2016

ANNUAL REPORT

THE FIRST EQUATOR BANK IN CHINA

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

28
1988 ~ 2016

Important Notice

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

The Company's 2016 annual report and its abstract were reviewed and approved at the 2nd meeting of the 9th session of the Board of Directors on April 27, 2017.

The financial data and indicators contained in this annual report were prepared in compliance with the PRC Generally Accepted Accounting Principles. Unless otherwise specified, they represented the consolidated data. The monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's 2016 financial statements in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditors' report with unqualified opinions.

The Company's chairman Gao Jianping, president Tao Yiping and general manager of the financial department Li Jian hereby warrant that the financial statements in the 2016 annual report are true, accurate and complete.

The plan of dividends distribution for ordinary shares for the reporting period considered by the Board of Directors: based on the total capital of 20,774,190,751 shares, cash dividend of RMB6.10 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: proposed dividends for preferred shares are RMB1.482 billion in total. Of which, the total nominal value of the preferred shares of "Industrial Bank P1" is RMB13 billion, and proposed dividends to be paid for 2016 are RMB780 million with an annual dividend yield of 6%; the total nominal value of the preferred shares of "Industrial Bank P2" is RMB13 billion, and proposed dividends to be paid for 2016 are RMB702 million with an annual dividend yield of 5.40%.

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

The Board of Directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Operation Discussion and Analysis" for risk factor the Company is subject to and the risk management analysis.

Chairman's Statement

In 2016, in the face of the complex and severe external situation and ups and downs of market environment, the Company, adhering to "steady growth, risk control, strong foundation, promotion of transformation" as the main line, earnestly implemented the national macro-control and regulatory policies, made steady progress and deepened reform to achieve a good start of a new round of five-year development.

Being pragmatic and efficient, the Company continued to improve the corporate governance system and mechanism. It completed the general election of the Board of Directors and the Board of Supervisors and the addition of certain directors and supervisors during the tenure as scheduled and successively completed the work handover between the former and current Presidents and Chairmen of the Board of Supervisors, further enhancing the Company's strategic decision-making ability and ensuring continued and stable operation of the entities engaged in corporate governance. The implementation of a new round of non-public issuance of A shares raised approximately RMB26 billion, which effectively enhanced the Company's capital strength and further improved the stability of the ownership structure and consolidated the corporate governance basis for sustained and stable operation. With a view to "strengthen specialty and improve efficiency", the Company, with the focus placed on "improving corresponding systems and mechanisms", reformed and improved the head office's organizational structure and functions of branches' internal organizations, and established and perfected the risk management system and mechanism with differences in terms of traditional businesses and emerging businesses and the balance, assessment and evaluation mechanism with two dimensions of customer and product, to further stimulate business vitality, promote business transformation, and enhance the Group's overall comprehensive, professional and refined financial services.

In steady progress, the Company consolidated and enhanced its market position as a mainstream financial services group. Based on its own reality, the Company made a forward-looking study on the macroeconomic situation and future pattern of financial development, and prepared the Outline of Development Plan of the Group for 2016-2020, clarifying the target strategy of endeavouring to build a "first-class bank corporation with the most comprehensive financial innovation capacity and service characteristics". Various businesses witnessed sound and stable development following the annual business goals and strategy prepared by the Company. As at the end of the year, total assets amounted to RMB6.09 trillion, representing a year-on-year increase of 14.85%, the net profit recorded throughout the year was RMB53.850 billion, representing a year-on-year increase of 7.26% and the rate of return on net assets was 17.28%. The asset size matched with the operating benefits and the financial position was prudent and stable. The comprehensive risk management was strengthened and a variety of ways were adopted to effectively operate and dispose non-performing assets and revitalize the stock of financial resources. As at the end of the year, the NPL ratio was 1.65% and the provision coverage ratio was 210.51%, indicating stable assets quality and overall risks in a controllable range. The Company continuously improved the internal control, reinforced management of staff's behaviors and enhanced the efforts and accuracy of accountability against violations, forming a good cultural atmosphere for compliant operation. In the latest Top 1000 World Banks as published by The Banker of the UK, the Company ranked the 32nd in respect of Tier 1 capital and the 33rd in respect of total assets, up 4 and 9 places as compared with last year, respectively.

The capacity to serve the real economy was strengthened through transformation and innovation. The Company proactively grasped opportunities of economic transformation and upgrade and structural reform of supply side and optimised the allocation of financial resources. With the implementation of key national strategies including "One Belt, One Road", Beijing-Tianjin-Hebei coordinated development and the Yangtze River Economic Zone as the key sectors, various emerging industries as key industries, promising enterprises and projects with strong driving power as key accounts and financial services satisfying the needs of corporate transformation and upgrade as key products, the Company increased resource inclination to serve economic transformation and upgrade and promote the development of real economy. The Company gave full play to the Group's advantages in respect of comprehensive operation, adopted innovative financing modes and vigorously engaged in direct financing businesses including perpetual bonds, linkage of investment and loan, industrial funds and assets securitization to help enterprises obtain capital funds with low costs and long term. In addition, it vigorously fostered and developed characteristic businesses including green finance, pension finance, Bank-to-Bank Platform and assets custody and profit growth drivers and propelled the Company to carry out continuous transformation in the direction of "light assets and high efficiency", and good economic benefits and social response have been obtained.

Collaborative linkage laid a good foundation for collectivized, comprehensive and international development. Closely following the advancement of national major strategies, the Company proactively applied for establishment of pilots for linkage of investment and loan and planned to establish CIB International Financial Holdings Limited in Hong Kong to further deepen the layout of comprehensive and international operation. While strengthening top-level design of statement consolidation management and unifying the Group's development strategy and risk preference, the Company streamlined the Group's mechanism for internal collaborative linkage and clarified the Group's regional business plan, operation and management mechanism in Hong Kong. It promoted the members of the Group to exert their respective advantages in respect of business license and guided them to constantly foster their own core competitiveness to enhance the Group's overall profitability and brand influence. The Company intensified the organic integration of the Group's scientific and technological construction and strategic planning, set up the concept of information technology "leading business development and transformation and innovation", and proactively promoted the Group's scientific and technological integration and the construction of unified data platform to facilitate the members of the Group to adjust the organizational structure and optimize business process, to provide a strong foundation for better serving customers and carrying out forward-looking business operation and management.

2017 is the 10th anniversary of the initial public offering of the Company's A shares. Over the past decade, the Company fully leveraged the capital market to issue ordinary shares of RMB67.5 billion and preferred shares of RMB26 billion. It successfully grasped the golden period of healthy and rapid economic development of the PRC and the Group's asset size as at the end of 2016 and the operating benefits for the year were 10 times and 13 times those at the end of 2006, respectively, resulting in comprehensive enhancement of its market position. Over the past decade, the Company fully relied on the capital market and strived to build a responsible mainstream financial services group brand, and has gained good reputation in terms of green finance, pension finance, investment banking, financial markets and other segments. In accordance with the Global Banking 500 2017 jointly published by The Banker of the UK and the Brand Finance, the Company's brand value of USD10.567 billion ranked the 21st. Over the past decade, the Company has paid the capital market and the extensive investors in return. In 2007-2016, the Company recorded accumulative net profit of RMB304.6 billion and accumulative cash dividends for ordinary shares of more than RMB64 billion.

In 2017, at a new starting point of the 10th anniversary of the public listing, the Company will not forget its original intention, be down to earth, and resolutely obey and serve major national development strategies. It will insist on the reform and transformation as well as innovation and development, striving to build a first-class financial services group with distinctive integrated financial innovation capacity and service characteristics, which is trusted by customers, supported by shareholders and respected by the society, to usher in the 19th National Congress of the Communist Party of China with excellent operating results.

Chairman:

President's Report

In 2016, under the correct leadership of the Board of Directors, the management led the Bank to develop steadily and tackle difficulties and achieved a good start for a new round of five-year development. Given the rapid changes in the market and policy environment, the Company proactively took countermeasures and grasped opportunities to unswervingly promote the reform and transformation, and exerted the greatest efforts to support the development of real economy. As at the end of the reporting period, the total assets of the Bank reached RMB6,085.895 billion, up 14.85% from the beginning of the reporting period. Operating benefits increased in a steady way and hit a new high. The accumulative operating income for the year amounted to RMB157.060 billion, representing a year-on-year increase of 1.76%; the accumulative net non-interest income amounted to RMB44.741 billion, representing a year-on-year increase of 29.63%; the percentage of income from intermediate businesses in the total income reached 24.56%, up 4.64 percentage points as compared with the corresponding period of last year; and the accumulative net profit attributable to the parent company amounted to RMB53.850 billion, representing a year-on-year increase of 7.26%. The asset quality management and control effects were better than expected. As at the end of the reporting period, the NPL ratio was 1.65% and the provision coverage ratio was 210.51%. The asset quality and provision coverage were maintained at a good level as compared with similar banks. The Company successfully completed the issuance of secondary capital bonds of RMB30 billion. As at the end of the reporting period, the net capital reached RMB456.958 billion, up 19.15% over the beginning of the reporting period, and the capital adequacy ratio was 12.02%, up 0.83 percentage point over the beginning of the reporting period.

2016 is the first year of the implementation of the Bank's new five-year plan. It is a year for succession and a year full of challenges. Monetary policy began to become stable and neutral and big fluctuations occurred in the market. We gave full play to the role of "think tank" to accurately grasp the market trends in various stages and conducted forward-looking adjustments to the structure of assets and liabilities. We strove to seize opportunities to avoid risks. The "four-focus" strategy was implemented for credit business to ensure aggregate growth and structural optimization. For financial market business, the Company emphasized on construction of new types of assets and realized the smooth transition of main business varieties. At the end of the year, our assets size ranked the top among similar banks, which is an inadvertent result, but also reflects our flexibility of "changes according to market trends" in the market environment. At the same time, our core liabilities grew steadily and the source of inter-bank capital continued to remain stable, which supported our business development and effectively guaranteed liquidity security.

Risk management is the top priority of banks. We strictly implemented the target responsibility system, strengthened the multi-level linked supervision, and made full use of assessment and evaluation tools. Therefore, our assets quality management and control effects were better than expected, non-performing assets showed obvious signs of marginal improvement, and the NPL ratio and provision coverage continued to be at a good level in the industry. The Company sped up the promotion of professional operation of special assets, resulting in a substantial increase in recovery and restructured ratio to 33%, and made great contributions to the Bank's increase in results with the "real benefits" obtained therefrom. After undergoing the economic downturn period, all staff's risk management awareness and ability were significantly improved. We vigorously screwed up disciplines and publicized and implemented the "thirteen injunctions" against staff's behaviors in the Bank in a systematic way. The operations of the Bank became more upright and the pattern with orders and rules further took shape.

The result of defense is security, while attack can bring about victory. In 2016, the characteristic businesses and advantageous businesses continued to play the role of leader in making breakthroughs resolutely. Riding on G20 and national policies, green finance led the market again in respect of issuance of green financial bonds, securitization of green credit assets, green wealth management and other sectors. As at the end of the reporting period, the balance of green financing of the Group amounted to RMB494.36 billion. The underwriting of non-financial corporate debt financing instruments exceeded RMB400 billion, ranking the first among similar banks for a number of consecutive years. The scale of assets custody exceeded RMB9 trillion, ranking the third in the market. Continuous innovations were made in terms of inter-bank cooperation, asset management, pension finance, etc., contributing to further enhancement of market competitiveness. Cooperation of multiple segments is an important advantage of the Bank. While constantly improving professional capacity of business segments and subsidiaries of the Group and maintaining stable development, we continued to establish and perfect the linkage development related mechanism and profit distribution mechanism. Based on the cooperation of the Group, we endeavoured to provide effective financial service to serve the real economy.

This is a high-tech war, in which financial technology will play an increasingly important and even decisive role. We promoted the change of the role of information technology from support and guarantee to leading business development and promoting transformation and innovation, solidly propelled the integration of IT and business, and successfully launched the core V3 system. We promoted the construction of the Group's private cloud and industrial financial cloud, introduced intelligent risk control products including "Golden Eye" and a number of mobile payment products including "Industrial Steward" and proactively explored the application of big data, artificial intelligence, block chain and other new technologies in the field of finance, to vigorously support CIB Digital Financial Service Co., Ltd. to explore new financial service modes and business modes and get well prepared for the "future bank".

To continuously broaden our customer base and deeply serve our customers is the goal assiduously sought for by us and also an important presentation of our operating results. In 2016, in accordance with the "customer-oriented" concept, we transformed product design, business processes, assessment mechanism and organizational structure and further served, helped and won customers with sincere and professional services. As at the end of the reporting period, the total number of corporate finance customers of the Bank increased by 48.5 thousand or 10.17% as compared with the beginning of the reporting period; and the number of core retail customers increased by 479.6 thousand or 10.09% as compared with the beginning of the reporting period; inter-bank customers developed towards the target of "full coverage" and "not one less", the Company maintained a leading position in respect of customer coverage and made significant results in client infrastructure.

The progress in 2016 is a start and also the hope. Looking into the future, commercial banks shoulder the important mission of further promoting economic transformation and upgrade and structural reform of supply side. In light of the coexistence of opportunities and challenges, the task of development and transformation is still very arduous. Under the correct leadership of the Board of Directors, we will adhere to our glory and dream, keep up with the national policies, especially the main line of structural reform of supply side, and continue to draw a blueprint with inventiveness and grasp market opportunities depending on our advantages. We will endeavour to shoulder great responsibilities and make greater contributions.

President:

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Honors and Awards in 2016

- The Company ranked 59th on the 2016 *Forbes* Global 2000 List, and ranked 13th among shortlisted companies from China.
- On the 2016 Top 1000 World Banks List released by *The Banker* magazine, the Company ranked 32nd in terms of tier-one capital, and ranked 33rd in terms of total assets. On the Top 50 World Banks List, the Company ranked second in terms of "cost-to-income ratio". The "loan-to-deposit ratio" of the Company was 35.44%, the lowest level among Chinese banks on the top 100 list.
- On the "Top 500 Banking Brands 2017" released by *The Banker* magazine in the UK and Brand Finance, a world-renowned branded business valuation agency, the Company ranked 21st with a brand value of $10,567 million.
- The Company ranked 35th on the latest ranking of global banks released by S&P Global Market Intelligence.
- The Company ranked 130th on the Top 500 Most Valuable Brands in China 2016 announced by the World Brand Lab with a brand value of RMB25,084 million. Its brand value increased by 834.22% as compared with the figure recorded in 2010 when it made the list for the first time, thus becoming the bank experiencing most significant growth in brand value over the same period.
- The Company was granted the "Top 20 Best Boards of Supervisors of Public Companies", which was the top award for the rating of Boards of Supervisors of public companies jointly sponsored by China Association for Public Companies, the Shanghai Stock Exchange and the Shenzhen Stock Exchange.
- On the "2016 China Social Responsibility Public Welfare Ceremony & the Ninth Corporate Social Responsibility Summit" sponsored by Xinhua.net and the Research Centre for Corporate Social Responsibility of Chinese Academy of Social Sciences and other organizations, Mr. Gao Jianping, Chairman of the Board, was granted the "2016 China Social Responsibility Outstanding Individual Award".
- In the "Ninth Award Presentation Ceremony for Excellent Board of Public Companies" hosted by the *21st Century Business Herald*, the Company was granted the "2016 Excellent Board of China's Strategic Public Companies" award, and Mr. Gao Jianping, Chairman of the Board, was granted the "2016 Most Respected Chairman of the Board of China's Public Companies".
- The Company was granted the "China Financial Value Ranking" (CFV) Annual Joint-Stock Commercial Bank Award, and Mr. Gao Jianping, Chairman of the Board, was granted the "CFV Leader in Green Finance over the Past Decade" award.
- The Company was granted the "2015 Golden Cow Most Profitable Company" award by *China Securities News*.
- On the Meeting for the Release of "2015 China Banking Social Responsibility Report" and Commendation for the Performance of Social Responsibilities organized by the China Banking Association, the Company was granted the "Most Socially Responsible Financial Institutions of the Year", "Special Contribution Outlet Award in Social Responsibilities of the Year" and "Best Social Responsibility Manager of the Year" awards.
- The Company was granted two awards from the *Securities Times*, namely "2016 China's Best Banks (Industrial) Investment Bank" and "2016 China's Best Financial Adviser Bank".

