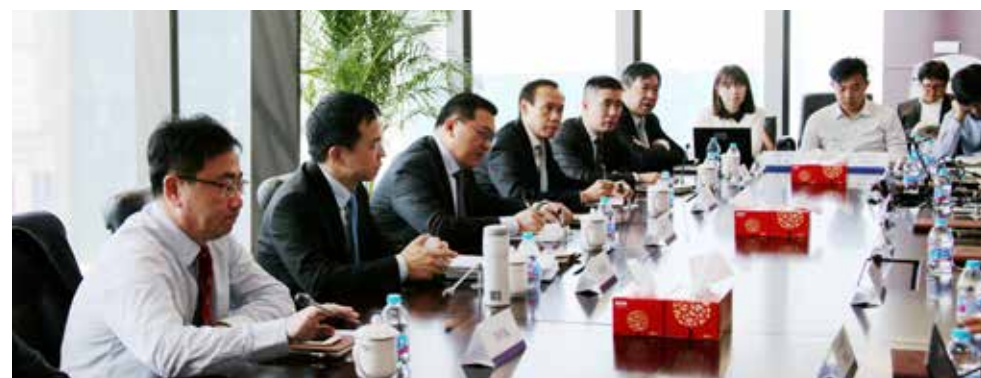
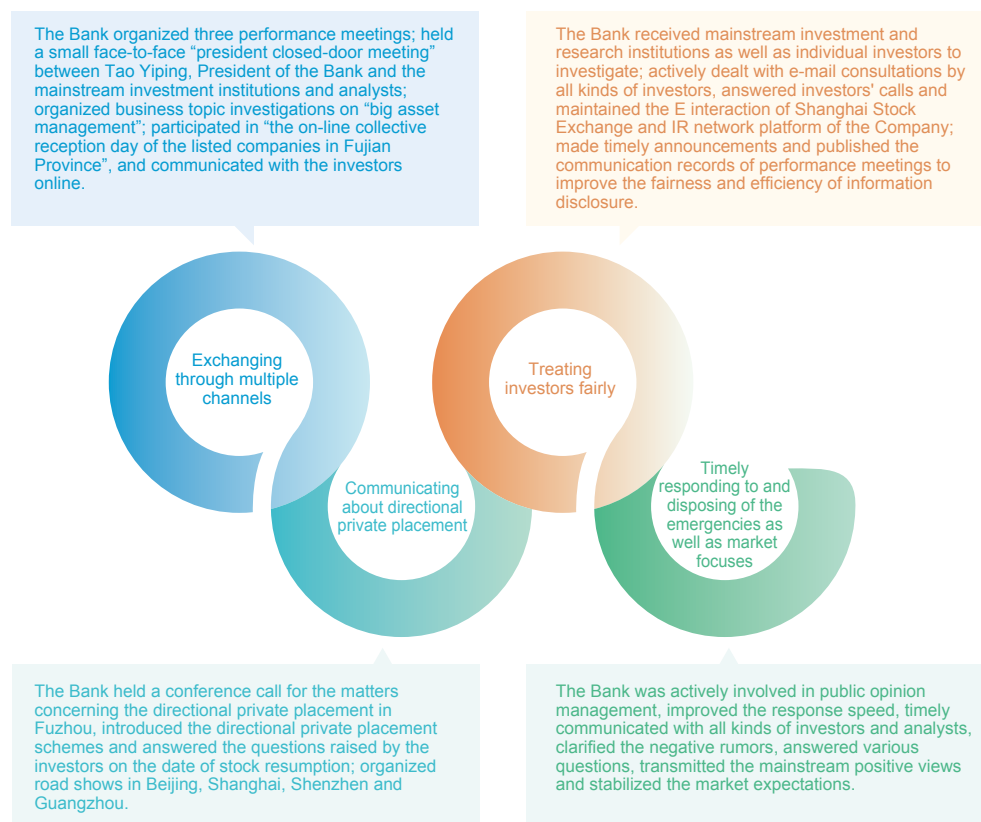
The Bank won the award of “Top 20 Best Practices of the Listed Company Board of Supervisors”

As of the end of 2016, the total group assets of the Bank reached RMB 6085.895 billion, an increase of 14.85% over the beginning of the year; group shareholders' equity reached RMB 350.129 billion, an increase of 11.63% over the beginning of the year; the net capital reached RMB 456.958 billion, an increase of 19.15% over the beginning of the year; the capital adequacy ratio reached 12.02%, an increase of 0.83 percentage point over the beginning of the year. Annual total operating income reached RMB 157.060 billion, and the net profit attributable to the parent company reached RMB 53.85 billion, with a year-on-year growth of 7.26%. The non-performing assets ratio of the Bank was 1.65%, and its provision coverage ratio was 210.51%. The asset quality and provision coverage continues to maintain at a good level. In general, the Bank has comprehensively accomplished the targets set by the board of directors at the beginning of the year.



Promoting exchanges through multiple channels and forms, and improving the initiative and transparency of disclosure

The Bank adapted to the new changes to banking operation transformation and capital market environment under the new normal, accurately delivered its operation characteristics as well as core advantages, and established a favorable image in the capital markets.



Tao Yiping, President (third from left), and Chen Xinjian, Vice President (second from left) of the Bank were holding a small face-to-face meeting of "president closed-door meeting" with major investment institutions and analysts.

Connecting, sharing and win-win cooperation

The Bank has created a business model of the "Bank-to-Bank Platform", realizing resource sharing and win-win cooperation among small and medium-sized financial institutions through in-depth fusion and innovation of finance as well as science and technology. So far, the Bank has connected more than 46,000 outlets of nearly 800 small and medium-sized financial institutions, and provided information system building and operation services for over 300 small and medium-sized financial institutions, saving repeated investment of social resources, and expanding the financial services to more second and third tier cities and rural areas.

In 2016, with the help of the Internet, the Bank insisted on a combination of online and offline operations. The 2,003 offline branches and more than 40,000 outlets of the "Bank-to-Bank Platform" complemented each other, while there were Internet banking, mobile banking, direct banks, WeChat banking, telephone banking, Big Money Manager, Internet financial portals promoting the construction and other different kinds of platforms and channels online. The Bank creatively launched the "Industrial Keeper", "Industrial e Payment", "Money e Payment" and many other mobile payment and settlement products. In addition, the Bank actively explored the applications of big data, artificial intelligence, block chain and other new technologies. The "Golden Eye" big data risk control product was shortlisted as the best innovation case in 2016 Gartner Global Data Analysis.

E-bank Data (2016)

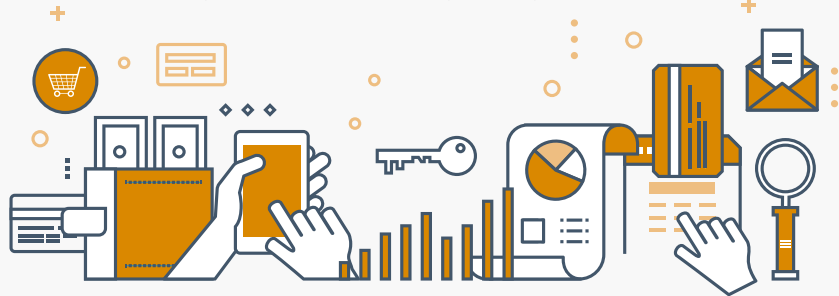
| Item | Valid Customers (Unit: 10,000) | Transaction Volume (Unit: 10,000) | Transaction Amount (Unit: RMB 100 million) |
|-------------------|--------------------------------|-----------------------------------|--|
| Internet banking | 1,087.58 | 111,109.15 | 729,517.47 |
| Growth (%) | 16.52% | 77.92% | -8.91% |
| Telephone banking | 1,950.08 | 24.66 | 107.47 |
| Growth (%) | 21.11% | -12.55% | -31.74% |
| Mobile banking | 1,197.15 | 14,980.26 | 24,150.91 |
| Growth (%) | 43.85% | 42.99% | 25.16% |





Zhengzhou Branch created the Internet finance business focusing on utility payment through “receipt and payment express” products

In 2016, based on the traditional advantages of the payment and settlement business, Zhengzhou Branch vigorously promoted the receipt and payment express products, including the mobile payment, the utility payment and the inter-bank receipt and payment of “receipt and payment express”, and meanwhile enhanced the promotion of the great wisdom cloud platform business. For instance, the first college smart education platform (Zhengzhou Institute of Technology), the first smart property management platform (Tianlun Property) and the first smart medical care platform (The Third People's Hospital Luoyang) have been successively launched. It promoted utility payment services, and successively launched Zhengzhou Thermal Corporation, Luoyang Beikong Water Supply Group, Anyang Water Supply Group, Zhumadian Zhongye Water Supply Co., Ltd., Ruzhou Water Supply Corporation and other Alipay direct payment businesses.



Innovative inter-bank cooperation

1 More closely cooperation with major banks and foreign-funded banks, and cross-border financial services are facilitated in an orderly manner

As of the end of 2016, the credit line of Chinese state-owned and joint-stock banks to the Bank reached RMB 2,003 billion, increased by 20% over the last year; the Bank had a total of 1,593 correspondent banks in the world, covering 98 countries and regions, and its overseas agency network was further extended; the cross-border business had creatively launched the US dollar NRA account products and established a cross-border RMB clearing center of the entire bank in Guangzhou Branch.

2 Carry out cooperation with securities and futures, and maintain the leadership of banking services in the securities market

As of the end of 2016, the volume of securities settlement of the Bank reached RMB 14.3 trillion; the third-party custody involved a total of 99 online securities companies, 3 futures companies, 65 online securities companies engaged in margin trading and short selling, 31 online securities companies engaged in bank transfers and 1 futures company, and the third-party custody of the entire bank involved 4.48 million individual customers, increasing by 25% over the beginning of 2016. The agency financing business of the securities company involved a total of 69 online securities traders. The coverage rate of the Business Department of online securities companies reached 80.6% with annual sales of RMB 13.6 billion.

↑ 20%

20,030 RMB 100 million

Credit line of Chinese state-owned and joint-stock banks to the Bank

Covering 98 countries and regions

1,593 banks

All correspondent banks of the Bank worldwide

14.3 trillion yuan

Amount of securities settlement of the Bank

3 Extensively link with various non-bank institutions, and expand the scope of cash management and agency services

As of the end of 2016, the system of direct connection between bank and fortune involved a total of 152 online financial companies, achieved an industry coverage rate of 67% and a cumulative settlement amount of RMB 5.1 trillion, increasing by 29% on a year-on-year basis. It made the most of the Bank's retail channels and Internet channel Big Money Manager, carried out online and offline agency of products, and acted an agent for 16 trust companies' trust financing products valued at RMB 48.9 billion and 2 insurance companies' pension insurance products valued at RMB 1.9 billion, and maturity businesses were all duly cashed.

4 Further develop cooperation with various financial trading venue platforms

As for net debt clearing agency business carried out by the Bank in Shanghai Clearing House, in total, 12 platforms signed contracts and 3 platforms made deposits, with a daily average of fund deposition of RMB 200 million (increasing by 73% over the last year); the nominal principal balance of interest rate swaps (IRS) clearing agency business transactions and settlements was RMB 838.3 billion (increasing by 98% over the last year); the foreign exchange clearing agency, forward clearing agency of standard bonds, and participation of the IRS and other business varieties in non-corporate products have been constantly promoted. In 2016, the Bank realized successful transaction of the first batch of products on Shanghai Insurance Exchange, and the information interaction system for insurance asset management established in cooperation with the Insurance Asset Management Association of China was officially launched.

Customer-centric services for vigorously protecting consumers' rights and interests

The Bank adheres to the service philosophies of “Customer-centric” and “Customer first”, constantly improves the customer experience, strives to improve customer satisfaction, firmly establishes the sense of protecting the rights and interests of consumers, safeguards the rights and interests of consumers, and practically enhances the quality of customer services.



Continue improving the mechanism for protecting consumers' rights and interests

Through continuous improvement of the mechanism for consumer protection management, strengthen the responsibilities of consumer protection subjects of institutions at all levels, and promote effective implementation of consumer protection.



Continuously improve product and service management

This is combined with product R&D, service marketing, etc., and practically embodied in the processes of business development and customer services.



Strengthen the training on the protection of consumers' rights and interests

Introduce the protection of consumers' rights and interests into training courses, improve employees' awareness of the protection of consumers' rights and interests, and strengthen the protection consciousness.



Optimize the customer service support system

Optimize the functional partition of hall services and improve the basic channels; speed up the building of online banking, mobile banking, mobile payment and self-service equipment, actively guide channel diversion and improve customer service efficiency; intensify the development of community banking and vigorously develop community-based public finance. In terms of team building, realize “multiple functions of one post” among front-line personnel, streamline the service posts and elevate the employees' capacity for comprehensive services.

| Item | Data (as of the end of 2016) |
|--|------------------------------|
| Cumulative number of customer service personnel | 1,580 |
| Growth of customer service personnel (%) | -3.83% |
| Total number of telephone services accepted (10,000 times) | 2,641.14 |
| Total number of self-service voice services (10,000 times) | 6,771.69 |
| Handling rate of customer complaints (%) | 100 |
| Acceptance rate of customer complaints (%) | 100 |
| Solution rate of customer complaints (%) | 100 |
| Customer satisfaction (%) | 99.60 |

To help the disadvantaged groups to enjoy high-quality financial services as well, the Bank has built convenient facilities and provides courtesy services in the outlets.

| Item | Unit (as of December 31, 2016) |
|--|--------------------------------|
| Providing extended services (outlets) | 918 |
| Providing accessible paths (outlets) | 662 |
| Providing charitable service windows (outlets) | 662 |
| ATM machines for the blind (sets) | 99 |

Ensure the transparency of information and charges, and guarantee the security of information and property

The Bank has standardized the product information disclosure. While providing consumers with financial products and services, it has enhanced the publicity and announcement of information and strengthened the transparency, authenticity, accuracy and timeliness of information. It has strengthened the security awareness education and skill trainings, strengthened the front-line employees' security awareness, consolidated "the first line of defense", strengthened the security infrastructure construction, completed monitoring and networking construction of the entire bank, stipulated the security equipment type selection for the entire bank, and ensured the security of outlets. All organizations of the entire bank held 8,475 times of various drills in total in 2016, including 2,437 times of fire drills, which involved 47,606 persons in total; 6,038 times of anti-violent terrorism, anti-robbery and anti-theft drills; the security cadres of the branches carried out 9,620 times of on-site security checks in the outlets during the whole year, effectively raising the employees' security awareness and ability to cope with the emergencies.



Hangzhou Branch fully implemented the security work of the G20 summit

Before the G20 summit in 2016, Hangzhou Branch of the Bank set up a work leading group of "Safety Escort G20", and held a work promotion conference of "Safety Escort G20", prepared the work plan of "Safety Escort G20", signed the Responsibility Pledges for Security Work in G20 Summit, and further implemented the security responsibilities during the G20 Summit. The branches conducted an in-depth screening of potential risks, carried out all-around screening of potential risks in each business outlet many times with the highest standards and the most stringent requirements, horizontal to the edges and longitudinal to the bottoms, leaving no dead angle. It strengthened the contingency drills, enhanced the capacity for emergency disposal, twice organized anti-violent terrorism emergency drills among all the outlets during the summit, and comprehensively promoted the anti-violent terrorism emergency disposal ability.



Improving the service level of lobbies and transforming special outlets

The society is now moving from the IT (information technology) era to the DT (data technology) era, and striding towards the RT (robot technology) era. Driven by this social tide, the business model and organizational model in the banking industry will change, and "intelligence + bank" will cause profound changes in the financial industry.

In 2016, the Bank continued pushing forward outlet transformation, strengthened the infrastructure construction, improved the service environment and facilities of outlets, elevated the intelligent level of hall services and the comprehensive service level of tellers, made functional partitions clear and reasonable, and improved customer service experience. In the appraisal and election activity of "Top 1,000 Demonstration Units Providing Civilized and Stipulated Services in China's Banking Industry" organized and carried out by China Banking Association, 21 outlets including the Business Shanghai Branch of the Bank was appraised as one of the top 1,000 demonstration units providing civilized and stipulated services in China's banking industry.



Tailoring measures to suit local conditions -- Chongqing Branch launched the characterized outlet operation program

In July 2016, Chongqing Branch officially launched the characterized outlet operation program, and adopted the model of pilots in batches + promoting in the entire bank. It aimed at diversity in the entire bank through "setting examples and standards" by characterized outlets, creating excellent characterized operations and improving the market competitiveness of the outlets. By actively advocating agencies to tailor measures to suit local conditions, and taking integration of resources, building of platform and construction of community "ecosystem" as the concepts, the branches has established 5 characterized outlet brand clubs, including "Enjoyable School", "Mama Union", "Citizen Enjoyment Hall", "Overseas Returnee Venture Capital Association" and "VR Technology Experience Hall", and completed characterized outlet licensing of the first batch of 7 pilot institutions (including 2 institutions to be licensed).



Continuously providing attentive, sincere and courtesy services -- Taizhou Branch delivered warmth to the disabled

The ATMs for the blind in Taizhou Branch are the first ones in Jiangsu Province which are equipped with voice navigation service and touchable braille function. Therefore, the branch specifically constructed a blind track, starting from the ATMs, and seamlessly connecting with the blind track on the sidewalk of street in front of the branch, and set up two monitoring cameras above the blind track, in order to discover the disabled and provide services in a timely manner. In addition, the branch provided a courtesy button at the sign board of "accessible path" for the disabled to ask for help; increased the access width from the national standard of 1.5 meters to 1.65 meters, and lowered the slope from 12 degrees to 8 degrees, so as to facilitate the passing of wheelchairs by themselves. Guide dogs are allowed to enter the hall, and the employees at the hall have been trained with sign language, so as to build a barrier-free communication access for the deaf and the dumb.



01-02 On October 20, 2016, Wang Jiarui, Vice Chairman of the Chinese People's Political Consultative Conference, and LanShaomin, Secretary of the Municipal Committee inspected the construction of barrier-free outlets

03 Barrier-free way

04 ATM blind track

05 Accessibility facilities

06 Customers experiencing the ATMs for the blind

Support the agriculture, farmers and rural areas, and meet the people's livelihood needs with inclusive financing

In 2016, the Bank promoted the agricultural structure adjustment, increased farmers' incomes, and accelerated the industrialization and modernization of agriculture through credit support. According to the development requirements for the people's livelihood and consumption, characterized industries in various regions, as well as the tourism and pension industries, the Bank intensified the efforts to develop personal consumption loans, group pensions, tourism, overseas financial business and other characterized financial products, and accurately grasped the characteristics of the real estate markets in various regions to support the construction of low-income housing projects.



| Item | 2016 |
|--|--------|
| Livelihood-related industries | |
| Balance of loans in the education industry (Unit: RMB 100 million) | 19.77 |
| Balance of loans in the culture, sports and entertainment industries (Unit: RMB 100 million) | 46.72 |
| Balance of loans in the health and social work industries (Unit: RMB 100 million) | 120.23 |
| Individual entrepreneurship (start-up support) loans | |
| Balance of individual entrepreneur (start-up support) loans (Unit: RMB 100 million) | 492.05 |
| Number of individuals supported | 21,352 |
| Indemnificatory housing project loans | |
| Current-year increase in indemnificatory housing project loans | 113.94 |
| Balance of indemnificatory housing project loans (Unit: RMB 100 million) | 301.69 |
| Including: Balance of affordable housing loans (Unit: RMB 100 million) | 15.28 |
| Balance of price-fixed housing loans (Unit: RMB 100 million) | 17.11 |
| Balance of low-rent housing loans (Unit: RMB 100 million) | 5.45 |
| Balance of public rental housing loans (Unit: RMB 100 million) | 7.40 |
| Balance of renovating shantytowns and reclamation area loans (Unit: RMB 100 million) | 256.46 |



Qingdao Branch effectively drove the “increase in efficiency of agriculture and incomes of farmers”

In 2016, Qingdao Branch carried out business cooperation with Qingdao Changsheng Ridian New Energy Holdings Ltd. As a leader of China's photovoltaic facility of agriculture, Changsheng Ridian New Energy Holdings Ltd. pioneered in the model of “science and technology greenhouse of photovoltaic agriculture”, and provided a stable source of incomes for the local poverty-stricken families in such forms as long-term stable power generation revenue and twice rental of lands. The low-risk credit support provided by the Bank has effectively driven the development mode of “increase in efficiency of agriculture and incomes of farmers”.

Furthermore, according to such characteristics as large amount of cash acquisition, great capital pressure and urgent financing needs in the region of Pingdu City, the branches selected and gave credit support to enterprises and individual industrial and commercial households with stable operation, wide coverage and great pull on surrounding people in poverty, enriched circulating funds of the enterprises, and thus supported the agricultural economy and increased the farmers' incomes, leading the poor out of poverty to get rich. At present, Pingdu Sub-Branch of Qingdao Branch has supported 4 enterprises engaged in the acquisition of peanuts, vegetables and other agricultural products, with a loan balance of RMB 22.25 million, and benefiting 30 poor villages and more than 2,000 poor households around Pingdu City.



Initiate a “football + finance” model to help Chinese football set sail for dreams

On June 23, 2016, the Bank supported the “China International Junior Football Championship of Industrial Bank 2016” and became the only financial industrial partner of the championship, providing the involved parties with comprehensive and differentiated financial services and value-added services, and supporting the development of Chinese football career.



Chen Jinguang, Vice President (fourth from left) of the Bank, attended the launching ceremony of the large-scale public welfare activity of “China International Junior Football Championship of Industrial Bank 2016”

Topic

Senior Care Finance of Industrial Bank to Create "the Most Enjoyable Life for the Senior"

In 2016, relying on the brand of "Enjoyable Life", the Bank constantly cultivated the senior care finance field in such aspects as financial services, value-added services, channel establishment, customer activity platform building and services for the elderly, continually improved the strengths in hardware and software services, and made efforts to improve the level of customer service. As of the end of December 2016, the total number of "Enjoyable Life" customers in the entire bank reached 1.3134 million, accounting for 49.74% of all VIP customers of the entire bank; their comprehensive financial assets reached RMB 639.126 billion, accounting for 51.60% of the total VIP customers' comprehensive financial assets; the total number of the elderly customers in the Bank exceeded 11.66 million, and the rights and interests of value-added services as well as exclusive protection provided covered more than 2 million of people.

Accounting for 49.74% of all VIP customers of the entire bank

1,313.4

thousand

As of the end of December 2016, the total number of "Enjoyable Life" customers

01



01 Creatively introduce the exclusive pension products to meet the needs of middle-aged and elderly customers

After careful market research and analysis, and comprehensive consideration that the elderly customers have general expectations of pension requirements for a bank's financial products of the financing category, including long duration, low risks, high yields and strong liquidity, the Bank creatively launched the "Enjoyable Saving" deposit products in 2016, in such 2 product forms as "Enjoyable Interest Payment by Installments" and "Enjoyable Intelligent Fixed Deposit", which had such advantageous as having higher returns than ordinary savings, security and flexibility, and withdrawal upon urgencies, providing another diversified choice for the elderly customers to meet their demand for daily pension as well as maintenance and appreciation of pension values.