- In the "6th Most Trusted Financial Service Providers Selected by China Economic and Trade Enterprises" co-sponsored by the Trade Finance magazine and SINOTF.COM, the Company was granted the "Best Foreign Exchange Financial Bank" award.
- The Company was granted the first green carbon award - "Best Carbon Finance Innovation Award" on the first Green Carbon Development Summit.
- The Company was granted two awards on the "2016 (14th) Annual Meeting on the Competitiveness of China Enterprises and Financial Summit Forum" by *China Business Journal*, namely the "Excellent Competitive Financial Holding Group" and "Excellent Competitive Joint-stock Commercial Bank".
- The Company was granted "Best Joint-stock Bank of the Year" and "Bank of Excellence in Innovation Award" in the "2016 China Financial Institutions Gold Medal List" and the "2015-2016 China Excellent Finance Award".
- On the fifth "2016 Leaders in China Annual Forum and Grand Ceremony for Award Presentation" organized by JRJ.com, the Company was granted four awards, namely "Outstanding Chinese Banking Award", "Social Responsibility Award", "Outstanding Wealth Management Award" and "Outstanding Custodian Bank Award".
- "2016 Excellent Asian Commercial Bank" award in the Ranking of Competitiveness of Asian Financial Companies in the 21st Century.
- "Best Wealth Management Bank" award in the "2016 China Bankers' Forum" and the Ranking of Competitiveness of Commercial Banks in China.
- The Company was granted the "Golden Top Award", the "Best Private Banking Customer Services in China - Most Innovative Award" on the "Asia Pacific Wealth Management Forum • Top Chinese Institutions in International Private Wealth Management 2016".
- The "Most Influential Bank" comprehensive award, and two single awards, namely "Best Wealth Management" and "Moat Popular Direct Selling Bank" awarded by finance.sina.com.cn.
- The Company was granted a number of awards by the Interbank Market Clearing House Co., Ltd., which included "Special Contribution Award for Renminbi Interest Rate Swap Agency Business", "Outstanding Clearing Member Award", "Excellence Award for Issuance Business" and "Outstanding Award for Interest Rate Financial Derivatives Central Counterpart Clearing".
- The Company was granted five awards in the China Securitization Annual Award, namely "2016 Accounts Receivable ABS Best Risk Control Award", "2016 Housing Provident Fund Loans ABS Best Assets Award", "2016 Green Finance ABS (Credit) Best Structure Award", "2016 ABS Best Investment Institutions Award", as well as "2016 ABS Scheme Manager With Greatest Potential Award" won by CIB Research, a member of the Group.

DEFINITIONS

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

Industrial Bank / the Company	Industrial Bank Co., Ltd.
Central Bank	The People's Bank of China
CSRC	China Securities Regulatory Commission
CSRC Fujian Bureau	Fujian Bureau under China Securities Regulatory Commission
CBRC	China Banking Regulatory Commission
CBRC Fujian Bureau	Fujian Bureau under China Banking Regulatory Commission
Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Industrial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
IERCC	Industrial Economic Research and Consulting Co., Ltd.
Yuan	RMB Yuan

CORPORATE PROFILE AND KEY FINANCIAL INDICATORS

I.Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

Legal representative: Gao Jianping

Secretary of the Board of Directors: Chen Xinjian

Representative of securities affairs: Lin Wei

Address: 154 Hudong Road, Fuzhou

Tel: (86) 591-87824863

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Email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Office address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

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

Location of annual reports filing: the Company's office of the Board of Directors

Company stock brief introduction:

Classes of stock	The stock exchange	Stock abbreviation	Stock code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
Preferred shares	Shanghai Stock Exchange	Industrial Bank P1	360005
Preferred shares	Shanghai Stock Exchange	Industrial Bank P2	360012

Other related information:

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

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

Names of the signing accountants: Liu Minghua, Zhang Hua

Sponsor performing continuous monitoring (1): CITIC Securities Co., Ltd., Industrial Securities Co., Ltd.

Office address: CITIC Securities Building, No. 8 Zhong Xin San Road, Futian District, Shenzhen; No. 268 Hudong Road, Fuzhou

Names of signing representatives of sponsor: Wu Ling, Luo Zhongxing, Tian Jinhuo, Qiao Jie

Period for continuous monitoring: From September 10, 2014 to August 31, 2016

Sponsor performing continuous monitoring (2): Huatai United Securities Co., Ltd.

Office address: 6/F, Block A, Fengming International Building, No. 22 Fengsheng Alley, Xicheng District, Beijing

Names of signing representatives of sponsor: Zhou Jiwei, Chen Shi

Period for continuous monitoring: From September 1, 2016 to December 31, 2016

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

II.Key accounting data and financial indicators for last three years

i. Key accounting data and financial indicators

Unit: RMB million

Item	2016	2015	Increase/decrease in 2016 compared with 2015 (%)	2014
Operating income	**157,060**	154,348	1.76	124,898
Profit before tax	**63,925**	63,244	1.08	60,598
Net profit attributable to the shareholders of the parent company	**53,850**	50,207	7.26	47,138
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**52,399**	49,493	5.87	46,660
Basic EPS (RMB)	**2.77**	2.63	5.32	2.47
Diluted EPS (RMB)	**2.77**	2.63	5.32	2.47
Basic EPS, after deduction of non-recurring gains and losses (RMB)	**2.69**	2.60	3.46	2.45
ROA (%)	**0.95**	1.04	Down 0.09 percentage point	1.18
Weighted average ROE (%)	**17.28**	18.89	Down 1.61 percentage points	21.21
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**16.80**	18.63	Down 1.83 percentage points	21.00
Cost-to-income ratio (%)	**23.39**	21.59	Up 1.80 percentage points	23.78
Net cash flow from operating activities	**203,017**	818,693	(75.20)	682,060
Net cash flow per share from operating activities (RMB)	**10.66**	42.97	(75.20)	35.80
	December 31, 2016	December 31, 2015	Increase/decrease at the end of 2016 compared with the end of 2015 (%)	December 31, 2014
Total assets	**6,085,895**	5,298,880	14.85	4,406,399
Shareholders' equity attributable to the shareholders of the parent company	**350,129**	313,648	11.63	257,934
Shareholders' equity attributable to the ordinary shareholders of the parent company	**324,224**	287,743	12.68	244,976
Net assets per share attributable to the shareholders of the parent company (RMB)	**17.02**	15.10	12.68	12.86
NPL ratio (%)	**1.65**	1.46	Up 0.19 percentage point	1.10
Provision coverage ratio (%)	**210.51**	210.08	Up 0.43 percentage point	250.21
Provision-to-loan ratio (%)	**3.48**	3.07	Up 0.41 percentage point	2.76

Note: 1. Basic EPS and weighted average ROE were calculated based on "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.9-Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (2010 Revision).

2. As at the end of 2016, the Company issued an aggregate of RMB26 billion preferred shares (Industrial Bank P1 and Industrial Bank P2) with non-cumulative dividends. The dividends of the preferred shares for 2016 have not yet been distributed, which will be distributed after approval by the general shareholders' meeting.

ii. 2016 quarterly financial data

Unit: RMB million

	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	40,917	39,953	37,788	38,402
Net profit attributable to the shareholders of the listed company	15,700	13,741	14,541	9,868
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	15,510	13,349	14,362	9,178
Net cash flow from operating activities	(79,741)	107,543	(13,438)	188,653

iii.Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2016	2015	2014
Gains and losses on the disposal of non-current assets	**27**	9	83
Government grants recognized in profit or loss	**340**	334	379
Write-back of assets written-off in previous years	**1,414**	531	242
Net non-operating income and expense in addition to the above	**176**	91	(54)
Impact on income tax	**(501)**	(252)	(172)
Total	**1,456**	**713**	**478**
Non-recurring gains and losses attributable to the shareholders of the parent company	**1,451**	714	478
Non-recurring gains and losses attributable to minority shareholders	**5**	(1)	-

iv. Supplementary financial data

Unit: RMB million

Item	December 31, 2016	December 31, 2015	December 31, 2014
Total liabilities	**5,731,485**	4,981,503	4,145,303
Placements from banks and other financial institutions	**130,004**	103,672	81,080
Total deposits	**2,694,751**	2,483,923	2,267,780
Incl: Demand deposits	**1,184,963**	1,063,243	948,425
Time deposits	**1,312,417**	1,149,101	1,053,728
Other deposits	**197,371**	271,579	265,627
Total loans	**2,079,814**	1,779,408	1,593,148
Incl: Corporate loans	**1,271,347**	1,197,627	1,179,708
Individual loans	**750,538**	511,906	385,950
Discounted bills	**57,929**	69,875	27,490
Loan loss provisions	**72,448**	54,586	43,896

v. Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2016	December 31, 2015	December 31, 2014
Net capital	**456,958**	383,504	328,767
Incl: Core Tier 1 capital	**325,945**	289,769	246,484
Other Tier 1 capital	**25,919**	25,909	12,958
Tier 2 capital	**106,469**	69,420	69,933
Deductions	**1,376**	1,594	608
Total risk weighted assets	**3,802,734**	3,427,649	2,911,125
Capital adequacy ratio (%)	**12.02**	11.19	11.29
Tier 1 capital adequacy ratio (%)	**9.23**	9.19	8.89
Core Tier 1 capital adequacy ratio (%)	**8.55**	8.43	8.45

Note: Data in this table are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and based on data reported to regulatory authorities.

vi. Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2016	December 31, 2015	December 31, 2014
Loan-to-deposit ratio (converted to RMB)	≤75	**72.50**	67.80	64.67
Liquidity ratio (converted to RMB)	≥25	**59.35**	56.80	41.59
Proportion of loans to the largest single borrower	≤10	**1.82**	2.11	8.26
Proportion of loans to the top ten borrowers	≤50	**11.38**	12.62	20.44
Migration ratio of normal loans	-	**3.62**	3.69	2.33
Migration ratio of special mention loans	-	**63.69**	52.96	42.16
Migration ratio of substandard loans	-	**86.99**	87.33	93.77
Migration ratio of doubtful loans	-	**16.61**	35.92	20.53

Note: 1. Data in this table are those before consolidation, and data of subsidiaries are not included in this table.

2. Data in this table are calculated based on data reported to regulatory authorities.

3. In accordance with the requirements of the 2016 off-site regulation statistics system of CBRC, for loan-to-deposit ratio, only domestic indicator will be reported and retroactive adjustments to the data of previous years are made for the purpose of ensuring consistency in respect of data standard.

vii. Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Beginning balance	Increase during the period	Decrease during the period	Closing balance
Share capital	19,052	-	-	**19,052**
Preferred shares	25,905	-	-	**25,905**
Capital reserve	50,861	-	-	**50,861**
Other comprehensive income	5,685	-	(4,600)	**1,085**
General reserve	60,665	9,213	-	**69,878**
Surplus reserve	9,824	-	-	**9,824**
Undistributed earnings	141,656	53,850	(21,982)	**173,524**
Shareholders' equity attributable to the shareholders of the parent company	313,648	63,063	(26,582)	**350,129**

viii. Items measured at fair value

Unit: RMB million

Item	December 31, 2015	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	December 31, 2016
Financial assets at fair value through profit or loss	128,685	(627)	-	-	**354,595**
Precious metals	41,964	595	-	-	**17,261**
Derivative financial assets	13,933	(3,723)	-	-	**16,137**
Derivative financial liabilities	10,563		-	-	**16,479**
Available-for-sale financial assets	426,304	-	1,492	443	**583,983**
Financial liabilities at fair value through profit or loss	1	(1)	-	-	**494**

Note: 1. Financial assets at fair value through profit or loss: primarily the RMB bonds held for the purpose of market making trading. The Company adjusted the position of its held-for-trading RMB bonds in a dynamic process, based on the trading activity level in the bond market and its judgment on the market movement. In the reporting period, the Company's investment in the held-for-trading bonds increased, and the changes of fair value had a minor impact relative to the scale.

2. Precious metals: being subject to the impact of the proprietary precious metal trading strategy and market movement, the Company decreased its spot position of precious metal during the reporting period, and its balance at fair value in domestic precious metals spot trading at the end of the reporting period decreased by RMB24.703 billion compared with that at the beginning of the period.

3. Derivative financial assets and liabilities: the absolute values of derivative financial assets and liabilities increased compared with those at the beginning of the period. The overall offset balance decreased, meaning that gains from the changes in fair value of the financial derivatives investment in the period decreased.

4. Available-for-sale financial assets: the Company increased its investment in available-for-sale financial assets during the reporting period under the need of asset allocation and management, as well as its judgment on the market movement and analysis of the inter-bank market liquidity.

5. Financial liabilities at fair value through profit or loss: the Company's financial liabilities at fair value through profit or loss are mainly sale of bonds borrowed and short sale gold transactions. As at the end of the reporting period, the position was mainly sale of bonds borrowed.

BUSINESS OVERVIEW OF THE COMPANY

I.Main businesses and operation mode of the Company and conditions of the industry

i. Main businesses and operation mode

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on Shanghai Stock Exchange.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; inter-bank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other banking activities approved by the CBRC.

The Company has been advocating the business philosophy of "Growing Together with Sincere Service" and endeavors to offer comprehensive, diversified, top-quality, and high-efficient financial services for customers. As at the end of the reporting period, the Company has established 126 branches (including tier 2 branches) and 2,003 outlets in major cities across the country and has established a perfect service network covering the whole country and connecting foreign countries. The Company has successively acquired or established trust, financial leasing, fund management, consumption finance, economic research and consulting, digital financial service and other institutions and formed a modern financial service group with bank as the parent and covering various major financial licenses. Insisting on guidance by steady operation and driving by transformation and innovation, the Company, with the focus placed on comprehensive system and mechanism reform, proactively promotes the Group's internal consolidation and business collaboration and endeavours to enhance the process efficiency and development quality from the perspectives of customers and products to effectively improve professional service capacity and market competitiveness.

ii. Conditions of the industry and development trend

In 2016, the macro economy in the PRC maintained stable and the financial marketization was accelerated due to the preliminary results achieved by the comprehensive advancement of organizational reform at supply side. In the process of switching of new and old growth momentums, transformation and upgrade of economic structure and through deepening of financial reform, commercial banks are confronted with challenges including limitation on traditional businesses, narrowing of interest margin and profit space and continuous exposure to credit risks. Meanwhile, the implementation of a series of national major strategies, expansion of emerging industries, improvement of economic and financial systems and progress of information technology also brought about new business opportunities and profit growth drivers. In a new economic normal and new financial pattern, the operation reform of banking industry is carried out in an all-round way and business strategies become diversified, comprehensive and light-duty, e.g. promoting customer-centered service

upgrade and comprehensive innovation, acceleration of adjustment to business structure to achieve professional and refined products and services, strengthening comprehensive risk management and assets quality management and control, and propelling digital financial innovation following the trend of scientific and technological development.

II.Explanation on major changes of main assets during the reporting period

As at the end of the reporting period, the total assets of the Company stood at RMB6,085.895 billion, up 14.85% from the figure at the beginning of the period, of which loans increased by 16.88% from the figure at the beginning of the period; financial assets held under resale agreements decreased by 87.63% compared with the figure at the beginning of the period; and various net investments were up by 26.76% compared with the figure at the beginning of the period. Refer to "Analysis of Balance Sheets" as discussed and analyzed in Operation Discussion and Analysis.

III.Analysis of core competitiveness

Upholding the long-term strategy of "banking establishment by service, strict banking operation, banking operation by experts and developing bank by science and technology", the Company aims at building a first-rate bank group with the most comprehensive financial innovation capacity and service characteristics under the guidance of steady operation instructions, customer-centered idea, business transformation and upgrade, digital financial intelligence and system and mechanism reform. Based on financial service, professional basic capacity, and risk and internal control management, the Company has made continuous breakthroughs in terms of group collaboration, digital and intelligent operation, system and mechanism, thereby constantly improving its competitiveness.