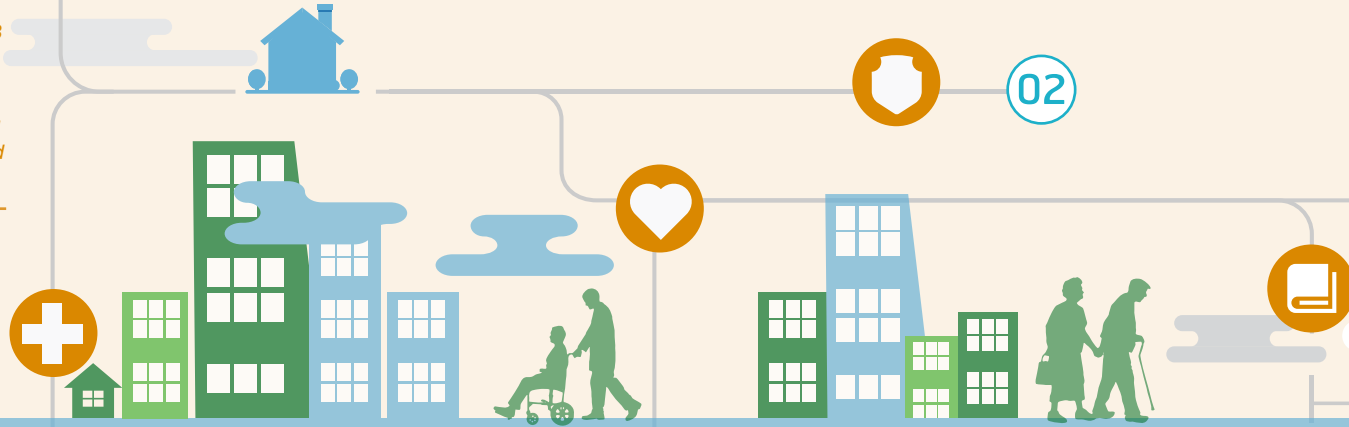


Starting from 2012, the Bank organizes the "Enjoyable Life" club, a platform for the elderly customers to study, communicate, entertain and enrich the world of spiritual culture. As of 2016, 42 branches of the Bank have established the "Enjoyable Life" clubs, and carried out a series of activities conforming to hobbies of the elderly in a normalized manner, such as health knowledge lectures, legal knowledge lectures, talent competitions and sightseeing. Throughout 2016, relying on "Enjoyable Life" clubs, the Bank conducted nearly 600 kinds of activities including various square dancing and calligraphy and painting competitions, provided nearly 3,000 free legal knowledge lectures and also provided over 43,000 free on-line legal advices.

02 Set up an "Enjoyable Life" club to continue enriching the rights and interests of elderly customers



02



05

05 The Bank was invited to the China Aging Finance Forum (CAFF50) to make contribution to the development of the aging finance in China

In 2016, invited by CAFF50, the Bank joined as a core member unit, and Chen Jinguang, Vice President of the Bank, was invited to act as a core member of the forum. As the first trans-boundary aging finance forum in China, CAFF50 aims at studying the financial problems in the pension system, the pension industry system and the pension service system establishment in China under the background of aging, in order to cope with the challenges of the aging society in China.



Chen Jinguang, Vice President of the Bank, attended the CAFF50

04

04 Actively participate in the nationwide "Senior Care Month" activities and carry out the work of serving the elderly in a profound manner

Since 2014, the Bank has continuously participated in the nationwide "Senior Care Month" activities organized by the National Committee on Aging, carried out the work of serving the elderly in a profound manner, and integrated the practice of social responsibilities into daily business and operation activities. During the nationwide "Senior Care Month" activities in 2016, the participation rate of each branch was greater than 90%, the number of branch participants exceeded 1,000 (including community branches), there were more than 3,000 publicity education and service activities carried out for the elderly customers, including finance, laws, cultural recreation and health regimen, and the activity publicity reached 800,000 elderly customers, and involved more than 200,000 service persons.



03

03 Respond to the national call to establish the "Enjoyable College for the Elderly"

In 2016, nine ministries including the Ministry of Education jointly issued the Opinions on Further Promoting the Development of the Community Education, and the Bank actively responded to the appeal by the opinions and promoted the establishment of "Enjoyable College for the Elderly" all over the Bank. With free admission and free teaching, the college tailored to the needs of middle-aged and elderly friends by opening all kinds of courses including financial knowledge popularization, health preservation, vocal music, calligraphy and painting, etc., set up interaction channels combining teaching with learning in such aspects as cultural knowledge, arts and entertainment, pension and health care, and laws and regulations.

ENVIRONMENT

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Strictly control the “high pollution, high energy consumption and overcapacity” to promote the upgrading of industrial structure / 65

Advocate green operation to practice green life / 66



Strengthening of early warning to improve environmental and social risk management system

In 2016, with the development of the Group's business, the Bank made efforts to establish a complete environmental and social risk management structure at the group level so as to improve the group environment and social risk management capability and system and effectively prevent the environmental and social risks.

Objectives of environmental and social risk management

Objectives of environmental and social risk management

Establish and improve the Bank's environmental and social risk management system and learn from advanced international management techniques to enhance the professional level of social environment and risk management, prevent environmental and social risks, optimize the allocation of bank-wide resources, fulfill social responsibility and realize the Bank's strategic objective of sustainable development of all businesses.

Environmental and social responsibility fulfillment commitments

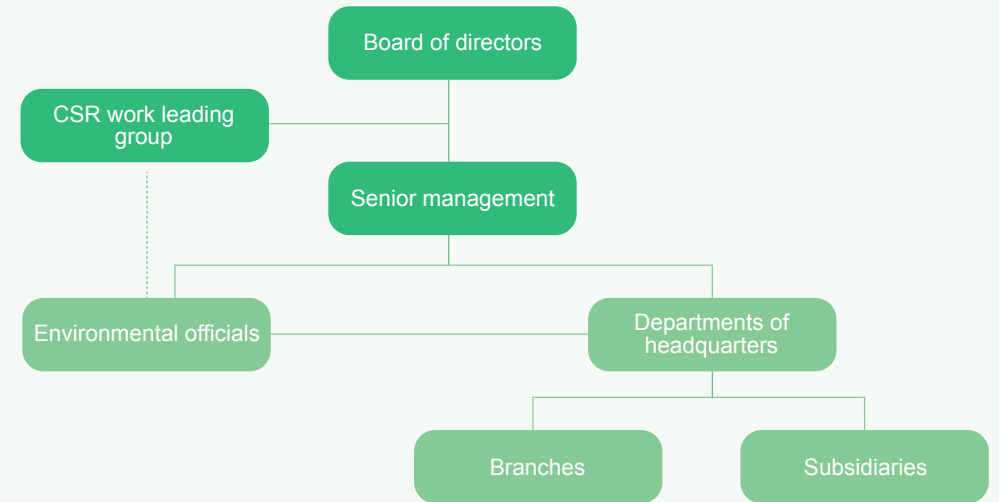
Environmental and social responsibility fulfillment commitments



structure

Environmental and social risk management

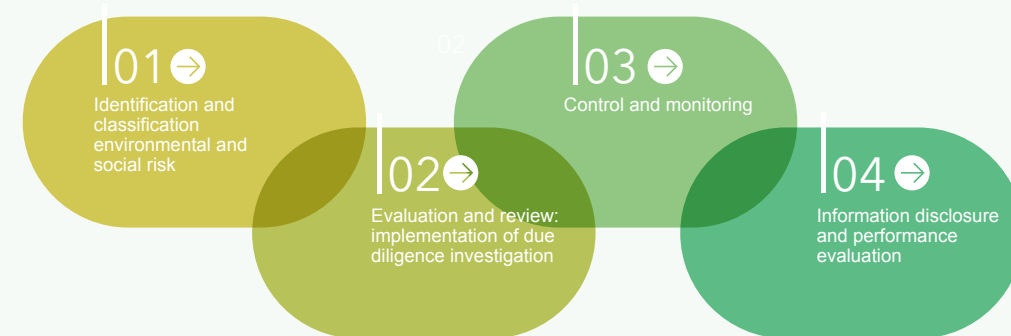
Environmental and social risk management organizational structure



Process

Environmental and social risk management

Environmental and social risk management process



Unified “Green” technique of Industrial Bank and “Green Home”

In 2016, the Bank continued to keep a good cooperation relationship with the “Fujian Green Home Environment Friendly Center” (hereinafter referred to as the “Green Home”) to make full use of the List of Pollution Enterprises in Fujian and other environment early-warning information developed by the Center to be included in the Bank’s early warning management system to publish 3,685 risk warnings in the Bank, providing information support for the due diligence, review and approval and duration management of the Bank’s credit projects.

A total of 24 enterprises actively carried out environmental risk rectification during the reporting period because of being reminded of risk warnings when applying for loans to the Bank. By the end of 2016, a total of 6 enterprises completed the rectification and gradually repaired their environmental credit and eliminated environmental risk warning, fully showing that this risk warning played a double positive role of strengthening bank’s project risk management and promoting corporate environmental risk rectification.

Industry Distribution of the Bank’s Corporate Customers Actively Conducting Environmental Rectification in 2016



Keep pace with the times to promote group green finance business development

As Chinese green finance pioneer, with ten years of exploration and practice, Industrial Bank has gradually changed from “green bank” into “green financial group” and is committed to being the world’s leading “green financial comprehensive service provider”. At present, the Bank has established the industry-leading green financial professional institutions and professional teams, built a series of industry-leading green financial system, process arrangement and professional environmental finance system and formed a rich group green financial product and service system.

As of the end of December 2016, Industrial Bank had provided green financing of RMB 1 trillion for over 10,000 enterprises with a green financing balance of over RMB 490 billion and the energy saving and emission reduction of the projects supported by the Bank was equivalent to the total amount of carbon dioxide reduced by close of 170 100MW heat power stations or absorbed by 7.4 million hectares of forests. By providing excellent green financial products and serving and supporting the sustainable development of society, economy and environment, Industrial Bank will integrate the development of green finance and performance of social responsibility with the Bank’s sustainable development to promote Industrial Bank’s green finance with characteristics into a new round of development climax.

Total **10,000** RMB 100 million

As of the end of December 2016, Industrial Bank has provided green financing of RMB 1 trillion for over 10,000 enterprises with a green financing balance of RMB 490 billion.

170 stations OR **7.4** million hectares

The energy saving and emission reduction of the projects supported by the Bank was equivalent to the total amount of carbon dioxide reduced by close of 170 100MW heat power stations or absorbed by 7.4 million hectares of forests.

Green bonds

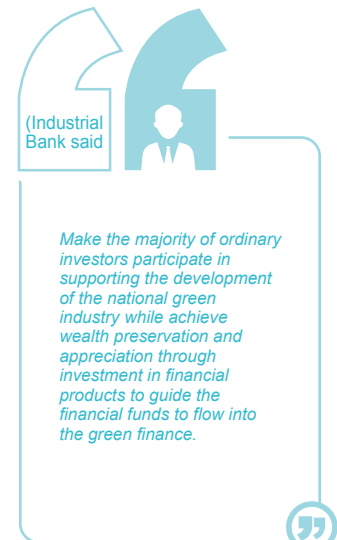
In January 2016, the first domestic green financial bonds-RMB 10 billion green financial bonds firstly issued by Industrial Bank were paid fully, marking the official implementation of domestic green financial bonds. The raising of these green financial bonds was touted by the market with more than double subscription. All the funds were put into the green financial projects defined in Green Bond Support Project Directory, such as energy saving, clean transportation, clean energy, resource saving and recycling, pollution prevention and so on, and the emission reduction of standard coal saving and carbon dioxide emission reduction projects was required to be over 10% at least; for other major pollutant emission reduction projects, the emission index is required to at least reach the industry advanced value.