Promoting standardized operation by improving corporate governance structure. Since its establishment, the Company has been constantly improving its corporate governance system and mechanism in accordance with market-oriented operation mechanism, improving the internal operation efficiency by standardized operation and scientific management, thereby forming a standardized organization structure system with efficient management and specialization of labour division. On the basis of adhering to being customer-oriented, the Company has established a matrix management mode to promote its operation management to be close to the market and to the customers, according to the principle of delayering, professionalization and centralization as well as separation of front-, middle- and back-office. The Company has also constantly deepened reform on operation management systems and mechanisms, reorganized its flow process and restructured its systems, and accelerated operation transformation to hold a high ground in market competition and constantly stimulate vigorous operation energy.

Creating brand products and holding an advantageous position in the industry by business innovation. The Company has been engaged in financial market for many years and has been well-known for its prominent innovation capability and accurate forward-looking judgment. The Company has taken a leading position in innovation in many segmented business areas and opens its own " blue ocean", with distinct operation characteristics. The Company has built the entire Industrial Bank brand by business innovation and established a well-recognized product and service brand system. A batch of products and service brands including "Natural Life", "Enjoyable Life", "Universal Life", "IB Business Express", "IB Steward", "Green Finance", "Bank-to-Bank Platform", "QianDa Money Manager" and "Direct Banking" are widely recognized in the domestic financial market. Following the market development trend, the Company has comprehensively implemented the business transformation strategy of "three types and four principal businesses" to constantly enhance the business capacity of "three types", i.e. settlement type, investment type and transaction type, and drive simultaneous

advancement of “four principal businesses”, i.e. institution finance, retail finance, investment banking and assets management, to built seven core business segments in serving customers including interbank finance, green finance, pension finance, supply side finance, comprehensive finance, cross-border finance and inclusive finance. It has formed an advantageous brand and product cluster with the characteristics of the group based on the financial product system with clear positioning, distinct characteristics, outstanding advantages and complete functions.

Promoting business transformation by comprehensive operation. The Company has been persisting in the multi-market, multi-product and comprehensive development path and actively creating its capability of financial services for multi-market. It has formed a relatively complete business system covering interbank business, capital trading, assets management and assets custody, and has taken the lead in planning its business in the monetary market, capital market, bond market, inter-bank market, non-bank financial institution market, precious metals, foreign exchange and derivative products trading. Through years of efforts, the Company has been transformed from a single bank to a modern comprehensive financial service group with banking business as the core, covering business areas including trust, leasing, funds, futures, asset management, consumption finance, internet finance and research and consultation. In recent years, the Company strengthened group linkage and coordinated development, expedited the construction of a management mechanism that is in line with the business development of “great investment banking, great assets management and great wealth management” of the group, and streamlined the group’s internal assets turnover mechanism and profit distribution mechanism to quicken the pace of operation transformation; in addition, it continuously exerted efforts for comprehensive and collectivized construction and offered financial service solutions covering the entire life and all products relying on linkage between business in and outside the statements, linkage between parent company and subsidiaries, linkage between local and foreign currencies and domestic and overseas linkage, and the business coordination and linkage development capability between members of the group has been constantly improved.

Promoting continuous improvement of operation supporting capability by science and technology. “Building the Bank through Science and Technology” is listed as one of the key strategies for the banking operation. The Company valued tracing and grasped the development trend of modern financial technology. It increased investment in science and technology to promote innovation in financial technologies and constantly improve the technological content of financial service. The Company is among the first batch of banks building modern management systems in accordance with the process bank concept, and its centralized back office operation system holds a leading position in the industry. The Company is one of the few banks in the country that have independent core system research and development capability and proprietary intellectual property rights, as well as the only domestic bank exporting core system technology. In 2016, the Company successfully upgraded the new generation of core system and put it into operation, achieving the leap of transactions in a single day from ten million to one hundred million, satisfying system support needs in terms of business innovation, professional operation, intensive operation, scientific management and refined marketing and enhancing customer service capacity and market response speed. The Company also proactively promoted the innovation of information technology mechanism and system and optimized the application system in six aspects, i.e. customer insight, channel integration, product innovation, stable operation, refined management and collaborative linkage. The business development and enhancement of management capacity were backed by the powerful business integration marketing and insight innovation capacity, more stable safety operation and risk management capacity, more refined cost management and control capacity and performance assessment capacity.

Creating the pragmatic and dedicated corporate cultural atmosphere. The Company has always adhered to the rational and practical business strategy in order to foster a simple and harmonious “home culture”, a prudent and sound “risk culture”, a hard-working “diligence culture” and a sincere win-win “service culture”, thereby forming strong soft competitive power. Thus, it has attracted and gathers a high quality and competent professional financial team. The stability of the Company’s core team has always enjoyed good reputation in the industry.

From left to right: Front row	Director, Vice President	Xue Hefeng
	Director, President	Tao Yiping
	Director, Vice President	Chen Jinguang
Back row	Vice President	Sun Xiongpeng
	Vice President	Li Weimin
	Director, Vice President, Secretary of the Board	Chen Xinjian

OPERATION DISCUSSION AND ANALYSIS

I.Major operations during the reporting period

i. Overview

1.Overall operations

During the reporting period, facing the complicated and fierce business environment, the Company rationally coordinated the goals in relation to “scale, quality and efficiency”, flexibly adjusted the business strategy, and promoted business structure adjustment and transformation and upgrading, thereby meeting expectations of its overall operations.

(1) Various businesses were developed steadily. As at the end of the reporting period, the total assets of the Company reached RMB6,085.895 billion, representing an increase of 14.85% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency deposit was RMB2,694.751 billion, representing an increase of 8.49% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency loan reached RMB2,079.814 billion, representing an increase of 16.88% from the figure at the beginning of the reporting period.

(2) Profitability maintained relatively good status. During the reporting period, the realized operating income was RMB157.060 billion, up 1.76% year-on-year, of which fee and commission income reached RMB38.682 billion, up 15.15% year-on-year. Net profit attributable to the shareholders of the parent company for the whole year reached RMB53.850 billion, representing a year-on-year increase of 7.26%. During the reporting period, weighted average ROE was 17.28%, representing a year-on-year decrease of 1.61 percentage points, total return on assets reached 0.95%, representing a year-on-year decrease of 0.09 percentage point.

(3) The quality of assets was controllable overall. As at the end of the reporting period, the balance of non-performing loans of the Company was RMB34.416 billion, up RMB8.433 billion; the ratio of non-performing loans standing at 1.65%, representing an increase of 0.19 percentage point from the figure at the beginning of the reporting period. During the reporting period, the provisions amounted to RMB51.276 billion, representing a year-on-year increase of 13.29%, the provision-to-loan ratio was 3.48% at the end of the reporting period, and the provision coverage ratio was 210.51%.

2.Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB157.060 billion, and its operating profit was RMB63.382 billion.

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

Unit: RMB million

Region	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	76,272	36.54	44,563	39.82
Fujian	14,255	(12.16)	2,352	18.31
Beijing	3,895	(47.82)	1,828	(34.27)
Shanghai	5,041	(38.72)	2,687	(52.51)
Guangdong	6,770	(26.28)	1,684	(411.85)
Zhejiang	5,129	(11.74)	628	(50.12)
Jiangsu	6,274	(9.47)	2,687	(17.53)
Northeast and other regions	14,744	(1.82)	4,364	(23.06)
Western China	11,431	(24.53)	632	(89.34)
Central China	13,249	(8.50)	1,957	(60.32)
Total	**157,060**	**1.76**	**63,382**	**0.91**

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

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	95,505	33.73	(6.14)
Interest income from placements	1,132	0.40	(45.97)
Interest income from amount due from the Central Bank	5,898	2.08	(9.22)
Interest income from amount due from banks and other financial institutions	2,052	0.72	(47.30)
Interest income from financial assets held under resale agreements	4,511	1.59	(83.53)
Gain and loss, and interest income from investment	132,983	46.97	19.27
Fee and commission income	38,682	13.66	15.15
Interest income from financing lease	4,923	1.74	(8.27)
Other income	(2,536)	(0.89)	Negative for the same period of last year
Total	**283,150**	**100**	**(2.99)**

3.Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2016	December 31, 2015	Increase/decrease over previous year-end (%)	Brief description
Total assets	**6,085,895**	5,298,880	14.85	Steady and healthy growth of various asset businesses
Total liabilities	**5,731,485**	4,981,503	15.06	Steady and healthy growth of various liability businesses
Shareholders' equity attributable to the shareholders of the parent company	**350,129**	313,648	11.63	Transfer of the net profit earned in the current period

Item	2016	2015	Increase/decrease over previous year (%)	Brief description
Net profit attributable to the shareholders of the parent company	**53,850**	50,207	7.26	Stable growth in daily average interest-bearing assets; decrease in interest margin, growth in fee and commission income and cost-to-income ratio maintained at a low level; sufficient provisions
Weighted average ROE (%)	**17.28**	18.89	Down 1.61 percentage points	The growth in net profit was slower than the growth in weighted net assets, resulting in slight decrease in return on net assets
Net cash flow from operating activities	**203,017**	818,693	(75.20)	Optimize business structure, leading to healthy and steady growth in various businesses and increase in investment allocation by sizing market opportunity

(2) Main items with changes over 30% in the accounting statement

Unit: RMB million

Main accounting item	December 31, 2016	December 31, 2015	Increase/decrease over previous year-end (%)	Brief description
Amount due from banks and other financial institutions	**56,206**	42,347	32.73	Adjustment to assets allocation, leading to increase in the balance of amount due from banks and other financial institutions
Precious metals	**17,431**	42,010	(58.51)	Decreased position of precious metals
Financial assets at fair value through profit or loss	**354,595**	128,685	175.55	Increased monetary fund investment
Financial assets held under resale agreements	**27,937**	225,924	(87.63)	Decreased bills under resale agreements, trusts and other beneficial interests
Other assets	**31,568**	47,351	(33.33)	Decreased pending settlement payments and prepaid payment for financial leasing assets of Industrial Leasing, a subsidiary of the Company
Borrowings from the Central Bank	**198,000**	67,700	192.47	Increased borrowings from the Central Bank
Financial assets sold under repurchase agreements	**167,477**	48,016	248.79	Increased bonds and bills sold under repurchase agreements
Debt securities issued	**713,966**	414,834	72.11	Issuance of deposit receipt from banks, secondary capital bonds and green financial bonds
Other comprehensive income	**1,085**	5,685	(80.91)	Decreased balance of available-for-sale fair value included in other comprehensive income

Main accounting item	2016	2015	Increase/decrease over previous year (%)	Brief description
Fee and commission expenses	**2,130**	1,402	51.93	Increased commission expenses due to increase in the size of intermediate business
Investment (losses) gains	**11,836**	3,482	239.92	Being highly interrelated, the overall gains of these three items after consolidation amounted to RMB7.975 billion, representing a year-on-year increase of RMB5.965 billion, mainly due to the increase in gains from fund investment
Gains (losses) from change in fair value	**(3,756)**	1,378	(372.57)	
Foreign exchange gains	**(105)**	(2,850)	Negative in the same period of last year	
Business tax and surcharges	**5,667**	12,955	(56.26)	Decreased business tax due to the implementation of "replacement of business tax with VAT" in the banking industry
Other comprehensive income	**(4,628)**	3,466	(233.53)	The gains from the changing of available-for-sale fair value reduced during the reporting period

ii. Analysis of the balance sheet

1.Assets

As at the end of the reporting period, the total assets of the Company stood at RMB6,085.895 billion, up 14.85% from the figure at the beginning of the period, of which loans increased by RMB300.406 billion or 16.88% from the figure at the beginning of the period; financial assets held under resale agreements decreased by RMB197.987 billion or 87.63% compared with the figure at the beginning of the period; and various net investments increased by RMB695.547 billion or 26.76% compared with the figure at the beginning of the period. The composition of the total assets of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**2,007,366**	**32.98**	1,724,822	32.55
Investment Note(1)	**3,294,492**	**54.13**	2,598,945	49.05
Financial assets held under resale agreements	**27,937**	**0.46**	225,924	4.26
Finance lease receivables	**89,839**	**1.48**	74,146	1.40
Due from banks	**56,206**	**0.92**	42,347	0.80
Placements with banks and other financial institutions	**16,851**	**0.28**	56,336	1.06
Cash and balances with central bank	**457,654**	**7.52**	417,911	7.89
Others Note(2)	**135,550**	**2.23**	158,449	2.99
Total	**6,085,895**	**100**	**5,298,880**	**100**

Note: (1) Included the financial assets at fair value through profit or loss, available-for-sale financial assets, receivable account investments, held-to-maturity investments and long-term equity investments.

(2) Included precious metals, derivative financial assets, interest receivable, fixed assets, construction in progress, intangible assets, goodwill, deferred tax assets and other assets.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2016	December 31, 2015
Corporate loans	**1,271,347**	1,197,627
Personal loans	**750,538**	511,906
Discounted bills	**57,929**	69,875
Total	**2,079,814**	**1,779,408**

As at the end of the reporting period, the proportion of corporate loans was 61.12%, down 6.18 percentage points from the figure at the beginning of the period. The proportion of personal loans increased by 7.32 percentage points to 36.09%, and the proportion of discounted bills decreased by 1.14 percentage points to 2.79%, compared with that at the beginning of the period. During the reporting period, the Company proactively grasped the changes in economic situation and rationally determined the credit layout of mainstream business and continued to maintain a steady and balanced development of key businesses.

(2) Loan distribution by industry

As at the end of the reporting period, the top five industries that received the largest proportion of bank loans were: "personal loans", "manufacturing", "wholesale and retail", "real estate", and "leasing and commercial service". The details on distribution by industry are set out as follows:

Unit: RMB million

Industry	December 31, 2016			December 31, 2015		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**7,015**	**0.34**	**1.58**	6,407	0.36	2.09
Mining	**64,684**	**3.11**	**3.33**	66,930	3.76	1.68
Manufacturing	**310,297**	**14.92**	**3.59**	295,358	16.60	2.95
Production and supply of power, heat, gas and water	**60,939**	**2.93**	**0.34**	53,808	3.02	0.02
Construction	**86,707**	**4.17**	**1.44**	73,226	4.12	1.10
Transportation, logistics and postal service	**66,644**	**3.20**	**0.76**	60,575	3.40	0.64
Information transmission, software and IT service	**15,590**	**0.75**	**0.22**	8,782	0.49	0.83
Wholesale and retail	**196,681**	**9.46**	**5.03**	205,299	11.54	4.63
Accommodation and catering	**4,493**	**0.21**	**2.91**	5,572	0.31	1.90
Finance	**12,717**	**0.61**	**0.31**	7,058	0.40	0.56
Real estate	**164,351**	**7.90**	**0.46**	201,366	11.32	0.02
Leasing and commercial services	**142,608**	**6.86**	**0.45**	90,505	5.09	0.42
Scientific research and technical service	**4,925**	**0.24**	**5.59**	4,735	0.27	5.26
Water conservation, environment and public facility administration	**109,135**	**5.25**	**0.14**	92,518	5.20	0.00
Residential services, repair and other related services	**1,966**	**0.09**	**0.13**	1,511	0.08	0.75
Education	**1,977**	**0.09**	**0.00**	2,788	0.16	0.07
Sanitation and social services	**12,023**	**0.58**	**0.14**	9,517	0.53	0.11
Culture, sporting and entertainment	**4,672**	**0.22**	**0.00**	5,730	0.32	0.00
Public administration, social security and social organizations	**3,923**	**0.19**	**0.00**	5,942	0.33	0.00
Personal loans	**750,538**	**36.09**	**0.93**	511,906	28.77	0.86
Discounted bills	**57,929**	**2.79**	**0.16**	69,875	3.93	0.00
Total	**2,079,814**	**100**	**1.65**	**1,779,408**	**100**	**1.46**

Upholding the principle of stable operation, the Company, based on the national economic development route plan, vigorously developed the industries in line with national strategic plan, proactively engaged in the industries with great demands of livelihood consumption and consolidated the development of industries tallying with the Company's development advantages. In addition, in accordance with the basic strategy of "doing certain things and refraining from doing other things", the Company implemented the credit policy giving equal consideration to "guarantee and restriction". While proactively providing support for principal businesses, it kept an eye on market segmentation in the process of upgrade of industry and consumption structure and effectively implemented the customer access and exit mechanism to promote the reasonable layout and balanced development of assets in segments including industry, customer and product.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2016		December 31, 2015	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**127,488**	**6.13**	90,589	5.09
Fujian	**268,487**	**12.91**	251,630	14.14
Guangdong	**217,880**	**10.48**	174,734	9.82
Jiangsu	**167,291**	**8.04**	133,444	7.50
Zhejiang	**134,720**	**6.48**	122,778	6.90
Shanghai	**116,401**	**5.60**	99,581	5.60
Beijing	**130,925**	**6.30**	95,586	5.37
Northeast and other regions	**294,452**	**14.15**	237,929	13.37
Western China	**283,766**	**13.64**	277,343	15.59
Central China	**338,404**	**16.27**	295,794	16.62
Total	**2,079,814**	**100**	**1,779,408**	**100**

The Company's loan distribution by geographical region remained stable. The Company's operations are mainly in Fujian, Guangdong, Jiangsu, Zhejiang, Beijing, Shanghai and other economically developed regions. With a foothold in regional markets, the Company gave play to the advantages in terms of resources, market environment, industrial cluster, etc. of various regions, formulated credit policy with regional characteristics, and gave priority to principal businesses with regional advantages. Meanwhile, the Company prioritized resources inclination and realized coordination of key businesses in accordance with national key strategic layout and specific implementation plan.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2016		December 31, 2015	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**411,300**	**19.77**	309,261	17.38
Guaranteed loans	**482,311**	**23.19**	401,035	22.54
Secured by mortgage	**955,801**	**45.96**	826,016	46.42
Secured by collateral	**172,473**	**8.29**	173,221	9.73
Discounted bills	**57,929**	**2.79**	69,875	3.93
Total	**2,079,814**	**100**	**1,779,408**	**100**

As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 2.39 percentage points as compared with the figure at the beginning of the period; the proportion of guaranteed loans increased by 0.65 percentage point as compared with that at the beginning of the period; the proportion of loans secured by mortgage and collateral decreased by 1.90 percentage points as compared with the figure at the beginning of the period, while the proportion of loans secured by discounted bills decreased by 1.14 percentage points as compared with the figure at the beginning of the period.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2016	Percentage in total loans (%)
Customer A	7,820	0.38
Customer B	5,382	0.26
Customer C	4,865	0.24
Customer D	4,697	0.23
Customer E	4,564	0.22
Customer F	4,439	0.21
Customer G	4,426	0.21
Customer H	4,383	0.21
Customer I	4,245	0.20
Customer J	4,210	0.20
Total	**49,031**	**2.36**

As at the end of the reporting period, the loan balance of the Company's largest single borrower as at the end of the period was RMB7,820 million, accounting for 1.82% of the Company's net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2016			December 31, 2015		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**517,597**	**68.96**	**0.34**	298,309	58.27	0.34
Personal business loans	**49,279**	**6.57**	**5.06**	67,216	13.13	2.17
Credit cards	**110,330**	**14.70**	**1.44**	77,960	15.23	1.53
Others	**73,332**	**9.77**	**1.56**	68,421	13.37	1.08
Total	**750,538**	**100**	**0.93**	**511,906**	**100**	**0.86**

During the reporting period, the Company further adjusted and optimized its structure of personal loans and stepped up support for the development of personal mortgage loan business. The balance of personal business loans was reduced. The percentage of mortgage loans increased by 10.69 percentage points and the percentage of personal business loans decreased by 6.56 percentage points.

In the meantime, the Company further strengthened risk prevention and control of personal loan business. Firstly, the Company promoted the implementation of the re-construction process of retail credit factory and utilized advanced technical means to improve risk prevention and control capacity and business processing efficiency. Secondly, the Company strengthened risk control for the credits including personal business loans and personal consumption loans and verification of the authenticity of loans, and strictly controlled the amount of single loans. Thirdly, the Company continued to carry out monitoring early warning and risk screening for key businesses, products, regions and customer bases and intensified re-evaluation and registration management of collaterals. Influenced by the slowdown in the growth of the domestic economy, the NPL ratio of personal loans slightly went up as at the end of the reporting period, but the overall risk remained controllable.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the net investment of the Company stood at RMB3,294.492 billion, up RMB695.547 billion or 26.76% from the figure at the beginning of the period. The specific composition of investment is set out as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Financial assets at fair value through profit or loss	**354,595**	**10.76**	128,685	4.95
Available-for-sale	**584,850**	**17.76**	426,634	16.42
Receivable	**2,102,801**	**63.83**	1,834,906	70.60
Held-to-maturity	**249,828**	**7.58**	206,802	7.96
Long-term equity investments	**2,418**	**0.07**	1,918	0.07
Total	**3,294,492**	**100**	**2,598,945**	**100**

During the reporting period, the substantial increase in the Company's financial assets at fair value through profit or loss was primarily due to the increase in investment in money funds. The receivables substantially increased mainly due to the investment in government bonds, wealth management products, the trust beneficiary right and asset management plan.

② Classification based on issuer

Unit: RMB million

Type	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**620,964**	**18.85**	421,475	16.22
Central bank bills and financial bonds	**127,496**	**3.87**	60,343	2.32
Corporate bonds	**231,987**	**7.04**	170,508	6.56
Other investments	**2,311,627**	**70.17**	1,944,701	74.83
Long-term equity investments	**2,418**	**0.07**	1,918	0.07
Total	**3,294,492**	**100**	**2,598,945**	**100**

During the reporting period, the Company seized the market opportunities. Firstly, the Company stressed on the increase of holding government bonds and local government bonds with tax deduction and exemption, risk capital saving and high liquidity. Secondly, the Company increased the investments that had relatively higher absolute yields and controllable risks.

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB2.418 billion, and the details are set out as follows:

① The Company held 223.20 million shares of Jiujiang City Commercial Bank Co., Ltd. with a proportion of equity interest of 14.72% and a book value of RMB1.931 billion.

② Industrial Trust held 19.00% equity interest in Chongqing Machinery and Electronics Holding Group Finance Company Limited with a book value of RMB154 million.

③ CIB Wealth Management Co., Ltd. held the book value of other long-term equity investment of RMB282 million in total at the end of the reporting period.

④ CIB Guoxin Asset Management Co., Ltd. held the book value of other long-term equity investment of RMB51 million in total at the end of the reporting period.

Deposits with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB56.227 billion in deposits with banks and other financial institutions, increased RMB13.859 billion or 32.71% from the figure at the beginning of the period. The main reason is that the company increased deposits with domestic banks.

Unit: RMB million

Type	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**37,002**	**65.81**	28,082	66.28
Deposits with other domestic financial institutions	**2,177**	**3.87**	1,187	2.80
Deposits with foreign banks	**17,048**	**30.32**	13,099	30.92
Total	**56,227**	**100**	**42,368**	**100**

Details of financial assets held under resale agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB27.937 billion in financial assets held under resale agreements, representing a decrease of RMB197.987 billion from the figure at the beginning of the period, mainly due to the decrease in financial assets held under resale agreements as a result of the Company's adjustment to assets allocation.

Unit: RMB million

Type	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**8,261**	**29.57**	51,550	22.82
Bills	**3,902**	**13.97**	97,839	43.31
Trusts and other beneficial interests	**11,306**	**40.47**	76,535	33.87
Credit assets	**4,468**	**15.99**	-	-
Total	**27,937**	**100**	**225,924**	**100**

2.Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB5,731.485 billion, representing an increase of RMB749.982 billion or 15.06% from the figure at the beginning of the period.

The composition of the total liabilities of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Due to banks and other financial institutions	**1,721,008**	**30.03**	1,765,713	35.45
Placements from banks and other financial institutions	**130,004**	**2.27**	103,672	2.08
Financial assets sold under repurchase agreements	**167,477**	**2.92**	48,016	0.96
Due to customers	**2,694,751**	**47.02**	2,483,923	49.86
Debt securities issued	**713,966**	**12.46**	414,834	8.33
Other liabilities [note]	**304,279**	**5.30**	165,345	3.32
Total	**5,731,485**	**100**	**4,981,503**	**100**

Note: Included due to Central Bank, financial liabilities at fair value through profit or loss, derivative financial liabilities, employee benefits payable, tax payable, interest payable and other liabilities.

The specific composition of customer deposits is set out as follows:

As at the end of the reporting period, the Company's balance of customer deposits was RMB2,694.751 billion, an increase of RMB210.828 billion or 8.49% compared with the figure at the beginning of the period.

Unit: RMB million

Item	December 31, 2016		December 31, 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits	**1,184,963**	**43.97**	1,063,243	42.80
Incl: Corporate	**969,658**	**35.98**	868,426	34.96
Personal	**215,305**	**7.99**	194,817	7.84
Time deposits	**1,312,417**	**48.70**	1,149,101	46.27
Incl: Corporate	**1,176,856**	**43.67**	973,107	39.18
Personal	**135,561**	**5.03**	175,994	7.09
Other deposits	**197,371**	**7.33**	271,579	10.93
Total	**2,694,751**	**100**	**2,483,923**	**100**

The deposits from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB1,721.008 billion in deposits from banks and other financial institutions, a decrease of RMB44.705 billion from the figure at the beginning of the period. The Company rationally adjusted the asset-liability structure based on the circumstances of external market and maintained stable interbank liabilities.

Unit: RMB million

Transaction counterpart	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**742,401**	**43.14**	547,734	31.02
Deposits from other financial institutions	**978,607**	**56.86**	1,217,979	68.98
Total	**1,721,008**	**100**	**1,765,713**	**100**

Details of financial assets sold under repurchase agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB167.477 billion in financial assets sold under repurchase agreements, representing an increase of RMB119.461 billion or 248.79% from the figure at the beginning of the period, mainly due to the increased selling of repurchase bonds.

Unit: RMB million

Type	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**143,440**	**85.65**	39,980	83.26
Bills	**24,037**	**14.35**	8,036	16.74
Total	**167,477**	**100**	**48,016**	**100**

iii. Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in daily average interest-bearing assets. Affected by the repricing of assets, the net interest margin recorded a year-on-year decrease of 38BPs; there was a sustained growth in fee and commission income. The cost-to-income ratio was maintained at a relatively low level; various provisions were made sufficiently; and the net profit attributable to shareholders of the parent company reached RMB53.850 billion, up 7.26% year-on-year.

Unit: RMB million

Item	2016	2015	Increase / Decrease year-on-year (%)
Operating income	**157,060**	154,348	1.76
Net interest income	**112,319**	119,834	(6.27)
Net non-interest income	**44,741**	34,514	29.63
Business tax and surcharges	**(5,667)**	(12,955)	(56.26)
Operating and administrative expense	**(36,401)**	(32,849)	10.81
Impairment loss of assets	**(51,276)**	(45,260)	13.29
Other operating costs	**(334)**	(474)	(29.54)
Net non-operating income and expense	**543**	434	25.12
Profit before tax	**63,925**	63,244	1.08
Income tax	**(9,598)**	(12,594)	(23.79)
Net profit	**54,327**	50,650	7.26
Profit and loss of minority shareholders	**477**	443	7.67
Net profit attributable to the shareholders of the parent company	**53,850**	**50,207**	**7.26**

1.Net interest income

During the reporting period, the net interest income of the Company was RMB112.319 billion, down RMB7.515 billion or 6.27% year-on-year. The business maintained a steady and rapid growth, daily average scale of interest-bearing assets up 9.28% year-on-year. Affected by the repricing of assets and “replacement of business tax with VAT” in the banking industry, the net interest margin recorded a year-on-year decrease of 38BPs.

The composition of interest income and interest expense during the period is set out as follows:

Unit: RMB million

Item	2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**92,890**	**39.31**	99,797	38.99
Interest income from discounted bills	**2,615**	**1.11**	1,953	0.76
Interest income from investments	**121,147**	**51.27**	108,019	42.20
Interest income from the amount due from the Central Bank	**5,898**	**2.50**	6,497	2.54
Interest income from placements with banks and other financial institutions	**1,132**	**0.48**	2,095	0.82
Interest income from resale agreements	**4,511**	**1.91**	27,382	10.70
Interest income from deposits in banks and other financial institutions	**2,052**	**0.87**	3,894	1.52
Interest income from financial leasing	**4,923**	**2.08**	5,367	2.10
Other interest income	**1,111**	**0.47**	968	0.38
Subtotal of interest income	**236,279**	**100**	255,972	100
Interest expense				
Interest expense on loans from the Central Bank	**3,972**	**3.20**	1,801	1.32
Interest expense on deposits	**42,313**	**34.13**	57,422	42.18
Interest expense on bonds issuance	**22,569**	**18.21**	12,673	9.31
Interest expense on deposits from banks and other financial institutions	**49,291**	**39.76**	57,897	42.53
Interest expense on placements from banks and other financial institutions	**3,605**	**2.91**	3,785	2.78
Interest expense on repurchase agreements	**2,058**	**1.66**	2,427	1.78
Other interest expenses	**152**	**0.13**	133	0.10
Subtotal of interest expense	**123,960**	**100**	136,138	100
Net interest income	**112,319**		**119,834**	

Unit: RMB million

Item	2016		2015	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	**1,928,343**	**4.99**	1,710,902	6.00
Based on loan type:				
Corporate loans	**1,320,673**	**5.06**	1,349,597	5.97
Personal loans	**607,670**	**4.82**	361,305	6.11
Based on loan term:				
General short-term loans	**904,503**	**5.02**	835,668	5.87
Medium and long-term loans	**949,053**	**5.07**	828,768	6.23
Discounted bills	**74,787**	**3.49**	46,466	4.20
Investments	**2,628,925**	**4.54**	1,957,950	5.52
Deposits in the Central Bank	**395,932**	**1.49**	429,324	1.51
Deposits in and placements with banks and other financial institutions (including financial assets held under resale agreements)	**251,915**	**3.73**	697,977	4.81
Financial leasing	**106,714**	**4.60**	92,771	5.79
Total	**5,311,829**	**4.40**	**4,888,924**	**5.24**

Item	2016		2015	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Deposit taking	**2,421,079**	**1.70**	2,423,159	2.33
Corporate deposits	**2,077,053**	**1.72**	2,047,405	2.37
Demand deposits	**876,475**	**0.63**	686,645	0.67
Time deposits	**1,200,578**	**2.52**	1,360,760	3.22
Personal deposits	**344,026**	**1.56**	375,754	2.14
Demand deposits	**196,297**	**0.30**	169,573	0.36
Time deposits	**147,729**	**3.24**	206,181	3.59
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,929,136**	**2.92**	1,804,817	3.61
Borrowings from the Central Bank	**131,849**	**3.00**	52,088	3.46
Bonds payable	**680,573**	**3.31**	299,328	4.23
Total	**5,162,637**	**2.40**	**4,579,392**	**2.97**
Net interest spread		**2.00**	**-**	**2.26**
Net interest margin		**2.07**	**-**	**2.45**

2.Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB44.741 billion, accounting for 28.49% of the operating income, representing an increase of RMB10.227 billion or 29.63% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2016	2015
Net fee and commission income	**36,552**	32,190
Gain and loss from investment	**11,836**	3,482
Gain and loss from changes in fair value	**(3,756)**	1,378
Gain and loss from exchange	**(105)**	(2,850)
Income from other businesses	**214**	314
Total	**44,741**	**34,514**

During the reporting period, the Company realized fee and commission income of RMB38.682 billion, up RMB5.090 billion or 15.15% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value and gain and loss from exchange were highly interrelated. After consolidation, the overall gains reached RMB7.975 billion, up RMB5.965 billion year-on-year, mainly due to the increase in gains from fund investment.