Green trust

In October 2016, China Industrial International Trust Limited issued “Single-fund Trust on Chinese Reusable Resources for Subsidies Income Right from Waste Electronic and Electric Products Handling Fund” and its underlying asset is the right to obtain and enjoy the subsidy payments from national waste electronic and electric products handling fund due to the dismantling amount of waste appliances and electronic products which are completed actually and confirmed by the announcement of the Ministry of Environmental Protection or the Provincial Department of Environmental Protection.

Green wealth management

In September 2016, the Bank issued the first “WLB-green finance” wealth management product to individual investors, touted by investors. The valid period of this green wealth management product is 5 years, open for purchase and redemption with 3 months as an investment cycle. The initial establishment size was RMB 2 billion and the raised funds were mainly invested in green projects and green bonds and investment targets belong to green environmental protection assets mainly supported by Announcement No.39 on green financial bonds of People’s Bank of China and green credit statistical system and other regulatory documents of CBRC.



Perform green credit self-evaluation and improve self-risk management policy

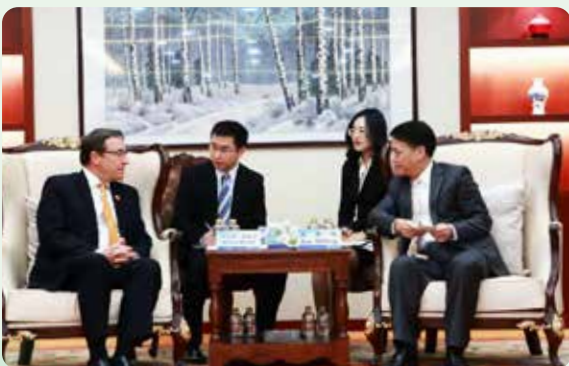
In 2016, as required by the CBRC, the Bank implemented full green credit evaluation according to over 300 subdivided qualitative indicators and quantitative indicators to sort out and summarized the Bank’s execution and performance highlights in environmental and social risk management, green credit products and services and own green performance as well as improved its own environmental and social risk management system and policy management measures according to the evaluation indicator system and self-evaluation results.

“Green Finance” Press Conference

On August 11, 2016, Industrial Bank took green finance as the theme of the regular banking press conference held by China Banking Regulatory Commission (CBRC): ten years of green path, move forward while stay true to the mission.



Exchanges with Deputy Secretary-General of the United Nations in Industrial Bank



On February 26-27, 2016, during the meeting of G20 Finance Minister and Governor of the People's Bank of China, Deputy Secretary-General of the United Nations and Executive Director of United Nations Environment Program (UNEP) Achim Steiner made a special trip to the Bank to talk to Vice President of the Bank Xue Hefeng on financial services and green economy and other content and both sides were optimistic that green finance would be the vigor source of future financial development.

Invited to attend side events of the United Nations Climate Conference



By the end of 2016, Industrial Bank was invited to attend the side event on “G20 Energy Efficiency Financing” of the United Nations Climate Conference and a series of side events in the China Pavilion held by UNEP to introduce the products, service innovations and achieved remarkable results in serving green industry development and supporting low carbon transformation. This was the third time for the Bank to attend the side events since the side events in the China Pavilion in the 2012 Durban Climate Conference.

Charming blue sky, green IB

In January 2016, the Bank held “Charming Blue Sky, Green IB-Cooperation Fair on Industrial Bank Promoting Atmospheric Controlling and Optimizing Industrial Heating and Municipal Heating Services” in Shenyang to focus on the financial support to energy saving and emission reduction of regional central heating industry and help the implementation of “Green Heating” in northern cities around the theme of air controlling. At the fair, the Bank signed a bank-enterprise strategic cooperation agreement with several local leading central heating enterprises to jointly build a platform for environmental protection cooperation between banks and enterprises.



Green leasing

In 2016, Industrial Bank Financial Leasing Co., Ltd. had invested 66 projects in green leasing for a total sum of RMB 22.318 billion, accounting for 47% of the total annual amount.

66 projects in green leasing

A cumulative amount of

223.18 RMB 100 million

A total sum of RMB 22.318 billion

47%

The amount of green leasing accounted for 47% of the total annual amount



The construction of water source in Lanzhou

In 2016, Industrial Bank Financial Leasing Co., Ltd. used core asset of water treatment plant as the lease and adopted leaseback mode to provide RMB 1.5 billion financing service for Lanzhou City, for the construction of water source in Lanzhou. As of the end of 2016, the water source construction project has completed 35,754 meters of excavation of various types of caverns with the completion ratio of 69%. After the completion of the project, the probability of water supply of the central zone of Lanzhou will reach 98% and the ability to cope with sudden water pollution and other events will be enhanced. This project is the local No.1 livelihood project, filling a major gap in the construction of national economy and the people's livelihood in Gansu Province with very significant social benefits.



Green asset-backed securitization

In November 2016, the country's first green asset-backed securitization (ABS) of non-listed companies-A special plan on asset support to bus management income rights of Wuxi Communications Industry Group CO., Ltd. was launched. The issuing scale of this ABS was RMB 1.98 billion with a period of not exceeding 10 years, of which the total investment of the Bank amounted to RMB 370 million taking wealth management fund investment as a priority and the raised funds were mainly used for the purchase of public transport vehicles (new energy and clean energy buses) and bus facilities operation. The successful launch of this ABS played an active role in promoting the domestic green financial market development and cultivating responsible investors and so on, and showed the efforts and practices of China's financial institutions in serving climate changes, energy saving and environmental protection.



Carbon finance

In April 2016, Shanghai Branch and Spring Airlines and Shanghai Zhixin Carbon Assets signed the *Sale and Repurchase Contract of Carbon Quota Assets* at Shanghai Environment and Energy Exchange with the object of transaction of up to 500,000 tons of carbon quotas to launch the first carbon financial innovation business in the domestic aviation industry. This carbon quota asset management mode can not only ensure that Spring Airlines performs the contract without risks as the emission control enterprise, but also vitalize carbon quota assets to realize the efficient management of carbon quota assets at the time of obtaining the financing. This mode introduced emission control enterprises, carbon asset management companies and commercial banks to participate in, giving full play to their respective market functions to realize all-win. It was the Bank's another innovation in the field of carbon finance.

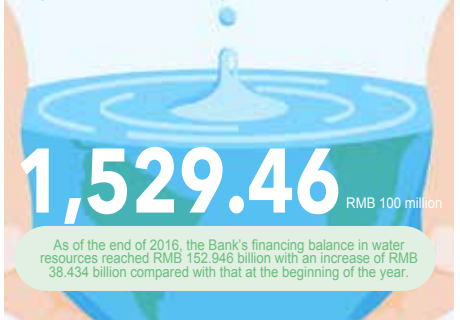
Green retail credit

In 2016, the Bank's green retail credit business continued to target to individual customers who do green decoration that meets energy-saving standards and purchase green housing, new-energy vehicles and energy-saving vehicles that meets the national building energy conservation certification marks, with the cumulative issuing amount of RMB 1.775 billion and cumulative issuing households of 1,743.

Since the Bank issued the first Chinese low-carbon credit card in 2010, more and more people who love environmental protection were attracted to participate in low-carbon activities. As of December 31, 2016, a total of 533,487 low-carbon credit cards was issued in China with a cumulative voluntary carbon reduction purchased of 159,910 tons, strongly supporting the Guangdong Xiaping landfill gas collection and utilization project, HFC degradation project, Guizhou Shiyazi carbon-reducing hydropower project and so on, which neutralized the carbon emissions from 1.15 million people flying 1,000 kilometers by plane. The strong financial attributes have brought "running water" for the low-carbon undertaking.

Turning to Industrial Bank for Water Treatment!

In 2016, the Bank continued to focus on the utilization and protection of water resources and held an exchange seminar on regional water resource utilization and protection as well as the water financing scale would increase significantly. Among them, the Bank's cumulative investment in Zhejiang Province was over RMB 40 billion with the balance of more than RMB 35 billion, effectively promoting the regional market brand of "Turning to Industrial Bank for Water Treatment" and obtaining the high evaluation of the local government and industry.





Feelings and Responsibilities of the Staff of Industrial Bank in Ten-year Greening

In 2006, the Bank was the first to open the domestic green financial market. After 10 years of exploration and practice, Industrial Bank has formed a wide range and variety of group green product service system covering green finance, green leasing, green trust, green fund, green investment, green wealth management, green consumption and so on so that green DNA has been rooted in all aspects of operation management, business development and customer services of Industrial Bank.

According to estimates, as of the end of December 2016, the projects supported by green finance of the Bank could save 26.4680 million tons of standard coal per year, reduce the emission of carbon dioxide of 74.0831 million tons in a year, reduce the emission of chemical oxygen demand of 1.6804 million tons, ammonia nitrogen of 82,600 tons, sulfur dioxide of 105,900 tons and nitrogen oxide of 41,600 tons, comprehensively utilize 18.7787 million tons of solid waste per year, and save 303.9006 million tons of water per year.

As of the end of December 2016, the environmental performance that can be realized by the Industrial Bank's Projects supported by green finance

2,646.80 Ten thousand tons

Standard coal saved per year of 2,646.80 ten thousand tons

7,408.31 Ten thousand tons

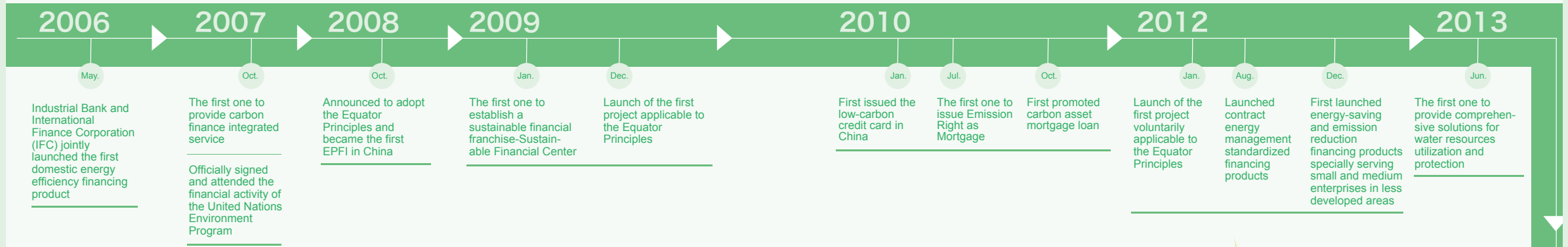
Annual emission reduction of carbon dioxide of 7,408.31 ten thousand tons

COD 168.04 Ten thousand tons

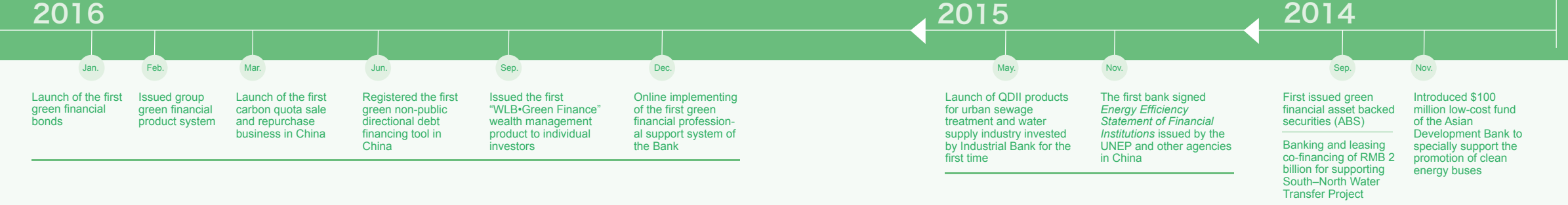
Annual emission reduction of chemical oxygen demand of 168.04 ten thousand tons

8.26 Ten thousand tons

Annual emission reduction of ammonia nitrogen of 8.26 ten thousand tons



Development Road of Green Finance of Industrial Bank





Zhenjiang Branch assisted the “Project on Co-processing Kitchen Waste and Domestic Sludge”

Zhenjiang Branch cooperated with Zhenjiang Water Industry Corp to provide credit exposure limit of RMB 100 million for building a green ecological project in Zhenjiang---Project on “Co-processing Kitchen Waste and Domestic Sludge” in 2016. The project has the processing capacity of 140 tons/day kitchen waste and 120 tons/day sludge. Some of the processed kitchen waste become mud for landscape greening and others become the purified and compressed biogas to be transported to vehicle refueling stations or condensed into biogas manure flowing into the field..... effectively eliminating environmental secondary pollution risk caused by the disposability of kitchen waste.



Harbin Branch launched the first industrial investment fund project in Heilongjiang Province to help reduce haze

At the beginning of 2016, led by Heilongjiang Provincial Government, Harbin Branch, as the main participating bank, and China Daisy Asset Mgt Limited, as GP manager, jointly established Heilongjiang Industrial Investment Fund and completed the launch and loan of the first project of this fund at the end of 2016. The first project of this investment funds was mainly invested in the “Comprehensive Utilization Project with the Annual Processing Capacity of 3.5 million tons of Straws” which utilizes straws as the main raw materials to produce natural color tissue paper, green food packaging paper and fulvic acid organic fertilizer. It is the typical resource recycling and circular economy project which promotes the local straw recycling, effectively reduces the haze sources caused by the straw burning and obviously improve the local ecological environment as well as produces significant social benefits.



Strictly control the “high pollution, high energy consumption and overcapacity” to promote the upgrading of industrial structure

In 2016, referring to national industrial policies, industry characteristics, technological advantages, regional resource advantages and environmental compliance etc. and in accordance with principles of controllable risks and sustainable business and relevant requirements on the State’s strengthening of supply-side structural reform, the Bank implemented the “protected, controlled and depressed” differential credit policy, and strengthened industrial structure adjustment by improving business access, industry limit management and list-based management to effectively revitalize the stock and optimize the increment, and prevent and resolve the industry risk of overcapacity.

Data of the Bank’s Business with Industries with “High Pollution, High Energy Consumption and Overcapacity”

| Industries with “High Pollution, High Energy Consumption and Overcapacity” | Balance of 2014 (RMB 100 million) | Proportion to Business Loans in 2014 | Balance of 2015 (RMB 100 million) | Proportion to Business Loans in 2015 | Balance of 2016 (RMB 100 million) | Proportion to Business Loans in 2016 |
|--|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Textiles, leather processing and paper | 22.05 | 0.19% | 21.86 | 0.18% | 25.86 | 0.20% |
| Chemical materials and chemical products | 124.53 | 1.10% | 111.19 | 0.90% | 124.40 | 0.98% |
| Rubber and plastic products | 5.60 | 0.05% | 9.76 | 0.08% | 10.48 | 0.08% |
| Coking | 18.42 | 0.16% | 19.83 | 0.16% | 16.71 | 0.13% |
| Steel | 101.61 | 0.89% | 124.86 | 1.01% | 180.95 | 1.42% |
| Cement | 64.28 | 0.57% | 70.48 | 0.57% | 73.22 | 0.58% |
| Plate glass | 4.38 | 0.04% | 2.26 | 0.02% | 7.13 | 0.06% |
| Polysilicon | 12.17 | 0.11% | 11.85 | 0.10% | 7.82 | 0.06% |
| Aluminum | 35.30 | 0.31% | 50.89 | 0.41% | 37.92 | 0.30% |
| Shipbuilding | 3.23 | 0.03% | 1.82 | 0.01% | 20.88 | 0.16% |
| Subtotal | 391.58 | 3.44% | 424.80 | 3.42% | 505.37 | 3.98% |

Note: For the classification of industries with “high pollution, high energy consumption and overcapacity”, see the Notice of the CBRC on the Implementation of Key Evaluation Indicators for Green Finance (YJBF [2014] No.186).



Advocate green operation to practice green life

In the daily work, the Bank pays attention to reducing the resources and energy consumption of office operation, reduces operating costs and advocates "low-carbon office" to protect the ecological environment and reduce greenhouse gas emissions. At the same time, the Bank strengthens the green review of the suppliers. For the suppliers with adverse environmental and social impacts, the Bank will terminate the contract directly and bring them into the blacklist.

2016 (Fuzhou Headquarters)

66,831

Total office water consumption (ton)



1,425

Total office power consumption (10,000kWh)



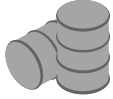
7.23

Total office paper consumption (ton)



52,284

Total oil consumption by business vehicles (l)



14%

Proportion of video conferences to total conferences (%)



100%

Branch video equipment coverage ratio (%)



"Earth Hour" held for seven consecutive years

As an EPFI, the Bank carried out the "Earth Hour" activity for the seventh year in a row and issued a letter of appeal to 43 branches and over 50,000 employees to actively participate in this green festive with the cohesion of the people's environmental protection force to express our concern for the earth home and the determination to take actions for sustainable development.



In December 2016, the Bank donated RMB 500,000 to SEE Foundation for its "100 million sagsaouls" project, to support the development of environmental protection public welfare undertakings and make an effort to keep the clear water and blue sky!



"Earth Hour" environmental initiatives of Private Banking

On March 18, 2016, Private Banking of Industrial Bank organized all employees to participate in "Earth Hour" activity on lighting out for two hours. Employees wrote their environmental protection concept on the "My Environmental Protection Concept" Wall to send a message of firmness and confidence to maintain the earth with a smile and action.



Low carbon environmental protection activities

Each of our actions may affect the future of the earth. Protect the environment and cherish the earth

China's first EPFI-Industrial Bank, Act with you! Supported by Industrial Bank

Supported by Industrial Bank



Promote environmental protection concept through *Earth in Four Seasons* of China National Radio-MusicRadio.

Earth, the mother of 7 billion people, Industrial Bank invites you pay attention to Earth in Four Seasons In this season, a bowl of hot soup gives you warmth, more than just the meaning of it.

The food of the season will have a dense taste after heated with water, which is the happiness of this season.

The unique way for human beings to cook foods is presented in another way in the sea.

80% of waste from land has the total weight of nearly 270,000 tons, more than 5 trillion pieces of plastic waste, Drifting with the seawater covering 70% of the earth's surface,

Polluted the sea and changed the living environment of the species.

Across the Atlantic, the Pacific Ocean to doldrums of the Indian Ocean,

The huge plastic pollution sources make the ocean look like plastic soup.

From food packaging to disposable utensils, only 5% of the daily used plastics are recycled.

Demand, makes the global plastic products double every ten years.

Most plastic packaging can be used only once, but its pollution can last long.

The reduction of the amount of plastics shall start from the recycling to slow down the new demands.

Save 3 plastic bags a day and ten people can save a whole barrel of oil in 18 months.

The plastic bottles on your hand can be recycled and remanufactured into sweat suit on your body.

Hand, is also the most convenient shopping bag.

Less packaging for shopping, and more hope for future ocean.



1



2

- 1 Changsha Branch: "Long walk for green finance"
- 2 Zhengzhou Branch: "happy walk and practice green life" activities
- 3 Taiyuan Branch: Hiking Club "Practice green life" hiking activity

- 4 Hong Kong Branch: Environmental protection and health activities and advocating donation of HKD 150,000 to the famous Hong Kong environmental protection charity organization Conservancy Association; calling for all employees on site to participate in the "Earth Hour" activity
- 5 Yichang Branch: Organizing employees to participate in the hiking and walking activity with the theme of "Meet in Yiling and Walk at Guanzhuang"
- 6 Nanjing Branch: Participating in "Improve environmental quality and promote green development" environmental day large-scale environmental protection public welfare activity



3



4



5



6



RETURN TO THE COMMUNITY

Put people first by popularizing financial knowledge to households / 72

Love starting from "Industrial Bank" with commitments to the construction of a harmonious society / 73

Topic: Explore Targeted Poverty Alleviation with Innovation Schemes to Aim at Multiple Aspects / 74

Home culture for joint growth with thousands of employees / 76

Put people first by popularizing financial knowledge to households

In 2016, for the purpose of popularizing financial knowledge, improving financial literacy and jointly building harmonious finance, the Bank implemented a number of public education service activities including “Financial Knowledge to Households”, “Thousand-mile Tour to Popularize Financial Knowledge”, “Propaganda Month for Monetary and Financial Knowledge” and so on and the bank-wide outlets carried out themed salon, knowledge lectures, face-to-face quiz, family entertainment education and other forms of activities to popularize new anti-fake currency knowledge, investment and wealth management, network security of bank cards and other financial knowledge among the masses so as to improve the financial security awareness and literacy of financial customers and build a harmonious financial environment.

656.92 RMB 10,000

Public education investment amount in 2016

2,399

Number of thematic public education activities in 2016

10,675 times

Cumulative number of activities in 2016

481.2 10,000

Audience number in 2016



Multi-channel fraud prevention campaigns to protect consumers' card rights and interests

In order to protect the consumers' card rights and interests and timely prevent the economic losses brought by telecommunication fraud and illegal fund-raising, the Bank's Credit Card Center launched multi-channel and full range of promotional activities.

From April to May 2016, the Bank issued *Safety Tips on Preventing Links from "Phishing" Website* and *Safety Tips for Handling Credit Cards through Formal Channels* through official website and WeChat official account of Credit Card Center and published *Industrial's Bank Credit Card Center Reminds You: Reject the Temptation of Usury and Keep Away from Illegal Fund-Raising* through nearly 30 medial network channels. In June, actively cooperating with Electronic Payment Security Union, the Bank pushed four safety publicity related topics including *Data Summarization of 2015 National Telecommunications Fraud and These Figures can Really Shock You!*, *Be Calm with Telecommunications Fraud and Keep in Mind the Formula to Help Yourself*, *Safety Protection| "Pennies" from Heaven or "Trap" from Heaven?* and *Acquire Knowledge| Take You See "Quack Tricks" Quickly with WeChat official account*, which are integrated with knowledge ability, interestingness and warning, close to public life and concerned by the society, so the click rate continued to rise, achieving good publicity.