The specific composition of fee and commission income is set out as follows:

Unit: RMB million

Item	2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**814**	**2.10**	658	1.96
Fee income from bank cards	**7,947**	**20.54**	6,376	18.98
Fee income from agency business	**4,537**	**11.73**	3,394	10.10
Fee income from guarantee commitment	**1,551**	**4.01**	1,787	5.32
Fee income from trading business	**290**	**0.75**	198	0.59
Fee income from custody business	**4,345**	**11.23**	4,316	12.85
Fee income from consulting service	**15,243**	**39.41**	13,242	39.42
Fee income from trust business	**1,847**	**4.77**	1,631	4.86
Fee income from lease business	**1,086**	**2.81**	931	2.77
Other fee income	**1,022**	**2.65**	1,059	3.15
Sub-total	**38,682**	**100**	33,592	100
Fee and commission expense	**2,130**		1,402	
Net fee and commission income	**36,552**		**32,190**	

3.Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB36.401 billion, up RMB3.552 billion or 10.81% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**22,517**	**61.86**	19,784	60.23
Depreciation and amortization	**2,230**	**6.13**	1,937	5.90
Lease expense	**2,741**	**7.53**	2,608	7.94
Other general and administrative expenses	**8,913**	**24.48**	8,520	25.93
Total	**36,401**	**100**	**32,849**	**100**

During the reporting period, centering on the financial resources allocation principle of “steady progress, transformation and innovation”, the Company increased expenses for key areas including expansion of core liabilities and business transformation. Operating expenses increased and the cost-to-income ratio was 23.39%, maintaining at a low level.

4.Impairment loss of assets

During the reporting period, the Company’s impairment loss of assets was RMB51.276 billion, up RMB6.016 billion or 13.29% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**46,376**	**90.44**	37,093	81.96
Impairment loss on investment in accounts receivable	**3,130**	**6.10**	5,039	11.13
Impairment loss on available-for-sale financial assets	**443**	**0.86**	1,095	2.42
Impairment loss on financial leasing receivable	**950**	**1.85**	425	0.94
Impairment loss on other assets	**377**	**0.75**	1,608	3.55
Total	**51,276**	**100**	**45,260**	**100**

During the reporting period, the Company accrued a loan impairment loss of RMB46.376 billion, up RMB9.283 billion year-on-year, mainly because of the increase in scale of loans. The Company made provision for impairment based on the predicted present value of discounted future cash flows determined as per the original effective interest rates of the loans, pursuant to the relevant requirements of the Accounting Standards for Business Enterprises with industry risks taken into account.

5.Income tax

During the reporting period, the effective income tax rate of the Company was 15.01%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2016
Profit before tax	**63,925**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**15,981**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(6,341)**
Non-deductible items	**162**
Adjustment on the tax of previous years	**(204)**
Income tax expense	**9,598**

iv. Analysis of the cash flow statement

Unit: RMB million

Item	2016	2015
Cash flows from operating activities	**203,017**	818,693
Cash flows from investing activities	**(366,131)**	(1,078,507)
Cash flows from financing activities	**282,268**	213,791

During the reporting period, the total of cash inflows from operating activities was RMB203.017 billion, representing a decrease of RMB615.676 billion as compared with last year, mainly due to the year-on-year decrease in growth of deposits from banks and other financial institutions.

Total cash outflows from investing activities was RMB366.131 billion, representing a decrease of RMB712.376 billion as compared with previous year, mainly due to the year-on-year decrease in growth of investment business.

The total of cash inflows from financing activities was RMB282.268 billion, representing an increase of RMB68.477 billion year-on-year, mainly due to the year-on-year increase in deposit receipt from banks.

v. Capital management

1.Capital management overview

The Company continuously implemented capital intensive operation and management. In line with the business strategy, risk conditions, regulatory requirements, changes in external macroeconomic environment, and the “Industrial Bank Medium-term Capital Management Planning (2014-2016)”, the Company formulated the capital adequacy ratio management plan of 2016 which sets out the major goal of internal balanced development of core capital and intends to promote coordinated development of on and off statement businesses through optimization of capital allocation and reasonable adjustment to assets business structure.

In respect of capital supplement channels, the Company reinforced innovation of capital instruments. During the reporting period, the Company successfully issued write-down secondary capital bonds of RMB30 billion to promptly replenish Tier 2 capital, effectively enhancing capital strength and further optimizing capital structure.

In internal capital management, the Company reinforced its economic capital allocation function by focusing on the return on target risk weighted assets and arrangements on the scale of risk-weighted assets in each business department and business segment, so as to optimize capital allocation and strive to increase the return on risk-weighted assets.

The Company further strengthened the management of capital of subsidiaries, and gradually established the investment allocation policy and process which are in favor of fund-raising and allocation, operation management, performance appraisal, and investment allocation, so as to meet the demand of collectivization and the integrated management for capital management. According to related guidelines of the Capital Rules for Commercial Banks (Provisional) of CBRC and provisions of other documents, the Group monitored its capital adequacy ratio and capital application in real time. During the reporting period, the regulator indicators of various capital adequacy ratios of the Company complied with the regulatory requirements.

2.Implementation of the new capital accord

The Company always attaches great importance to the implementation of the new capital accord, and proactively promotes the work under the new capital accord by stage and with emphasis according to relevant regulatory requirements of CBRC. Based on the actual needs for improvement of risk management, more attention is paid to the in-depth application of projects results in business and risk management to effectively enhance standard and refined risk management. At present, the Company has basically constructed a complete working system of the first pillar of the new capital accord, making great achievements in construction of the new capital accord.

In respect of system building and work guarantee, the Company has basically set up a system framework for the implementation of the new capital accord, which covers capital adequacy ratio management, internal rating process and framework construction, model validation, internal rating application management, internal capital adequacy evaluation process, stress testing, and data management and so on. The Company carried out complete bank-wide training and banking industry research for many times every year, and promoted the application of the new capital accord system idea in the whole bank. In respect of project construction, non-retail internal rating, retail internal rating, credit risk weighted asset (RWA), the market risk management system, the operational risk management system and the model laboratory were applied. The Company further carried out the Self-assessment on Compliance of Advanced Capital Measurement Methods for the First Pillar, the Audit Project of Advanced Capital Measurement Methods, the Credit Risk Internal Rating System Project and the Verification Project of Market Risk Internal Model System to promote the optimization and construction of a retail internal evaluation model and innovation and deepening of stress testing. In respect of measurement instrument application, the Company gradually expanded the scope of application of the internal rating system, mainly including authorization management, industry limit management, customer limit, provision assessment, comprehensive appraisal, risk allocation management, improvement of data quality and so on.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2016	December 31, 2015
Total capital	**458,333**	385,098
1. Core Tier 1 capital	**325,945**	289,769
2. Other Tier 1 capital	**25,919**	25,909
3. Tier 2 capital	**106,469**	69,420
Capital deductions	**1,376**	1,594
1. Amount of deduction from core Tier 1 capital	**776**	734
2. Amount of capital instruments mutually possessed by two or more than two commercial banks under agreement, or amount of capital investment taken by CBRC as watered capital that should be deducted from corresponding regulatory capital	**-**	-
3. The part of small amount minority capital investment of financial institutions not consolidated exceeding 10% of the core Tier 1 net capital that should be deducted from corresponding regulatory capital	**-**	-
4. The part of large amount minority capital investment of financial institutions not consolidated exceeding 10% of the core Tier 1 net capital that should be deducted from corresponding core Tier 1 capital	**-**	-
5. The part of other Tier 1 capital investment and Tier 2 capital investment in large amount minority capital investment of financial institutions not consolidated that should be deducted from corresponding regulatory capital	**600**	860
6. The part of net deferred tax assets exceeding 10% of the core Tier 1 net capital based on the future profit of commercial banks that was deducted from core Tier 1 capital	**-**	-
7. The part of the total of large amount minority capital investment of financial institutions and corresponding net deferred tax assets exceeding 15% of the core Tier 1 net capital that was not deducted from core Tier 1 capital	**-**	-
Net capital	**456,958**	383,504
Minimum capital requirement	**304,219**	274,212
Reserve capital and counter-cyclical capital requirement	**95,068**	85,691
Additional capital requirement	**-**	-
Core Tier 1 capital adequacy ratio (before consolidation) (%)	**8.30**	8.20
Tier 1 capital adequacy ratio (before consolidation) (%)	**9.01**	9.00
Capital adequacy ratio (before consolidation) (%)	**11.87**	11.04
Core Tier 1 capital adequacy ratio (after consolidation) (%)	**8.55**	8.43
Tier 1 capital adequacy ratio (after consolidation) (%)	**9.23**	9.19
Capital adequacy ratio (after consolidation) (%)	**12.02**	11.19

(1)The table above and data hereof were prepared in accordance with relevant requirements in the Notice of China Banking Regulatory Commission on New CAR Reporting (YJF [2013] No. 53) (new capital requirements, the weighting method), with the capital adequacy ratio, its calculation method and calculation range are set out as follows:

$$\text{CAR}=\frac{\text{total capital}-\text{corresponding capital deductions}}{\text{risk-weighted assets}}\times 100\%$$

$$\text{Tier 1 CAR}=\frac{\text{Tier 1 capital}-\text{corresponding capital deductions}}{\text{risk-weighted assets}}\times 100\%$$

$$\text{Core Tier 1 CAR}=\frac{\text{core Tier 1 capital}-\text{corresponding capital deductions}}{\text{risk-weighted assets}}\times 100\%$$

The calculation range for the consolidated capital adequacy ratio of the Company included the Industrial Bank Co., Ltd. and financial institutions complying with requirements on the calculation range of the consolidated capital adequacy ratio in Section I, Chapter II of the Capital Rules for Commercial Banks (Provisional) of CBRC. To be specific, this applied to the banking group jointly comprised of Industrial Bank Co., Ltd., Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd. and Industrial Consumer Finance Co., Ltd.

(2)The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of CBRC, the Company recorded total consolidated overdue loans of RMB46.862 billion and total NPLs of RMB35.610 billion, the balance of actual accrued provision for loan impairment was RMB75.847 billion, the book value of long-term equity-interest investment was RMB2.907 billion, the total credit risk exposure was RMB6,336.9 billion, and the credit risk weighted assets reached RMB3,455.5 billion, up 9.55% year-on-year, among which the balance of securitized assets was RMB195.9 billion, the credit risk exposure was RMB195.7 billion and the credit risk weighted assets reached RMB41.4 billion.

As at the end of the reporting period, the Company adopted the standard approach for market risk measurement. The amount of market risk-weighted assets was RMB79.3 billion, which was 12.5 times of the total market risk capital requirement of RMB6.3 billion.

As at the end of the reporting period, the Company adopted the basic indicator approach for operating risk measurement. The amount of operating risk-weighted assets was RMB267.8 billion, which was 12.5 times of the total operating risk capital requirement of RMB21.4 billion.

(3)As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks of CBRC, the balance of on-balance sheet assets after adjustment was RMB6,046.6 billion, the balance of off-balance sheet assets after adjustment was RMB606.3 billion, the balance of derivatives assets was RMB31.1 billion and the balance of securities financing transaction assets was RMB7.3 billion as at the end of the reporting period. The total balance of on- and off-balance sheet assets after adjustment was RMB6,691.4 billion, and the leverage ratio was 5.25%. The formula for the leverage ratio of commercial banks is as follows:

$$\text{Leverage ratio}=\frac{\text{Tier 1 capital}-\text{Tier 1 capital deductions}}{\text{balance of on- and off-balance sheet assets after adjustment}}\times 100\%$$

(4)As at the end of the reporting period, under the off-site regulation reporting system of CBRC, the Company's total consolidated liquidity coverage value was 85.91%, the qualified high quality liquid assets was RMB800.658 billion, the net cash outflow was RMB931.986 billion in the next 30 days.

4. In accordance with the Regulatory Requirements for Information Disclosure on Capital Composition of Commercial Banks of CBRC, the Company further disclosed additional information such as the table of capital composition, the descriptions of relevant items and key features of the capital instruments in the reporting period. Please refer to the Investor Relations column at our website (www.cib.com.cn) for details.

II.Discussion and analysis on future development

i. Industrial pattern and trends

In 2017, the domestic economy is very likely to be at the bottom of "L-shaped growth", and show a steady trend. With deepening the structural reform of supply side as the basic line, the state will adhere to the overall concept of making progress in a steady manner and continue to implement proactive fiscal policy and prudent monetary policy, but will pay more attention to the prevention and control of financial risks, de-leverage and bubble inhibition, striving to revitalize the real economy.

For commercial banks, the challenges to be faced in 2017 include: first, as monetary policy changes from "moderately loose" to "neutrally tight", the market liquidity will be marginally tight, while interest rate may fluctuate violently, which imposes higher requirements on liquidity risk and interest rate risk management of commercial banks. Second, as the Central Government explicitly confirms "de-leverage and bubble inhibition" as a focus of economic work in 2017, commercial banks have to stress more on quality and profitable connotative growth and allocate financial resources in a more reasonable way, to effectively serve the real economy.

While fully assessing challenges, commercial banks are still confronted with many new opportunities. First, with the further progress of structural reform of supply side, the stress is placed on both "decrease" and "addition" and more efforts will be exerted for improvement of supply quality. Certain industries including eight strategic emerging industries, agriculture, high-end manufacturing and livelihood service industry will enjoy a greater room for development, which will bring about new opportunities for the business development of commercial banks. Second, as the Central Government clearly stresses "making progress steadily", commercial banks will have a stable and favourable environment through adjustment and optimization of their own business structure and promoting the settlement of non-performing assets. Third, since the Central Government accelerates the reform of state-owned enterprises, the capital market businesses including equity financing, mergers and acquisitions will continue to be active, which offers more business transformation opportunities for commercial banks, especially those with multiple licenses and strong integrated service capacity. Fourth, in light of the tight liquidity and intensified volatility in the financial market and commodity market, there will be business opportunities for trading.

ii. Development strategy of the Company

In a new round of strategic development cycle, the Company will take the initiative to adapt to the effects of new economic normal and new financial pattern on the development of banks, expedite business transformation and upgrade centering on “light capital, high efficiency” and consolidate the capacity of settlement, investment and transaction businesses, to drive “parallel development” of institutional finance, retail finance, investment banking and assets management, striving to build a first-class bank group with the best capacity in respect of comprehensive financial innovation and service characteristics.

Based on this orientation, the Company will promote the transformation of business mode, profit mode and business path in an all-round way and operated comprehensive financial services featured by light capital and high efficiency. The Company will focus on two categories of customers, i.e. institutions and individuals, to achieve the business transformation of "three types" and "four principal businesses" to release capacity for collectivized development and make reserves for international development. It intends to build seven core business segments in serving customers including inter-bank finance, green finance, pension finance, supply side finance, comprehensive finance, cross-border finance and inclusive finance to achieve the transformation from heavy assets and capital to light ones, from credit and fund intermediary agent to information and capital intermediary agent, from holding assets to trading and management of assets, from financing to gathering wisdom and from operation in a single market to coverage of the entire market, so as to form comprehensive financial service capacity covering different products and markets, as well as online, offline, domestic and overseas operations.

iii. Business objectives for 2017

1.The Group’s total assets to reach approximately RMB6,556.6 billion.

2.The balance of customer deposits to increase by approximately RMB360 billion.

3.The balance of loans to increase by approximately RMB260 billion.

4.The net profit attributable to the shareholders of the parent company to increase by approximately 3.3% year-on-year.