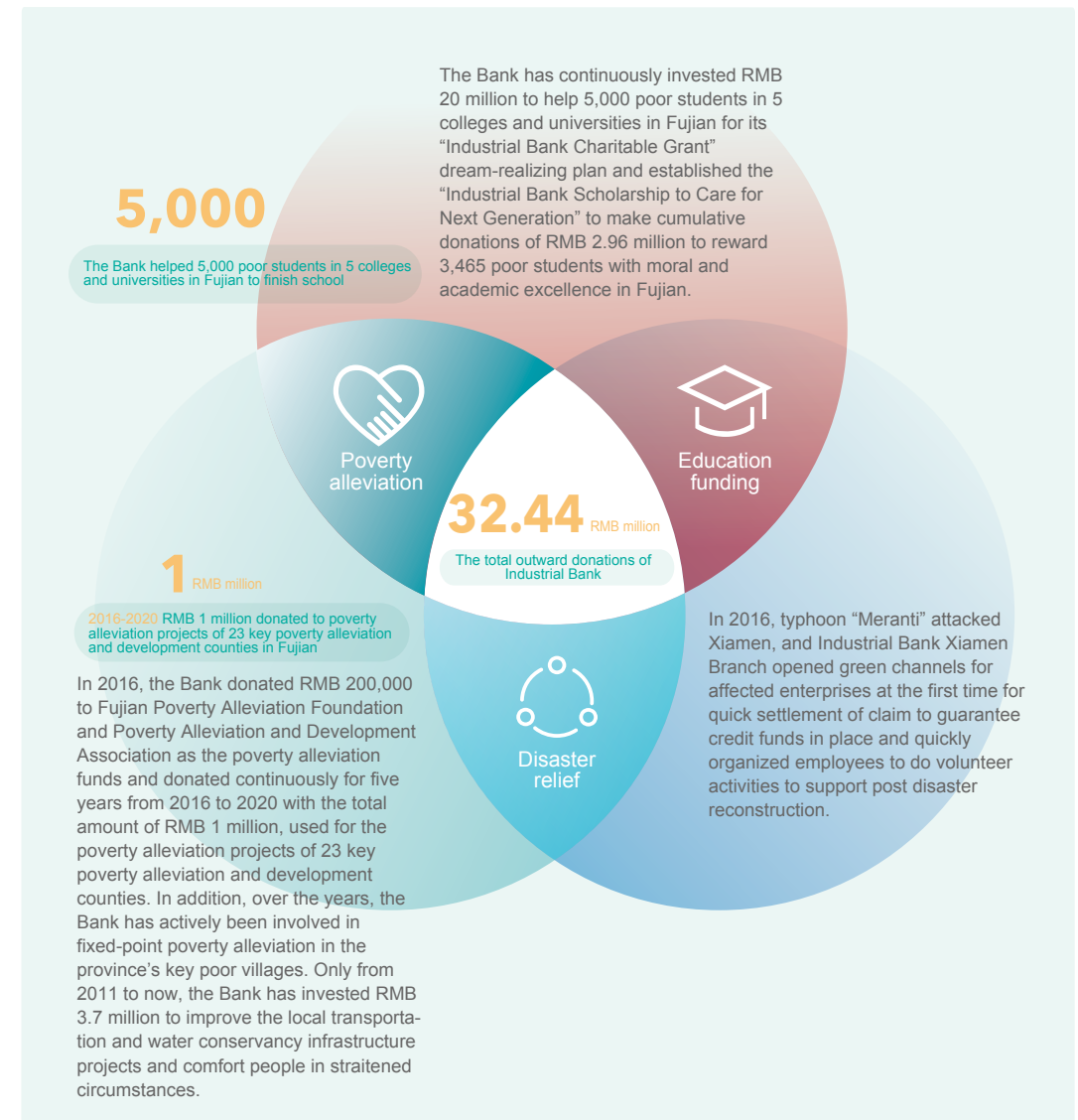
18 RMB million

In 2016, Industrial Bank successfully intercepted 33 telecommunications frauds to avoid the financial losses of more than RMB 18 million for customers.

Love starting from “Industrial Bank” with commitments to the construction of a harmonious society

The Bank has always actively supported charities and now has formed normal donation and disaster assistance in parallel and a three-in-one charity mechanism of “education funding”, “disaster relief” and “poverty alleviation”. In 2016, Industrial Bank made total outward donations of RMB 32.44 million.

A Three-in-one Charity Mechanism





Topic

Explore Precision Poverty Alleviation with Innovation Schemes to Aim at Multiple Aspects

As of the end of December 2016, the total precision poverty alleviation loan balance of the Bank was RMB 3.127 billion, increasing by RMB 1.642 billion than the beginning of the year with a rate of 110.57%; the unit precision poverty alleviation loan balance was RMB 2.022 billion, increasing by RMB 987 million than the beginning of the year with a rate of 95.36%, of which, the project precision poverty alleviation loan balance was RMB 1.121 billion, about 10 times as much as that at the beginning of the year; the individual precision poverty alleviation loan balance was RMB 1.105 billion with 2,548 transactions. The loan balance and number of businesses doubled those at the beginning of the year.

31.27 RMB 100 million **110.57%**
Precision poverty alleviation loan balance

20.22 RMB 100 million **95.36%**
Unit precision poverty alleviation loan balance

11.21 RMB 100 million
Project precision poverty alleviation loan balance

11.05 RMB 100 million
Individual precision poverty alleviation loan balance

Comprehensive poverty alleviation scheme to target multiple aspects

As the first EPFI in China, the Bank gave full play to the group advantages to actively explore innovation and find a precision poverty alleviation road with characteristics, changing "flood irrigation" to "targeted drop irrigation". In 2016, the Bank established the financial poverty alleviation work group with its President Tao Yiping as the leader, and formulated *Industrial Bank's Financial Poverty Alleviation and Development Services Program* to refine the implementation path from poverty alleviation in products, industries, channels, education, fixed-point poverty alleviation and other aspects. Through preferential inclination business resources and other ways, the Bank increased the support to the credit and other financial services in the poor areas and started from the green ecological poverty alleviation to break through based on its own business characteristics.



China Industrial International Trust Limited successfully issued the first charitable trust in China

On December 26, 2016, the project of donating "Fujian Rural Happiness Courtyard" health care products by the "Industrial Trust • Phase I Charitable Trust Plan" was officially launched, becoming the first charitable trust in China. Industrial Trust made the advantages of trust system to continuously conduct model innovation so as to make a little contribution to the financial poverty alleviation and precision poverty alleviation. As a new way of charity, especially after the introduction of trust company as the most suitable trustee and asset managers, the charitable trust will promote the development of charity to the more transparent and efficient direction and will become an important force to promote the development of charity in China.

The Bank set up a financial center of dairy industry in Inner Mongolia, a financial center of agricultural industry in Heilongjiang and a financial center of forestry industry in Guangxi to carry out professional management, serve the local customers of characteristic industries and drive people in the poor areas to overcome poverty through employment by these financial centers corresponding to the different characteristics of these areas. In this process, the Bank did not change the "nature" of innovation and got deep into the first-line of poverty as well as vigorously promoted rural "two rights" mortgage, industrial cooperation funds between banks and governments, compensation fund loan for government risks and other product innovation to ensure the further promotion of poverty alleviation work under the sustainable premise.

As a head office in Fujian, the Bank attaches great importance to the work of "precision poverty alleviation" in Fujian Province and specially allocated funds for poverty alleviation to support the poverty alleviation and development projects in more than 20 counties in Fujian Province. In Xiabuyang Natural Village, Zhenghe County, Fujian Province, there is a 15-meter long and 5-meter wide "Industrial Bridge" so that the villagers don't need to cross the river; Banyuan Village has an over 1,000 meters long "Industrial Canal", achieving more than 200 mu of farmland irrigation.



Set up the financial center of the characteristic industry to support the development of characteristic industry in the poor area



Nanning Branch started precision poverty alleviation and poverty alleviation battle

In 2016, Nanning Branch Qinzhou Sub-branch actively established the support relationship with Dongkou Village of Guandong Town of Pubei County to truly implement the poverty alleviation strategy of "eight batches" and "ten actions" in autonomous region. The Sub-branch encouraged the employees to visit the farmers for several times in Dongkou Village and see the basic situation of fish breeding on field and specially set up special support funds for Guandong fish industry to help one-to-one poor farmers purchase fries, which assists them to get out of the poverty and helps Dongkou Village optimize industrial structure and create local characteristic advantaged industry by the way of breeding of fish.



Chengdu Branch paid attention to the credit support in poor areas to explore effective precision poverty alleviation model

Chengdu Branch established a precision poverty alleviation work group with the leadership as the group leader to encourage the Customer Manager to further explore the agriculture-related credit market, strengthen the credit support to the medical treatment, education, environmental remediation, environmental infrastructure construction, characteristic advantaged industries development and other fields to change "blood transfusion" into "hematopoiesis" in destitute areas and accelerate the pace of poverty alleviation in poor areas. The Branch signed *Financial Poverty Alleviation and Development Cooperation Agreement* with Hejiang County People's Government and carried out "Donations to Schools in Autumn" activity. The first batch of recipients was 33 students in high schools and colleges in Hejiang with a cumulative raised amount of more than RMB 200,000.

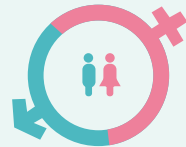
Home culture for joint growth with thousands of employees

Basic Information of the Bank's Staff in 2016



54,208 persons

Total number of staff



0.82:1

Male-to-female ratio (male: female)



2.24:1

Male-to-female ratio of middle and senior management staff (male: female)



1:34

Proportion of employees from ethnic minorities

Knowledge feast for public innovation

In 2016, facing the new economic and financial normal, the Bank promoted and organized learning around the Bank's strategic transformation and business development to improve the performance and made new breakthroughs in knowledge creation, combination of competition and training and community operation, etc.

Everyone is a teacher and the public participates in innovation

20 copyright courses
60 standard courses
300 original courses

260 micro courses

1,107 cases

104 financial service schemes

39 breakthrough cases
56 risk solutions

Optimal course plan

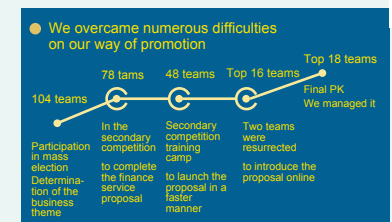
Micro-course competition

Case competition

Chairmanthink

IB's direction

Competitions promote talent cultivation



Community Alliance to promote light learning

Four fine learning communities of "Industrial Teacher Club", "Industrial Partner", "Government Power" and "Execution" are the non-formal learning communities promoted by the Bank and become the bank-wide benchmarking communities as the useful supplement to the traditional formal learning.



Fierce competition - Chongqing Branch community elite contest

Fierce competition with active participation: in order to stimulate the passion of community branch for the expansion and mobilize the employees' subjective initiative with competitions, Chongqing Branch carried out a month of community elite contest. The contest implements the system of "two tracks and three races": the overall group improvement and individual potential mining as the "two tracks"; group contest, personal breakthrough champions and personal pointed knife game as "three races".

Since the challenge, each community branch rushed to prepare for the contest. Before the start of the contest, there were 25 institutions launching a challenge to the group contest and 51 challenges for business manager pointed knife game. Flames of war have been lighted!



PRACTICE

Execution of the Equator Principles / 82



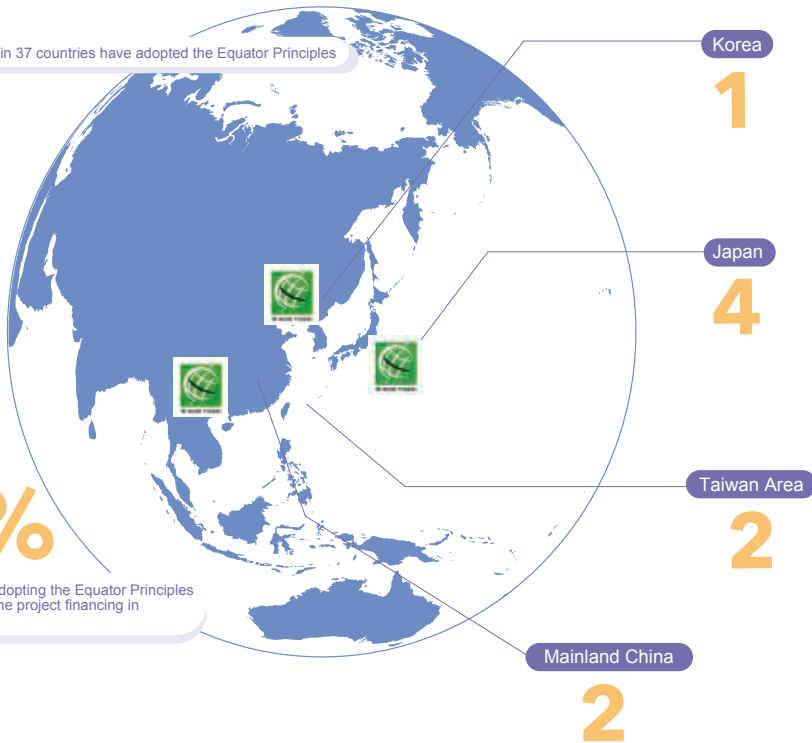
Execution of the Equator Principles

As of the beginning of February 2017, 89 financial institutions in 37 countries including Industrial Bank had formally adopted the Equator Principles, covering over 70% of project financing in emerging market.