III.Business overview of the Company

i. Business institutions

1.Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	-	3,960	3,155,442
Financial Markets	168 Jiangning Road, Shanghai	-	95	546,700
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	911	105,896
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	64	2,110	432,553
Tianjin Branch	219 Yong'an Blvd., Hexi District, Tianjin	91	1,270	83,027
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	72	1,566	57,968
Taiyuan Branch	209 Fudong Street, Taiyuan	88	1,307	78,014
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	43	1,340	55,368
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	38	1,067	45,841
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	34	690	56,575
Changchun Branch	309 Changchun Avenue, Changchun	26	939	38,831
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	29	963	60,563
Shanghai Branch	168 Jiangning Road, Shanghai	80	2,222	398,806
Nanjing Branch	2 Changjiang Road, Nanjing	102	2,735	303,273
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	15	576	44,112
Hangzhou Branch	40 Qingchun Road, Hangzhou	109	2,596	214,452
Ningbo Branch	905 Baizhang East Road, Ningbo	31	669	35,341
Hefei Branch	99 Fuyang Road, Hefei	37	1,014	68,631
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	63	1,420	177,164
Xiamen Branch	78 Hubin North Road, Xiamen	27	1,158	101,714
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	9	322	22,060
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	14	389	12,755
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	47	1,512	62,537
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	20	586	32,414
Nanping Branch	399 Binjiang Middle Road, Nanping	17	372	19,038

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Longyan Branch	46 Jiuyi South Road, Longyan	13	401	19,641
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	319	13,636
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	48	806	36,745
Ji'nan Branch	86 Jingqi Road, Ji'nan	111	2,703	150,733
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	23	679	86,516
Zhengzhou Branch	288 Jinshui Road, Zhengzhou	54	1,212	81,282
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	66	1,493	101,404
Changsha Branch	192 Shaoshan North Road, Changsha	48	1,304	145,297
Guangzhou Branch	101 Tianhe Road, Guangzhou	107	3,542	278,289
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	48	1,450	282,002
Nanning Branch	146 Minzu Boulevard, Qingxiu District, Nanning	31	1,102	69,223
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	8	329	28,190
Chongqing Branch	1 Honghuang Road, Hongqihegou Jiangbei District, Chongqing	66	1,292	127,450
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	128	1,871	124,977
Guiyang Branch	45 Zhonghua South Road, Guiyang	15	449	22,308
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	28	696	42,507
Xi'an Branch	1 Tangyan Road, Xi'an	83	1,119	115,231
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	16	578	51,199
Xining Branch	54 Wusi West Road, Xining	1	208	13,923
Urumqi Branch	37 Renmin Road, Urumqi	39	725	55,222
Hong Kong Branch	3 Garden Road, Central, Hong Kong	1	141	120,406
Netting and summation adjustment within the system				(2,209,829)
Total		**2,003**	**54,208**	**5,965,427**

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

2.Overview of major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	7,000	117,720.44	10,435.90	2,750.44	1,625.32	1,380.98
China Industrial International Trust Limited	5,000	17,355.44	13,835.50	2,618.96	1,892.63	1,462.38
CIB Fund Management Co., Ltd.	700	2,692.48	1,429.59	1,258.30	547.03	422.49
Industrial Consumer Finance Co., Ltd.	500	6,108.29	552.93	603.51	130.61	101.78
Industrial Economic Research and Consulting Co., Ltd.	60	114.21	59.31	100.54	0.56	(0.45)

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

Industrial Bank Financial Leasing Co., Ltd. is a wholly-owned subsidiary of the Company with registered capital of RMB7 billion. During the reporting period, with the focus on key areas, Industrial Leasing proactively promoted business innovation, fostered professional competence, solidly proceeded with professional development and ensured stable assets quality. It continued to keep competitive advantages in market and ranked among the top ones in the industry, achieving a good start for the new five-year plan. As at the end of the reporting period, the total assets of Industrial Leasing reached RMB117.720 billion, an increase of RMB7.275 billion from the beginning of the period, of which the size of financing leasing assets was RMB109.650 billion, an increase of RMB4.551 billion from the beginning of the period, and the assets under operating lease amounted to RMB5.183 billion, an increase of RMB4.639 billion from the beginning of the period. Total liability was RMB107.284 billion, an increase of RMB5.9 billion from the beginning of the period, and owners' equity was RMB10.436 billion, up RMB1.375 billion from the beginning of the period. During the reporting period, the realized net operating income was RMB2.750 billion and the net profit after tax was RMB1.381 billion.

Industrial Leasing further advanced the innovation of green leasing business and consolidated and enhanced the advantages of businesses in core areas. During the reporting period, there were 64 green leasing projects with an aggregate amount of RMB22.818 billion. While continuing to tap opportunities for water environment treatment as a traditional advantageous segment, Industrial Leasing vigorously promoted innovation of green leasing business, popularized the direct leasing and vendor lease modes through proactive engagement in building an industrial alliance and expanding the industrial chain, and achieved breakthrough in new energy bus business. During the reporting period, Industrial Leasing completed investment of RMB4.207 billion in the green travel business.

Industrial Leasing seized market opportunities to expand its business in the field of livelihood projects, in which Industrial Leasing accumulatively invested RMB20.27 billion during the reporting period. The company proactively explored government purchase services and PPP model, and closely followed the national policies and supporting systems on PPP and study the intervention to promote important pilot projects; it strengthened product innovation and developed the lease financing business model for shantytowns reconstruction project. The shantytowns reconstruction leasing business was popularized nationwide by way of "breakthrough in individual cases in combination with promotion in batches" to develop the indemnificatory and affordable housing market, in which the company accumulatively invested RMB12.9 billion.

Industrial Leasing proactively explored emerging businesses and made substantial progress in characteristic businesses. First, the aviation leasing business implementation department was put into operation, to effectively promote business transformation, develop regional aviation leasing market, and promote the development of commercial aircraft business; and it strengthened product innovation to carry out linkage of bank and lease. Throughout the year, the company invested over RMB5.1 billion in aviation leasing projects and delivered 12 aircrafts, and the size of its stock assets was approximately RMB8 billion. Second, it completed the research and layout of equipment manufacturing industry and implemented an intelligent CNC machine tool leasing project as the first intelligent equipment project; and launched the program for 3C industry development in relation to Quanzhou Municipal Government – Industrial Financial Leasing and Intelligent Manufacturing Risk Compensation Fund, creating a brand new model for cooperation of government, bank and leasing. Third, it proactively studied the medical health business linkage model, carried out marketing for key enterprises and implemented pharmaceutical projects.

In active promotion of asset securitization business, Industrial Leasing successfully issued the first tranche of leasing asset-backed asset securitization products in the inter-bank market. It continued to carry out innovation of financing business and applied for issuance of secondary capital bonds of not more than RMB2 billion, becoming the first company granted with the approval for issuance of secondary capital bonds by the CBRC in the financial leasing industry and further enriching the financing channel. It made breakthrough in foreign currency financing business and successfully obtained the first overseas project loan and first domestic 3-year syndicated loan denominated in USD.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with a registered capital of RMB5 billion and the Company holds 73% of the capital. The business covers fund trust, movable property trust, immovable property trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the China banking regulatory agencies. Industrial Trust's own assets, gains and losses were included in the Company's consolidated financial statements, but its trust assets, gains and losses were not included.

Centering on the strategic target of cultivating itself into a "comprehensive, diversified, and featured top national trust company", Industrial Trust maintained stable and healthy development for various businesses, made new breakthrough in comprehensive operation strategy and continued to maintain good assets quality. As at the end of the reporting period, Industrial Trust's fixed assets amounted to RMB17.355 billion, up 8.23% from the beginning of the period, owners' equity was RMB13.836 billion, up 11.35% from the beginning of the period, and the asset under management was RMB1,107.037 billion, up 5.83% from the beginning of the period, making it still rank the top in the national trust industry. During the reporting period, the realized revenue was RMB2.619 billion, the realized total profit was RMB1.908 billion, and the net profit was RMB1.462 billion. The investment income distributed to investors amounted to RMB49.990 billion.

During the reporting period, Industrial Trust continuously and solidly promoted the business transformation and structural adjustment, so as to further improve the business innovation capability. As at the end of the reporting period, the business size of subsisting trust of Industrial Trust reached RMB935.136 billion, representing an increase of 2.93% as compared to the beginning of the period, of which the business size of collective trust reached RMB250.147 billion, up 8.92% as compared to the beginning of the period and its percentage was up to 26.75%, up 1.47 percentage points as compared to the beginning of the period. It implemented national key strategies, placed the focus of cooperation between government and trust on industrial funds and PPP business and proactively supported key projects in the fields of people's livelihood, traffic, energy and resources, environmental protection and ecology, etc. It successfully issued the

national first public offering of non-performing assets ABS after the launch of pilot for non-performing asset securitization, and issued the first charitable trust after the official execution of Charity Law and filed therefor. It vigorously developed green trust business. As at the end of the reporting period, the business size of Industrial Trust's green trust reached RMB10.043 billion. Besides, it strengthened risk management in a comprehensive way and continued to maintain good assets quality. As at the end of the reporting period, Industrial Trust had no survival or new non-performing assets, all trust plans with liquidation were timely paid in a safe manner, and subsisting trust property operation was in normal condition. All indicators met regulatory requirements.

Industrial Trust continued to increase and optimize financial equity investment and made new breakthroughs in comprehensive operation. With CIB Guoxin Asset Management Co., Ltd., a wholly-owned subsidiary of Industrial Trust, as the platform, Industrial Trust took the lead in establishment and controlling of Fujian Trading Markets Registration and Settlement Center Corp.; it successively purchased equity interests in Shanghai Commercial Paper Exchange Corporation Ltd. and China Trust Registration Co., Ltd., further improving its comprehensive operation layout. Its scope of business covers assets management, securities, futures, clearing services, finance companies, China Trust Registration Co., Ltd., research and consulting and other fields, all its equity investment projects ran well, and its comprehensive financial service capacity was further enhanced.

(3)CIB Fund Management Co., Ltd.

With a registered capital of RMB0.7 billion, of which the shareholding of the Company reaches 90%, CIB Fund Management Co., Ltd is principally engaged in fundraising, sales agency services, asset management for specific clients, asset management and other business as permitted by the CSRC. As at the end of the reporting period, CIB Fund has established 13 branches across the nation, including Shanghai, Beijing and Shenzhen as well as the wholly-owned fund subsidiary CIB Wealth Management Co., Ltd.

In line with the operating guidance of "compliance, innovation, sector interaction and brand awareness", CIB Fund sticks to the operational strategy of simultaneous development of mutual fund business and branches while striking a balance between active management business and cooperation business. It targeted at the strategic objective of "great assets management, great wealth management and great investment banking", proactively change directions based on market trend, so as to achieve business transformation and innovation, return to the original function of capital as well as press ahead with active management business. With an emphasis on target customers, CIB Fund will make progress in light of fixed income and professional equity entrusted investment, large market value management, government industry fund, asset-backed securitization, FOF investment and other core business. It will focus on such key industries as "big health", "big culture", "big agriculture" and "big military" and seize opportunities offered by mixed ownership reform as well as "One Belt One Road", so as to provide comprehensive financial services for customers. It jointly established the Major National Science and Technology Achievement Transformation Fund with National Ministry of Science and Technology, National Development and Investment Group and China Life Insurance. Further, it also established the social cooperative development fund and Fujian enterprise technical innovation fund with Finance Bureau of Fujian Province and entered into the strait energy industry fund with CNPC Group. It enhances the ability to serve real economy through accelerating multi-mode business innovation.

During the reporting period, CIB Fund witnessed smooth development with respect to various businesses, with its market position further consolidated. As at the end of the reporting period, total assets of CIB Fund reached RMB2.692 billion, representing an increase of 46.02% as compared to the beginning of the period; owner's equity was RMB1.430 billion, representing an increase of 41.61% as compared to the beginning of the period. It recorded operating revenue

of RMB1.258 billion during the period, representing a year-on-year increase of 55.52%, net profit of RMB422 million, representing a year-on-year increase of 62.63%. Total asset scale under management at the end of the reporting period was RMB500.682 billion, representing an increase of 21.33% as compared to the beginning of the period, of which mutual fund reached RMB132.082 billion, representing an increase of 79.75% as compared to the beginning of the period, size of specific accounts of the fund company reached RMB38.387 billion, representing an increase of 4.13% as compared to the beginning of the period. Size of specific accounts of the branch company reached RMB330.212 billion, representing an increase of 9.23% as compared to the beginning of the period.

(4)Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company. It has registered capital of RMB0.5 billion, of which the Company had a stake of 66%. As at the end of the reporting period, total financial assets of Industrial Consumer Finance reached RMB6.108 billion, loan balance reached RMB5.714 billion, ranking top in the second batch of pilot consumer finance companies. Operating revenue of RMB604 million was recorded during the period, net profit of RMB102 million, representing a year-on-year increase of RMB151 million. Provision coverage ratio was 174.18% and provision-to-loan ratio was 3.23%, securing its leading position in the industry with sound asset quality. Weighted average ROE reached 32.75%. Since its establishment, Industrial Consumer Finance has in aggregate lent over RMB10.3 billion and served 500 thousand clients, ranking ahead among peers in terms of profitability and ROE.

Leveraging the Group's national layout, Industrial Consumer Finance has established 19 business divisions across 25 cities including Quanzhou, Fuzhou, Shanghai, Hangzhou, Shenzhen and Chongqing. Based in Fujian and spreading over the whole nation, its business radius was basically extended to eastern coastal area and developed cities in Midwest cities. Meanwhile, it has fully tapped into the potential of structure and mechanism advantage. By reference to the "incubator" mode of internet companies, it has entered into strategic cooperation with China UMS, Buding Micro Lending and other third party platforms with a view to actively exploring internet finance development mode. Besides, it audaciously carries out joint marketing with the Group, especially resource sharing and consolidation. An aggregate of more than RMB2.4 billion was lent via joint marketing. It attracted clients to apply for CIB bank cards. A total of over 45 thousand clients were channeled to the Group and the Group has shown early signs of integration advantage.

In terms of application of new technology, it attaches great importance to the research and application of big data, cloud computing, block chain and other new technologies so as to enhance its digital business and customer experience. At present, it takes an average of 1.4 days in core systems from approval to money lending, which ranks top in the industry and greatly improves customer satisfaction. 54 independently developed visual terminal self-service loan application machines have been put into operation in Hefei, Chengdu, Chongqing, Taiyuan, Jinan, Wuhan and Quanzhou, lending a total of RMB0.18 billion loans.

Industrial Consumer Finance established a relatively sound risk management system, which, based on the traditional risk management and big data concept, centering on customer manager profit establishment, is devoted to building a complete flow of risk management system before, during and after lending. It constantly optimizes all risks, risk return and the five-people collective security system. As at the end of the reporting period, the NPL ratio was 1.86%, lower than the industry average of 7.02%, reflecting the steadiness of consumer finance companies under the bank group.

(5)Industrial Economic Research and Consulting Co. Ltd.

After one year's development, Industrial Economic Research and Consulting Co. Ltd. has its service extending to each user unit within the Group and financial peers, securing market recognition in terms of research level and outcome. IERCC achieved preliminary success by gradually expanding research area through macro-visual study, discussing and determining market trends and initiating green finance report. Its coverage of industry research is expanding. It gave early warning for 8 securities defaults, organized strategy research team, conducted research on risky assets, strategies and pricing. It launched the comprehensive financial mode platform for the first time and achieved the maximum research value against the background of big data. Financial engineering products will be gradually improved. Research quality and quantity in various research areas were significantly on the rise. During the period, more than 2,000 reports were published; the we-media platform "CIB research" has got good word of mouth. It supported the Group's business in all respects, a total of more than 200 business supports in the year were carried out, thus realizing the effective connection between research and business. It established cooperative relationship with 10 institutions outside the Group and provided comprehensive research services, so as to enhance market operation.

ii. Business analysis

1. Corporate finance business

(1)General information

Corporate finance business actively responds to the complex external environment by consolidating foundation, strengthening innovation, controlling new assets and eliminating old ones, optimizing structure to achieve steady business development. Firstly, it ensures that corporate assets and liabilities maintain overall stable growth. During the reporting period, the Company enhanced efforts to expand corporate liabilities, well prepared to secure large amount deposit receipt and smart deposit. Meanwhile, it optimizes provision management, gearing ratio controlling and FTP pricing, which contributed to the stable increase of corporate deposit. As at the end of the reporting period, corporate deposit balance reached RMB2,251.648 billion, representing an increase of RMB168.754 billion as compared to the beginning of the period. The loans to corporate customers denominated in domestic and foreign currencies amounted to RMB1,270.791 billion, representing an increase of RMB29.735 billion as compared to the beginning of the period. Secondly, it stuck to the operating lifeline of "market and customer oriented", constantly consolidating the corporate finance foundation. The total number of corporate customers and basic customers were steadily on the rise and customer cooperative stability was notably boosted. As at the end of the reporting period, corporate finance customers reached 525.2 thousand, representing an increase of 48.5 thousand as compared with the beginning of the period. Among which basic customers reached 113.7 thousand, representing an increase of 12.9 thousand as compared with the beginning of the period.

(2)Trade financing business

Trade financing business is customer-oriented and guided by transaction banking. It closely follows national strategy, serves regional economy, vigorously promotes bills fundraising and cross-border financial business, and enhances access and ongoing management of trade financing business, so as to improve business quality and professional management ability. Firstly, it complies with new direction and trends of economic development, actively penetrates into key industries and key customers, deepens the implementation of chain sales and the development mode of bulk copy. Through company linkage, overall service and chain sales, it continues to consolidate the foundation of trade finance business and has secured sound results. Secondly, it enhances bills business innovation, channel innovation and mode innovation, to push forward

bills business via company linkage, resulting in gradual increase of bills financing scale. Thirdly, it seizes such strategic opportunities as "One Belt, One Road" and internationalization of Renminbi to promote the development of cross-border finance business. Fourthly, it accommodates the "Internet +" technology innovation trend, intensifies efforts in business system and online financing system to enhance online trade finance products, boost business upgrade of supply chain, bills and letters of credit so as to improve business efficiency and customer experience.

As at the end of the reporting period, balance of trade financing business of the Company reached RMB666.916 billion; cross-border settlement volume reached USD86.102 billion, of which international settlement in foreign currencies reached USD68.450 billion and cross-border Renminbi settlement volume reached RMB116.810 billion.

(3) Cash management business

For cash management business, the Company actively conforms to the trend of interest rate liberalization and advance settlement. It tries to grasp the market opportunities, make bold innovations, and driven by internet finance and wealth management business, through refined innovation, target sales, precision management and in-depth improvement of trading process, it continues to improve professionalism and service efficiency, to expand customer base and service boundary of trading banks.

As at the end of the reporting period, there were 81,185 customers of the Company's trading banks, representing an increase of 11,612 as compared to the beginning of the period. The number of Internet financial transactions amounted to 648.44 million, with the transaction volume of RMB358.1 billion, of which 648.4 million in “traded through train”transactions, with trading volume of RMB177.6 billion. The daily balance of Renminbi settlement deposits was RMB1,003.2 billion, a year-on-year increase of RMB131.1 billion. Since the start of the business, the aggregate issuance of certificates of deposits reached RMB299.4 billion, the closing balance was RMB105.9 billion as at the end of the reporting period.

(4) Green finance business

The Company regards green finance as an important strategic business. Relying on the group linkage mechanism, the Company targets to build a first-class "green finance integrated service provider" and "green finance group", focuses on the four key areas such as water resources utilization and protection areas, solid waste treatment, heating, clean energy and renewable energy, etc. and the key business area of energy-saving environmental protection enterprise customer base, seizes the opportunity to become bigger and stronger, achieves the group level of green finance business linkage and product linkage and continues to maintain a rapid development momentum.

First, the green finance business maintains rapid growth. The business covers a wide range of projects such as energy efficiency, new energy and renewable energy development and utilization, carbon reduction, sewage treatment and water treatment, sulfur dioxide reduction and solid waste recycling. As at the end of the reporting period, the

balance of green finance financing was RMB494.360 billion, representing an increase of RMB94.027 billion from the beginning of the period. The number of green finance customers was 7,029, which was 1,182 higher than that at the beginning of the year. The Company completed the issuance of RMB50 billion green finance bonds to effectively support the development of green finance business. Second, green finance innovation and exploration continue to advance. The Company made out and introduced the green finance collectivize products system; promoted the product innovation landing, successfully obtained the approval and issued the first batch of green finance bonds, and issued the green credit asset securitization products; for carbon finance, the Company achieved seven national pilots cooperation full coverage, and completed the first carbon assets repurchase business; proactively promoted the completion of the first single product of green financing, green bonds and other influential business characteristics products; participated in the research and draft in a number of national green finance policy systems, and the formulation of green finance planning pilots and policies in several places. Third, environmental benefits are more obvious. As of the end of the reporting period, green finance support projects achieved annual savings of 26.468 million tonnes of standard coal, the annual reduction of carbon dioxide of 74.0831 million tonnes, the annual reduction of chemical oxygen demand (COD) of 1.6804 million tonnes, annual comprehensive utilization of solid waste of 18.7787 million tonnes, and annual water saving of 303.9006 million tonnes. The above volume of energy-saving emission reduction is equivalent to the closure of 170 thermal power stations of 100MW, 100 thousand taxis parking for 36 years, or the total volume of carbon dioxide absorbed by 7.4 million hectares of forest each year.

(5)Small enterprise business

Small enterprise business grasps the "new opportunities", practices new development, helps the supply side of structural reform, promote inclusive finance development. Market influence and brand competitiveness continues to improve. As at the end of the reporting period, the Company customized small micro-enterprise customers of 418 thousand, an increase of 46 thousand compared with the beginning of the period; the balance of customized small micro-enterprise loans reached RMB95.009 billion.

First, the Company created a small mobile financial services system that integrates "mobile collection and payment". Relying on its own remittance channels, the Company independently developed the small micro mobile payment product "CIB Housekeeper" in the industry, provides mobile financial services to more than 30 thousand small micro enterprises. Second, the Company took the investment and loan linkage policy as an opportunity to pilot commercial banks, active layout "financial science and technology" and "business finance". Established cooperative relationship with 1,848 listed "NEEQ" customers. Third, small micro-enterprise loan repayment way is innovated, the Company introduced medium term loan "honesty borrowing", supported equal principal, and periodic repayment of principal and interest, secured value of RMB107 million. The "continuous loan" of the non-repayment products continued to expand customer coverage and reached RMB1.31 billion. Fourth, the Company continued to build the "Internet + bank + platform" micro-enterprise online financing model, and the total number of loans issued by the Company on line was 9,901, in aggregate amounting to RMB970 million. Fifth, based on regional characteristics, the construction of clusters was remarkable. The Company's small business cluster was 579, with a total of RMB26.791 billion lent.

(6)Institutional business

Institutional business development continues to adhere to the "solid foundation, professional enhancement, system innovation" strategy, closely follows the policy situation, the innovation management idea, grasps the work focus, adheres to the roots of finance, social security, public utilities, health care, culture and education, etc. All the work has achieved good results. As at the end of the reporting period, the total number of agencies in the central, provincial, municipal and

district level was 604, an increase of 148 from the beginning of the period. The number of institutional clients was 23,290, an increase of 1,663 over the beginning of the period. The balance of institutional customer deposits was RMB600.235 billion, an increase of RMB47.246 billion.

2.Retail finance business

(1)Overview

The retail banking business has been steadily progressing and the work has maintained steady development, and the results are in line with expectations. Retail wealth management business is developing rapidly, credit business secured best historical achievements, "Enjoyable Life" and other "Four Life" brands witnessed success, and community banking business has developed rapidly. As at the end of the reporting period, the number of retail banking customers (including credit cards) was 44.753 million, an increase of 8.248 million over the beginning of the period. The total financial assets of retail customers totaled RMB1,311.8 billion, a year-on-year increase of RMB102.4 billion. During the reporting period, the income of the retail intermediary business was RMB17.311 billion, an increase of 22.68% year-on-year. Net income of retail banking was RMB31.015 billion, up 11.83% year-on-year.

The Company enhances the construction and management of retail business brands. First, the Company focused on "big retail" as the core, and strengthened retail line evaluation, asset and financial management, etc. Second, the Company stuck to the retail credit development strategy which balances scale and efficiency, pay attention to the asset quality control, innovate in line with market demand and the Company's business development orientation of retail credit products. Third, the Company continued to deepen "Enjoyable Life", "Dynamic Life", "Wealthy Life", "Universal Life" and other "Four Life" brands construction, promoted the development of business. Fourth, retail wealth management business insisted on taking the path of transformation of agent, and intermediary business revenue significantly increase, business strategy adjustment, innovation emphasis and development promotion and deposit structure optimization in terms of liability business. Fifth, to constantly optimize community banks business structure, built the comprehensive service brand of "Community Housekeeper", significant results were obtained in network transformation, cabinet marked achievements were scored in the burden, low ark service model was universally implemented, and the hall service marketing efficiency was increased.

(2) Retail banking business

With respect to retail liabilities, the Company facilitates settlement savings through the settlement business. The average daily value of the settlement deposit was RMB200 billion. Through interest rate float policy, product innovation and so on, the medium and long-term time deposit that is targeted to absorb cost is under control maintain the scale of regular deposit to be stable. As at the end of the reporting period, the balance of personal deposits was RMB354.563 billion, including RMB337.313 billion in savings deposits.

With respect to wealth business, the Company deepens the product structure transformation, sales model and sales channels, actively promotes the development of "great wealth" transformation, and realizes the proxy class intermediary business income of RMB2.359 billion, up 120% from a year earlier. By the end of the reporting period, the insurance agency business scale of premium sales was RMB91.1 billion, the intermediary business income was RMB1.556 billion, and the premium scale and intermediary business revenue grew by 6 times and 8 times respectively. The precious metals agent consignment business is developing rapidly, and the transaction volume of the agent gold exchange transaction is RMB158.850 billion, and the total income of the intermediary business is RMB102 million.

With respect to retail credit business, the personal loan business is steady and the asset quality is stable. On the basis of specification development of housing mortgage loan, consumer and operational loan products are constantly innovated. We continue to promote the "Flourishing" characteristic industry loans, improve the comprehensive income level of retail assets. As at the end of the reporting period, the balance of personal loans (excluding credit cards) was RMB640.208 billion, up 47.53% from the beginning of the year. The total amount of personal loans issued for the whole year was RMB383.035 billion, and the interest income of individual loans was RMB25.801 billion, up 18.89% year-on-year.

In terms of retail channels, based on management transformation, product innovation, market and regulatory requirements, the Company actively promoted network construction and transformation, bank card products and single business innovations at the same time, focused more on business linkage coordination, and promote marketing. The Company adhered to the customer as the center, built the "prosperous" community integrated services platform, to establish family for guest and business differentiation competitive advantage, through a single customer management to realize the whole family to the customer marketing services, to promote community banking business from a single product marketing to comprehensive, diversified, three-dimensional operations. The Company accelerated the intelligent network construction, based on intelligent online platform, scene layout, set up the financial sector, credit card consumption depth to implement online community banking business docking in all respects, in the scale of production capacity, customer acquisition, business aspects of implementation provided an important platform to support the quality. As at the end of the reporting period, there were 971 licensed community branches, 14 small and micro branches, and more than 85% of community branches were profitable.

The Company continued the network transformation work, adhered to the "low-cost expansion, highly efficient operation" principle, along the "intelligent, miniaturization, community-based, standardized" direction, in order to enhance operation, service and marketing efficiency, to promote traditional outlets from "transaction processing type" to "marketing service type" network transformation. The Company has achieved obvious results. First, marked achievements were scored in the counter burden reduction, the implementation of intelligent network construction, fast transformation from counter business machines to smart machines, intelligent counter, ATM, and automatic acquiring-bill machine, three integrated machine counter replacement rates reached 90%. The Company was the first in the industry to launch large high-speed cash deposit and withdrawal and implement high-speed self-support of large cash transactions. Advance the centralized operation, remote authorization, business process optimization, start the counter in the paperless and on-line tank project, optimize counter operation process and efficiency, the stock of branch teller work fell by 25%. Second, to accelerate the transformation of operational staff to marketing staff, operational personnel proportion fell by 14.8 percentage points, the average tellers in store were reduced by 2.8, hall marketing personnel were increased by 1.6, thus improving the labor efficiency. Third, the Company fully implemented the low cabinet service, which was more than 90 percent of the total number of people. Fourth, to promote hall service marketing performance, started the network operation management system construction, promoted hall intelligent integration service marketing system and continuous optimization, promoted hall PAD service marketing, online booking service platform, to achieve customer intelligence station, explored business opportunities, referral marketing, online booking and customer satisfaction rate achieved 99.83%, thus promoted customer experience and network capacity improvement.

(3) Bank card business

As at the end of the reporting period, there were 42.966 million debit cards issued, an increase of 6.857 million from the beginning of the period. The number of debit card customers was 34.917 million, and the per capita debit card number was 1.2. The number of cumulative newly added customers was 500 thousand households, an increase of 83 thousand households.

The Company attached great importance to the innovation of mobile payment products, and strengthened the cooperation with China Unionpay and other organizations to cover the debit and credit cards and the online and offline business. The Company developed bar code to pay the receipt business, innovated barcode to pay the receipt product, actively expanded the bar code to pay the merchants. As at the end of the reporting period, the barcode paid for 490 thousand households.

In terms of credit card business, with the advantages in the Company's "big retail" system, the Company accelerated the business transformation, further increased mobile payments, Internet cross-border cooperation scenarios, online channel integration and consumption structures, large data analysis application, third party credit channels to expand aspects such as layout, vigorously promotes the development of two card linkage and "Web Project" construction of a passenger capacity, professional business ability and financial service level was significantly increased. By the end of the reporting period, the Company in aggregate issued 20.823 million credit cards, and during the period, 5.327 million new cards were issued, up 144% year-on-year. The Company realized the transaction value of RMB633.1 billion over the reporting period, a year-on-year growth of 40.1%.

During the reporting period, the Company further strengthened the core brand construction of "Dynamic Life". We were active to sponsor international marathon, JFC youth large events such as international soccer tournament in places such as Shanghai, Fuzhou and Wuhan. Leveraging on the Olympic Games as an opportunity, we carried out "sports + financial" crossover marketing, to explore the best integration of financial services and the sports health industry, deepened "Dynamic Life" brand connotation. We consolidated the wearable first-mover advantage in the field of mobile payment, advance the "CIB Dynamic Credit Card" supporting mobile payment bracelet style and function upgrade at the same time, further developed mobile payment applications. The launch of the second generation wearable smart payment product with Jiaming, the country's first high-end mobile payment sports watch, has gained wide attention. In addition, the Company, together with Sinopec, launched co-branded - "CIB Oil Credit Card", in Guangdong, the "single chip, double application" technology innovation, credit card and the organic integration of refueling card, created the bank IC card applied in petrochemical industry, financial industry and traditional petrochemical industry, marking a beneficial attempt in "crossover" cooperation.

(4)Pension business

The Company established three years of pension financial development plan, determined the pension finance, retail finance and pension industry finance three areas. The Company established pension financial services organization, production and marketing of three sets of system, grasped the community banks, the Internet and the third party cooperation agencies, and formulated the specific work plan and implementation steps, pushing pension financial business development. The Company fully coordinated lines business resources, enhance professional capacity, retirement financial business and exclusive brand of internal and

external propaganda, continued to intensify efforts to "serve the old". As at the end of the reporting period, the number of "Enjoyable life" VIP was 1.31 million, up by 90 thousand from the beginning of the period, accounting for 49.74% of the total retail VIP customers, and the total number of customers increased 7.44% from the beginning of the period. The total financial assets of "Enjoyable life" customers reached RMB639.1 billion, an increase of RMB75.8 billion, or 13.44% from the beginning of the period.

3. Financial market business

(1)Overview

The Company has constructed sound professional business management system and unified financial market service platform at the head quarters level. All departments were with clear positions and duties, mutual cooperation, along with further enhancement of the construction of a professional talent team, so as to provide customers with more professional, comprehensive and efficient comprehensive financial products and services. The Company took full advantage of its specialized talent team with financial market and comparatively full licenses to further strengthen its sharp market and innovation awareness, vigorously promote professional promotion, transformation and innovation, strengthen the linkages of the businesses among lines within the Group, actively respond to the changes and challenges from marketization, facilitate the steady development of various financial market businesses and enhance its market influence.

(2)Financial institutions business

Adhering to the "customer-centered" service concept, the Company constantly consolidated and strengthened the tradition advantages and positions in serving all financial institutions and customers in the market. By virtue of implementation the marketing, professional and dedicated operating strategy, the Company continuously expanded the depth and scope of cooperation with financial institutions customers, striving to penetrate the "great interbank" business in the market segment. During the reporting period, the interbank business finance service network of the Company has fully covered various areas in the whole financial industry. At the same time, the Company took the initiative to adapt to the industrial changes such as multi-level financial market construction and others, developing a comprehensive product system of the financial market. Combining with diversified and differentiated financial service needs of interbank financial customers, the Company introduced integrated financial services solutions including bank-to-security, bank-to-credit, bank-to-wealth and bank-to-insurance, to promote the development of interbank assets, liabilities and trading businesses, and to form the differentiated business advantages.