From 2016 to early February 2017, the new financial institutions adopting the Equator Principles include: E.SUN Bank (Taiwan), National Bank of Abu Dhabi PJSC (The United Arab Emirates), Sumitomo Mitsui Trust Bank (Japan), UK Export Finance (UK), Svenska Handels Banken (Sweden), ICO Financial Group (Brazil), Bankinter (Spain), OP Financial Group (Spain), Korea Development Bank (Korea) and Bank of Jiangsu (China). On January 20, 2017, Bank of Jiangsu announced to adopt the Equator Principles and became the second EPFI in Mainland China, and it is the first city commercial bank adopting the Equator Principles in China.

89

89 financial institutions in 37 countries have adopted the Equator Principles



70%

Financial institutions adopting the Equator Principles covered over 70% of the project financing in emerging market

Professional support system achieved breakthroughs in upgrading

In 2016, the Bank formally launched the industry's first independent research and development green financial professional support system, leading the same industry with electronic operations. This system has complete functions and strong expandability, which can realize three functions: the first is identification of green finance attributes, environmental benefits measurement, customer management and other business management functions; the second is handling of credit business of green finance, review of the Equator Principles, credit management after loan, risk monitoring and other risk management functions; the third is evaluation, performance measurement, group management, resource allocation, report form statistics, information document management and other operation management functions. With the help of this system and through the customer classification management and business data mining and analysis, deeply explore the customer needs and further enhance the efficiency and ability of the Bank to serve green financial customers.

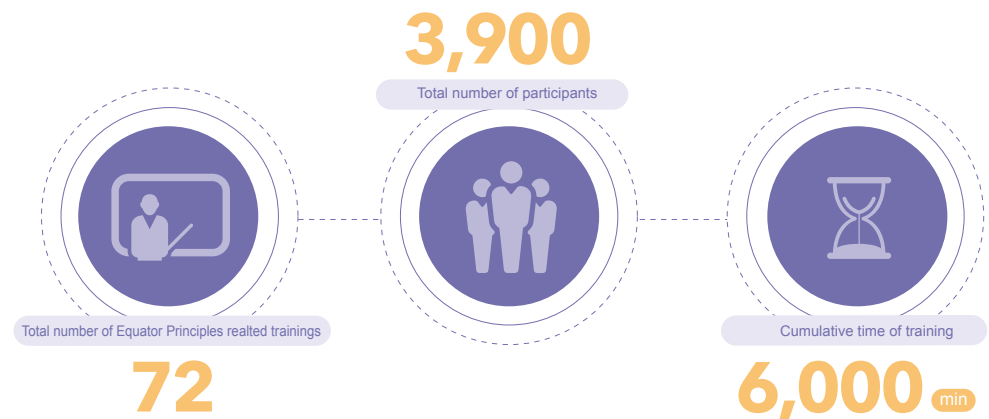
Strengthen the cooperation with external professional bodies

In 2016, the Bank continued to strengthen the cooperation and communication with Environmental Resources Management (Shanghai), Environ (Shanghai), PricewaterhouseCoopers (Shanghai) and other professional technology companies specializing in environmental and social risk evaluation to better carry out due diligence, environmental and social risk evaluation and other work of the Equator Principles project to ensure the smooth progress of the review of the Equator Principles project.

Carry out the training on publicizing and implementation of the Equator Principles

In 2016, there were 72 trainings on the Equator Principles throughout the whole bank with the total number of participants of more than 3,900 and cumulative time of about 6,000 minutes.

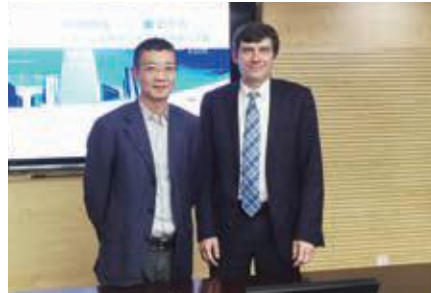
The Bank strived to carry out team capacity construction and organized the person in charge of Green Finance Functional Department and business backbones to conduct training on the Equator Principles through on-site exchange meetings, video and other ways, focusing on the applicable scope of the Equator Principles, review requirements, review process and institutional system and other relevant contents to carry out the centralized publicizing and implementation for promoting the further improvement of professional skills of personnel related to the green finance of branches.



Continue to promote international exchange of experience

As an EPFI, the Bank actively participated in the Equator Principles convention and quarterly conferences of EPFIs in Asia Pacific for the consultation and discussion on the evaluation standards and applicable scope of real estate projects and carbon information disclosure and so on, absorbing the good experience of international advanced EPFIs to be used for perfecting the Bank's internal policy and management.

The Bank invited the chairman of Canadian Association for Development of Environmental Finance and professor of University of Waterloo Olaf Weber to introduce the research results about the sustainable development of banks and performance quantization of the Equator Principles so that the Bank can learn from the international advanced research results to further deepen the theory and practice of the Equator Principles.



The General Manager of the Bank's Legal and Compliance Department, Hua Bing (left), discussed the research on the sustainable development of banks and performance quantization of the Equator Principles with Olaf Weber (right), chairman of Canadian Association for Development of Environmental Finance and professor of University of Waterloo.

Equator Principles project data

In 2016, the Bank implemented judgment of applicability of the Equator Principles for 72 projects and identified 49 projects where the Equator Principles are applicable, which involves a total investment of RMB 581.332 billion, 49 customers, 24 national standard industries. And 10 projects where the Equator Principles are applicable had reached financial close in the reporting period (signing of financing contracts), including 3 project financings and 7 project-related corporate loans and another 10 project loans were released, including 3 project financings and 7 project-related corporate loans for a total amount of RMB 6.725 billion.

As of December 31, 2016, the Bank had implemented judgment of applicability of the Equator Principles for 971 projects, involving a total investment of RMB 2,907.632 billion

971 projects

A total investment of RMB 2,907.632 billion

There were a total of 307 projects where the Equator Principles are applicable, involving a total investment of RMB 1,145.847 billion, 272 customers and cumulative release amount of RMB 34.789 billion.

307 projects

A total investment of RMB 1,145.847 billion

Project Finance Transactions

In 2016, the Bank had 3 project financings in effect, including 1 in category A and 2 in category B and the projects are all in China (i.e. non-designated countries), which are mainly in hydroelectric generation, wind power generation and other industries; for all effective Equator Principles projects, an independent third-party environmental and social counseling agency was hire to assist in the due diligence investigation and evaluation of project compliance with the Equator Principles.

Project-related corporate loans

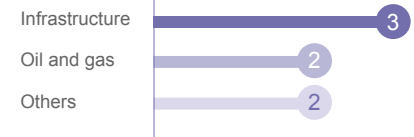
In 2016, the Bank had 7 project-related corporate loans that are in category B in effect and the projects are all in China (i.e. non-designated countries) and an independent third-party environmental and social counseling agency was hire to assist in the due diligence investigation and evaluation of project compliance with the Equator Principles.

2016 layout of industries of projects of the Equator Principles
(industries to be disclosed as required in accordance with the *Governance Rules of the Equator Principles*)

Project Finance Transactions



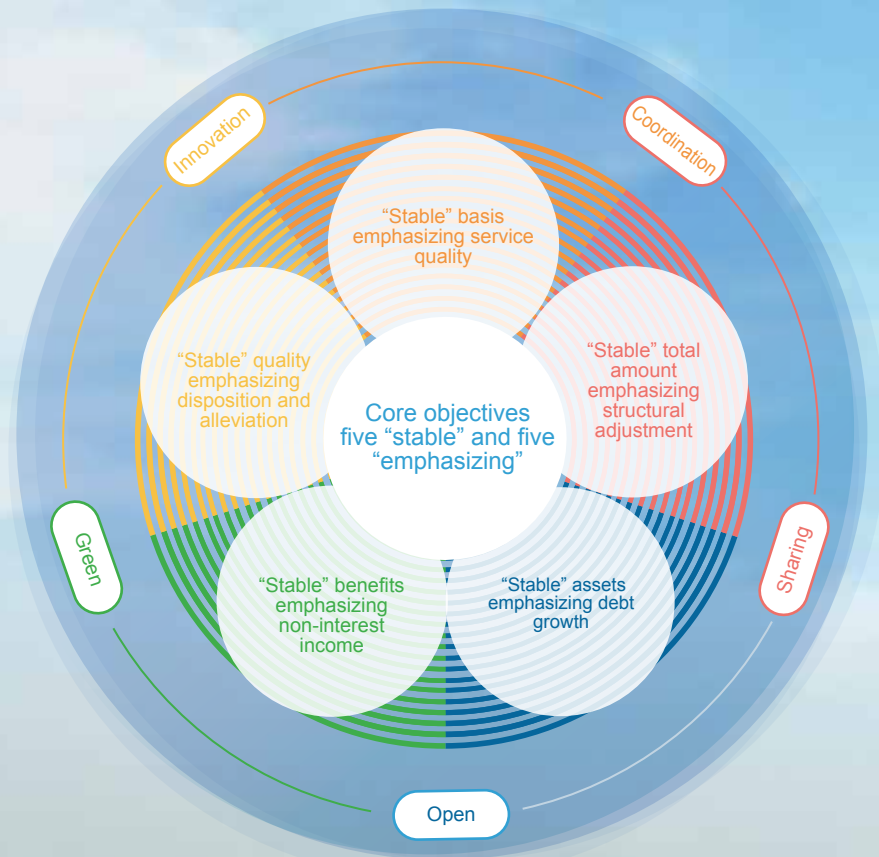
Project-related Corporate Loans



The Future

In the next few years, China will enter the deep water area of supply side structural reform and the pace of industry transformation and upgrading will speed up comprehensively as well as the new and old energy of the economic growth accelerates the conversion, namely de-leveraging, foaming suppression and supporting entities, to prevent the "Real Economy to Fictitious Economy" from becoming the "target" of the financial transformation. The profound changes of the economic and financial environment bring pressure and challenge to the bank development and also bring new historical opportunities.

Facing new economic normal and financial upheavals, Industrial Bank will actively cope with them. Around the main line of the work of "risk control, strong foundation and steady development", the Bank will strive to live with transformation and seek development with innovation to explore new business, expand service groups, optimize the management, improve the professional ability and make efforts to do well in seven core businesses. Meanwhile, through the all-round reasonable changes of strategic concept, strategies and operation practice, the Bank will achieve the development of "innovation, coordination, green, open and sharing".



• The Bank will continuously improve standardized management

"Performing responsibility, in good order and well-behaved", grasp the essence of the banking operation, strictly maintain the bottom line of the compliance management, reshape the prudent, steady and compliance culture, continuously improve the refinement and standardization of the management, especially improve the support and leading ability to the business and management depending on the advanced technology, lay a solid foundation and improve quality and efficiency to ensure the asset quality, operation safety and long-term sustainable development.

• The Bank will promote the realization of the transformation from "Fictitious Economy to Real Economy"

Keep in mind their own mission and responsibility, return to the business source, resolutely implement the national policy and financial regulatory requirements to optimize the asset and debt structures, effectively give play to the financial service functions and more reasonably allocate the financial resources based on the contributions to the improvement of economic efficiency, transformation and upgrading of entities, returning to the business source and serving entities.

• The Bank will establish a unified customer service system

Comprehensively improve the one-stop comprehensive financial service capabilities, strive to use "one face to customers, an order to use all resources" and give "effective prescription", use "effective medicine" and implement "effective strategies" taking customers as the center and around their difficulties to meet the diversified and integrated service demands of the customers, sincerely serve the customers, growth with them and lay a solid foundation for the sustainable development.

• The Bank will strengthen the driving force of innovation

Enhance the market acumen and ability to explore and build the professional ability to serve new economy and industry with the continuous innovations of development path, business mode, products and services and internal operation management and effective improve the customer service level and market competitiveness while actively opening up new businesses and profit growth channel to form financial intelligence and developing the smart banking.

In 2017, by adhering to its dreams and doing solid work, the Bank will continue to unswervingly build a first-class financial service group which puts the social responsibility and adherence to green concepts in the first place and is trusted by the customers, liked by the shareholders and respected by other banks, and become a bank group which genuinely takes the sustainable development path of capital saving, innovation driving and connotative promotion and has the most comprehensive financial innovation ability and service characteristics.

APPENDIX

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Some Honors of the Bank in 2016



China Banking Association

Socially-responsible Financial Institution of the Year
Special Network Contribution Award of the Year
CSR Manager of the Year



China Business News

Chairman Gao Jianping won "CFV Ten Years• Green Finance Leader"
Joint-Stock Commercial Bank of the Year
CIB Research-Best New Research Institution
China Industrial International Trust -Best Practice Award of China Corporate Social Responsibility List



21st Century Business Herald

Chairman Gao Jianping won "2016 The Most Respected Chairmen of China's Listed Companies"
2016 Excellent Board of Directors of China's Strategic Listed Companies
2016 Asian Outstanding Commercial Bank
No.8 among Asian Banks in Terms of Competitiveness
2016 Best Asset Management Bank of China
2016 Best Earnings Bank
2016 The Most Powerfully Communication Commercial Bank



Financial Times

Best Joint-Stock Bank of the Year



People's Daily

Chinese Brand Award• Innovation Award



Securities Times

2016 Best Investment Bank (Industry) in China
2016 Best Financial Consulting Bank in China
Best Wealth Management Brand
Direct Bank---Best Internet Innovation Bank
No.3 Cash Treasure (Increasing Returns)---Best Open Bank Financial Product
Rolling and Open WLB---Best Innovation Bank Financial Product
Big Money Manager---Most Popular Internet Financial Product



The Banker

Chairman Gao Jianping won "Top 10 Financial Figures in China"
No.4 among Top 5 National Commercial Banks in Terms of Financial Evaluation
Best Wealth Management Bank
"Golden Eye" Big Data Risk Control Product---Top 10 Financial Product Innovation Award
Big Money Manager and Manager Wallet---Top 10 Internet Financial Innovation Award
WLB---Top 10 Wealth Management Innovation Award



China Business Journal

Financial Holding Group with Superior Competitiveness
Joint-stock Commercial Bank with Superior Competitiveness



Treasury China

2016 Best Cash Management Bank
Best Treasury Innovation Product



Southern Weekly




Best Liability Enterprise



Fortune China

No.37 in 2016 Top 500 Ranking List of Fortune China
No.11 among 40 Most Profitable Companies among Top 500 in China

Some Honors of the Bank in 2016

| | | |
|--|---|---|
|  经济观察报 The Economic Observer Excellent Innovation Bank Award |  21世纪商业评论 21st Century Business Review Best Financial Data Management Award |  Xinhua Research Center for Corporate Social Responsibility Chinese Academy of Social Sciences Chairman Gao Jianping won 2016 The Most Outstanding People for Social Responsibility in China |
|  鏡報 The Mirror Outstanding Corporate Social Responsibility Award |  中国企业管理研究会 Social Responsibility Specialized Committee of Chinese Institute of Business Administration Beijing Rongzhi Corporate Social Responsibility Institute Public Transparency Model Award |  sina 新浪网 sina.com.cn Sina The Most Influential Bank Best Wealth Management The Most Popular Direct Bank |
|  和讯网 Hexun Best Public Image Financial Institution Excellent Green Financial Institution of the Year Big Money Manager--Most Popular Mobile Financial Product Big Money Manager--Excellent Internet Financial App of the Year |  金融界 JRJ.com JRJ Outstanding Chinese-invested Bank Social Responsibility Award of the Year Outstanding Wealth Management Award Outstanding Custodian Bank Award |  东方财富网 eastmoney.com East Money.com 2016 Best Comprehensive Bank 2016 Best Wealth Management Bank |
|  人民网 people.cn Corporate Social Responsibility Award "Enterprise of the Year" |  腾讯网 qq.com Tencent Official WeChat Subscription Number "Industrial Bank 601166" ---Best Valuable Corporate Number Award |  CNFOL.COM 中金在线 CNFOL The Most Influential Direct Bank in the Market |

GRI index¹

| No. | Content | Page |
|---|--|---------------|
| Strategy and Analysis | | |
| 1 | Statement from the most decision-maker of the organization (e.g. CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability. | 4-7, 18-23 |
| Corporate Profile | | |
| 3 | Name of the organization | 9 |
| 4 | Primary brands, products, and/or services | 24-25 |
| 5 | Location of the organization's headquarters | 12 |
| 6 | Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | 31 |
| 7 | Nature of ownership and legal form | 12 |
| 8 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) by the organization | 12, 24-25, 31 |
| 9 | Scale of the reporting organization | 16-17 |
| 10 | a. Total number of employees by employment contract and gender. b. Total number of permanent employees by employment type and gender. c. Total workforce by employee, supervised worker and gender. d. Total workforce by region and gender. e. Whether a substantial portion of the work of the organization is performed by workers legally recognized as self-employed, or by individuals other than employees or supervised workers (including employees and supervised workers of contractors). f. Significant variations in employment numbers (such as seasonal variations in employment numbers in the tourism or agricultural industries). | 17, 76-77 |
| 11 | Percentage of total employees covered by collective bargaining agreements. | 17 |
| 12 | Description regarding the supply chain of the organization. | 66 |
| 13 | Significant changes during the reporting period regarding the size, structure, ownership or supply chain of the organization, including: <ul style="list-style-type: none"> Changes in the location of, or changes in, operation, including facility openings, closings and expansions Changes in the share capital structure and other capital formation, maintenance, and alternation operations (for private sector organizations) Changes in the location of suppliers, the structure of the supply chain or in relationships with suppliers, including selection and termination | 16-17, 31, 39 |
| 14 | Whether and how the precautionary approach or principle is addressed by the organization. | 22 |
| 15 | Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses. | 9, 82 |
| 16 | List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> Holds a position on the governance body Participates in projects or committees Provides substantive funding beyond routine membership dues Views membership as strategic This refers primarily to memberships maintained at the organizational level. | 82 |
| Identified Material Aspects and Boundaries | | |
| 17 | a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the sustainable development report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents. | 9 |

¹ Based on the G4 Core Option

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|-------------------------------|--|----------|
| 18 | a. Explain the process for defining report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defined Report Content. | 9 |
| 19 | List all the material Aspects in the process for defining report content. | 9 |
| 20 | For each material Aspect, report the Aspect Boundary within the organization, as follows: <ul style="list-style-type: none"> • Report whether the Aspect is material within the organization • If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: –The list of entities or groups of entities included in G4-17 for which the Aspect is not material or –The list of entities or groups of entities included in G4-17 for which the Aspect is material • Report any specific limitation regarding the Aspect Boundary within the organization | 9 |
| 21 | For each material Aspect, report the Aspect Boundary outside the organization as follows: –Report whether the Aspect is material outside the organization –If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified –Report any specific limitation regarding the Aspect Boundary outside the organization | 9 |
| 22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements | 9 |
| 23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries | 9, 24-25 |
| Stakeholder Engagement | | |
| 24 | List of stakeholders engaged by the organization. | 20 |
| 25 | Report the basis for identification and selection of stakeholders with whom to engage. | 20 |
| 26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | 20-21 |
| 27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | 20 |
| Report Profile | | |
| 28 | Reporting period (such as fiscal/calendar year) for information provided | 9 |
| 29 | Date of most recent previous report (if any) | 9 |
| 30 | Reporting cycle (such as annual, biennial) | 9 |
| 31 | Contact point for questions regarding the report or its contents. | 9 |
| 32 | a. Report the 'in accordance' option the organization has chosen (core or comprehensive). b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be "in accordance" with the Guidelines. | 93-95 |
| Governance | | |
| 34 | Governance structure of the organization, including committees of the highest governance body. Identify any committee responsible for decision-making on economic, environmental and social impacts. | 15 |

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| Business Ethics and Integrity | | |
| 56 | Describe the values, principles, standards and norms of behavior of the organization, such as codes of conduct and ethics. | 18-23 |
| Economic Performance | | |
| EC1 | Direct economic values generated and distributed | 16-17, 39, 73-75 |
| EC2 | The financial implications and other risks and opportunities for the organization's activities due to climate change | 4-7, 18-20 |
| EC3 | Coverage of the organization's defined benefit plan obligations | 17 |
| EC7 | Development and impact of infrastructure investments and services supported | 73-75 |
| EC8 | Significant indirect economic impacts, including the extent of impacts | 28-51, 57-65, 84-85 |
| Environmental Performance | | |
| EN3 | Energy consumption within the organization | 66 |
| EN4 | Energy consumption outside the organization | 66 |
| EN6 | Reduction of energy consumption | 17, 57, 63, 66 |
| EN7 | Reduction in energy required by the products and services | 17, 57, 63, 66 |
| EN8 | Total water withdrawal by source | 66 |
| EN19 | Reduction in greenhouse gas (GHG) emissions | 17, 57, 63, 66 |
| EN27 | Extent of impact mitigation of environmental impacts of products and services | 57-61, 83-85 |
| Labor Practices and Decent Work | | |
| LA1 | Total number and rates of new employee hires and employee turnover during the reporting period by age group, gender and region. | 17, 76-77 |
| LA8 | Health and safety topics covered in formal agreements with trade unions | 17 |
| LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 76-79 |
| LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity | 17, 76-77 |
| Community | | |
| SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified | 23 |
| SO4 | Communication and training on anti-corruption policies and procedures | 23 |
| Product Responsibilities | | |
| PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements | 45 |
| PR5 | Results of surveys measuring customer satisfaction | 44 |

Reader's Feedback Form

We appreciate your advice and valuable information on our report!

1. How do you think about the overall quality of Industrial Bank's sustainability report?

Good Not bad Ordinary

2. What's your suggestion on Industrial Bank's corporate governance?

Good Not bad Ordinary

3. What's your opinion on Industrial Bank's economic development, environmental protection and return to the community?

Good Not bad Ordinary

4. What's your opinion on Industrial Bank's sustainable development?

Good Not bad Ordinary

5. How do you think of Industrial Bank's implementation of the Equator Principles?

Good Not bad Ordinary

6. How do you think about Industrial Bank's information disclosure?
Is it transparent, integrated and accurate?

Good Not bad Ordinary

7. How do you think about the report's layout and design?

Good Not bad Ordinary

8. Please give your comments and suggestions on our sustainability report.



Answer questions by scanning the QR code with your mobile phone

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Postal code: 350003

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Name: _____

Phone number: _____

Email: _____ @ _____