During the reporting period, with an aim to accelerate increasing the market share and influence, the Company participated in the establishment of China Commercial Paper Exchange, and became the one of six institutions of the first batch. The Company has been continuously deepening the cooperation with the Shanghai Clearing House, the Inter-institution OTC Market Quote and Service System, the Insurance Asset Management Association of China and other emerging financial business platforms with respect to agency clearing, treasury settlement, system construction and other aspects, and has been awarded seven prizes such as the "outstanding liquidation membership" during the appraisal of annual outstanding institutions and individuals by the Shanghai Clearing House.

(3)Bank-to-bank cooperation

The Company is the first one to launch a interbank cooperation brand named Bank-to-Bank Platform, which is an integrated service system of the internet finance and offline finance and provides various collaborative banks

with comprehensive financial service solutions covering wealth management, payment and settlement, technological output, training services, financing services, optimization of capital, asset-liability structure, etc. As at the end of the reporting period, the number of collaborated customers of Bank-to-Bank Platform was 1,078, up 65.08% year-on-year. During the reporting period, the sold financial products totaling RMB1,922.34 billion, a total of 55.02 million accumulated settlement transactions were completed on the Bank-to-Bank Platform, with the accumulated settlement amount of RMB3,060.4 billion. The Bank-to-Bank Platform's single-year settlement transactions and settlement amount both hit a record high. The Company accumulatively cooperated with 313 commercial banks in terms of establishment of information systems, among which 171 banks managed to operate with online information systems. The Company has become one of the largest providers of information systems for commercial banks in China.

The Company maintained centering on the comprehensive financial services of small and medium banks, actively promoted the development strategy of "one financial cloud plus three platforms", and gradually formed a financial ecosphere covering the wealth management platform, the payment and settlement platform, and the asset trading platform, supporting by the financial cloud services. In addition, with the accelerated pace of internationalization of Renminbi, and leveraging on the opportunity of the agent cooperative banks access to China International Payment Service (CIPS) and conduction of foreign exchange cross-border settlement business on trust, the Company accelerated the development of international bank-to-bank platform, so as to provide services in relation to cross-border payments, offshore financing, cross-border asset management and allocation and others, and achieved certain success. During the reporting period, the Company successfully implemented the infrastructure upgrade of the bank-to-bank platform. The new one has the characteristics of high concurrency, high availability, supporting agile development and massive transaction. There were more product categories, forming a complete wealth products line covering bank financing, trust, securities, funds, insurance, precious metals, products of the asset exchange, etc. The functions relating to financing exchange, mobile payment of "Money e Payment", location-based outlet inquiry had been successively introduced, and the blueprint of payment settlement platform and asset trading platform was initially taken shape. As at the end of the reporting period, individual customers of the QianDa Money Manager, the Internet wealth management platform, amounted to 7.1 million. During the reporting period, sales of financial products of QianDa Money Manager to terminal customers reached RMB635.3 billion. The balance management product the "Shopkeeper Wallet" continued to be developed with a good momentum with the product scale at the end of the period reaching RMB43.1 billion, retaining its position in the front in the money fund camp.

4.Investment banking business

Since the Company continued to speed up the pace of transformation and innovation of investment banking business, the business structure has been continuously optimized and the product competitiveness has been further enhanced. Firstly, underwriting scale of non-financial corporate debt financing tools ranked No. 1 for five consecutive years among

joint-stock banks. The customer foundation continued to be strengthened, with underwriting scale increased by 6.2% year-on-year, higher than the market average level. With respect to the emerging debts business, the Company actively promoted the green debt financing tools, and introduced trusted asset-backed notes, FTA bonds, Panda bonds and other products. Secondly, innovative products continued to be introduced, together with the further and deep transformation of capital financing and asset securitization businesses, the business competitive advantages had been strengthened. With respect to the actively managed and large-size fund business, the Company took Fujian PPP Guiding Fund and Fujian Technology Improvement Fund as the breakthrough point, adapting to the development trend of "operating via fund, management via platform" of investment banking business, to promote the innovation of business models. Thirdly, the Company promoted the establishment of group collaboration mechanism in compliance with operation goals of "great investment banking, great assets management, and great wealth management". The full functional advantages of the group investment banking has been maximized utilization by virtue of collaborate marketing, coordinated operation, advantages supplementation in respect of debts underwriting, capital financing and asset securitization businesses.

During the reporting period, the debt financing tools underwritten by the Company amounted to RMB407.890 billion; two tranches of asset securitization products had been issued with offering size totaled RMB5.294 billion, and local government bonds won by the Company totaled RMB206.822 billion.

5.Asset management

The Company continued to increase the innovation of asset management business, striving to satisfy the investment and financial requirements of different customers via product innovation, and created and issued the periodicity net value wealth management products for customers, and established a periodicity net value product system for customers, to promote the transformation of wealth management products. In addition, the Company has set up and issued overseas custody wealth management products, FTA wealth management products and foreign currency-linked structured deposits. The Company also introduced an industrial bank green bond index, namely "Wanlibao-Green Finance" wealth management product, which was a green wealth management product to be issued to individual investors in relation to investment in green environmental projects and green bonds. In addition, the Company made investment in asset-backed special program for beneficiary right of bus operating toll of Wuxi Transportation Industrial Group, the first non-listing green ABS in China, to finalize green financial innovation to the real economy.

As at the end of the reporting period, the balance of the Company’s wealth management products was RMB1,383.102 billion, the average daily balance of wealth management products was RMB1,388.974 billion, up 3.07% year-on-year, and the intermediary income of wealth management business was RMB12.349 billion, up 29.61% year-on-year. Of the general products, the balance of closed-end products and open-end products was RMB538.448 billion and RMB640.430 billion respectively, taking up 45.68% and 54.32% respectively, and up 6.17% and 5.12% year-on-year respectively.

6.Treasury business

Focusing on group collaboration, the Company proactively expanded the light-capital consumable FICC business, promoted the treasury business innovation and accelerated the construction of international platform, so as to improve the profitability of agency service business and transactions thereof. As a result, the Company's business maintained relatively fast growth, and market rankings of core businesses such as foreign exchange, bond and gold business steadily arose. As at the end of period, the total assets in local and foreign currencies of the fund operation center amounted to RMB520.9 billion, representing an increase of RMB83.3 billion from the beginning of the period.

Focusing on market-making transactions and optimization of the large-scale asset portfolio structure, the Company took Hong Kong and FTA as the starting point, strengthened the construction of the treasury business international platform, so as to continue to consolidate the new profit growth point and business growth point, and promote more interaction in cross-border businesses. The Company also actively carried out financial market business innovation and product innovation, to improve the participation of various types of trading venues, make an effort to keep sustainable innovation. The Company made an investment in the first pledged repo business of the Shanghai Commercial Paper Exchange and the first insurance listed in Shanghai Insurance Exchange; carried out the first credit default swap transactions of the inter-bank market; collaborated issuance of the first bill-type asset securitization products, entered into the first FTA interest swap transaction of the whole market; and reached the first issuance of CDs of FTA institutional foreign currency in the international market, which was issued by five tranches with a total amount of USD205 million. The Company actively implemented the centralized management of the bonds of entire group and established a professional and unified risk management mechanism to ensure the quality of the assets and promote the smooth development of the business.

7.Private banking business

Centering on “consultation-driven” work in terms of the private banking business, the Company promoted business innovation and risk management and control, continuously enhanced capabilities of research and analysis and professional investment consulting services, improved the high-end service system, made an access to the overseas business, and orderly driven the construction of cross-border platform. As at the end of the reporting period, the private banking customers totaled 20,339, up 10.65% from the beginning of the period, and the consolidated finance assets of private banking customers amounted to RMB290.709 billion, up 10.15% from the beginning of the period. The private banking financial products issued by the Company during the period totaled RMB114.2 billion, and renewal size of private banking financial products was RMB100.1 billion. The Company returned to the source of “entrusted asset management” of private banking, officially launched private banking exclusive services including family trust, Enjoyable Trust and discretionary trust. The Company cooperated with The Boston Consulting Group to prepare and published the private banking wealth report of 2016 titled "China Private Banking in 2016: Growth against Trend and Global Allocation". The Company held several types of value-added service and branding marketing campaigns for consolidating and improving its branding unique of private banking. The Company held four quarterly strategic conferences on financial market analysis and allocation of general categories, launched exclusive service business with the most distinctive “consultation-driven” characteristics, and organized nearly 180 special consultation campaigns under various subjects, including exclusive legal advice, tax planning, enterprise management, global properties services and global tax-imposition consultation of private banking customers.

8. Asset custody business

During the reporting period, through optimization of product structure, reconstruction of an organization mode and promoting system upgrade, the Company made steady progress and proactive operation for its asset custody business and achieved business transformation and efficient operation, making it ranking the top in the asset custody industry. As at the end of the reporting period, the number of online custody products of the Company was 21,457, with the scale of asset custody business totaling RMB9,442.307 billion, up RMB2,228.359 billion or 30.89% from the beginning of the period. While during the period, the realized total income of intermediary businesses of asset custody reached RMB4.345 billion. The Company proceeded to strengthen traditional custody business to ensure its dominant position within the industry. At the same time, in the wake of capital market hot spots, the Company focused on three major custody businesses including the bank financial products, securities investment fund and customer asset management

products of fund companies, and it also cultivated new operation growth point. As at the end of the reporting period, the custody business of bank wealth management products was RMB1,948.467 billion, up RMB484.904 billion from the beginning of the period, the custody business of asset management products of fund companies was RMB1,055.398 billion, up RMB286.299 billion from the beginning of the period, the custody business of securities investment fund was RMB467.833 billion, up RMB179.515 billion from the beginning of the period, the custody business of trust asset management products was RMB2,059.574 billion, up RMB254.992 billion from the beginning of the period, the custody business of asset management products of securities firms' customers was RMB2,011.644 billion, up RMB445.017 billion from the beginning of the period, the custody business of insurance asset management products was RMB700.337 billion, up RMB62.039 billion from the beginning of the period and the custody business of private asset management product was RMB330.858 billion, increased by RMB117.160 billion from the beginning of the period.

9. Futures financial business

During the reporting period, the Company served as the depository bank designated by China Financial Futures Exchange, the Shanghai Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange. The Company constantly improved futures margin custody business and technical systems management mechanism to ensure the compliance and stable operation of the business. On this basis, the Company actively carried out the cooperation with futures exchange and futures companies business and realized the stable growth of the business. As at the end of the reporting period, the Company's balance of deposits of futures firms and futures exchanges was RMB71.939 billion, up RMB15.611 billion or 27.71% from the beginning of the period. Among them, the balance of deposits of futures margins was RMB65.554 billion, up RMB15.948 billion from the beginning of the period. The daily balance of deposits of futures funds was RMB58.207 billion, up RMB2.608 billion year-on-year. As at the end of the reporting period, there were 93 Internet futures firms of bank-futures transfer, 132 futures firms cooperating with the Company, up 6 firms from the beginning of the period. 270 futures guarantee accounts were opened for futures firms, of which 164 were earmarked fund accounts. During the reporting period, there were 11,711 completed transactions with futures exchange settlement, with a total settlement amount of RMB1,357.3 billion. There were 265.2 thousand completed bank-futures transfer transactions, with a total amount of RMB158.5 billion. As at the end of the reporting period, there were 81 asset management products of futures firms under online custody of the Company, with total assets of RMB3.540 billion.

10.E-Finance

During the reporting period, as to E-Finance business, the Company endeavored to grasp the new market opportunities, to strengthen the comprehensive management of the Group's network finance, make greater effort in innovation and management of the II-class accounts and the new payment and settlement methods, so as to continuously improve the overall service level.

The Company has proactively developed mobile payment and online banking businesses, introduced apps of Apple Pay, MI Pay, Huawei Pay and Cloud Quick Payment, realizing the mobile payment business to cover Android and IOS and other main mobiles. The Company was the first to introduce online payment of Cloud Quick Payment and the function of drawing via ATM Cloud Quick Payment. Together with the function of air issuing, the cloud quick payment service fully covers the online and offline business. The Company has introduce the new version of mobile bank, and updated the personal banking and PAD banking, direct banking, WeChat bank and SMS bank, and developed Virtual Teller Machine (VTM). Also, the Company has introduce soft token service, completed the introduction of soft token service, the

completion of research and development of Generation II network shield, and established the risk real-time monitoring system for Internet finance business, to continuously enhance the customers' experience and security level. As at the end of the reporting period, the Company had 229.1 thousand active corporate and inter-bank online banking customers, up 5.23% from the beginning of the period; 10,646.7 thousand active personal online banking customers, up 16.79% from the beginning of the period; 11,971.5 thousand active mobile phone banking customers, up 43.85% from the beginning of the period. The replacement ratio of e-banking transactions for the whole year was 96.16%.

The Company has strengthened the unified group network financial portal, and integrated and optimized the Internet applications with a core of customer, and formulated the unified online financial operation security and management measures of the Group, to give full play of "Industrial Bank" official website, "Industrial Bank" APP, and "Industrial Bank" subscription as the financial network portals of the Group by uploading more financial products of the Group, to facilitate the unified management and maintenance of the Group's customers. The Company has promoted the integration and interaction of online financial channels, through integration of account information of personal online banking, mobile banking, direct banking customers, to enhance unified certification and management of online financial customers based on identity information. Meanwhile, the Company has continuous optimized the internal procedures of customer service center, upgraded online and offline information interactive services, continuous carried out cross-sales and external marketing of online financial channel, so as to provide customers more convenience in special business reservation and a variety of value-added services.

The Company seized the new opportunities for development of Internet finance, to expand customers under II-class accounts via direct banking. The Company has introduced physical gold and insurance products, designed and developed consumer financial loan products, set up the connectivity with nationwide joint-stock banks, and established a unified management platform for II-class accounts of the Bank. The Company has actively sought the interbank innovation, enriching the utility of II-class account, and innovatively launched "Cash Deposits", enabling the customer to pay multi-bank deposits via interbank online payment. The Company has also launched featured business including "Study Abroad" financial services.

11.Operation and management

During the reporting period, with respect to operation and management, the Company focused on two main lines of "innovation and transformation" and "internal control compliance", comprehensively push forward the establishment of payment and settlement management system, the front- and back-office operation support system, the operation risk supervision system, to better provide support for business development of the Company.

With respect to payment and settlement management, based on the continuous improvement of the traditional payment and settlement products, the Company introduced the first innovative product of public mobile payment in the industry - "CIB Housekeeper", providing mobile payment service for small and micro enterprises "anytime and anywhere", and giving the support of "Public Entrepreneurship and Innovation". As at the end of the reporting period, the number of contracted customers of the "CIB Housekeeper" totaled 35,871, of which 19,384 were active users. The successful implementation of cross-border RMB agent clearing business has promoted the Company's gradual transformation from the "last payment station" to a "payment transfer station". More than ten payment and settlement intelligent projects including fingerprint identity authentication platform, phase III of commercial paper system, unit settlement card, real-time collection of reserves, RFID smart RF, etc., has made great support for the Company's business development and network transformation.

With respect to the back-office operation and support, during the year, 35.64 million transactions involving trading,

documentation, clearing, accounting or other businesses were dealt with by the operation center, generally maintained stable year-on-year, and the transactions were compliance with five Sigma, ISO and other international standards. The operation center undertook the accounting background business of operating sectors, with business volume growing rapidly, business centralized processing capacity and efficiency increased significantly. The completion of establishment of centralized operating project and branch operation project center, as well as the improvement of physical risks prevention and control capabilities of accounting back-office, had significantly enhanced the back-office operation and support capabilities.

With respect to risk monitoring, the Company took initiative to adopt four management measures, namely "system and mechanism's development", "systematic platform's construction", "rules and standard formulation" and "professional inspection and supervision", effectively enhancing the Company's internal control and case prevention level. Among them, the Company focused on the implementation of risk management reform program, optimization of business continuity management mechanism, improvement of bill business and custody management and other special works of operational risk management, and achieved good performance. In addition, the Company has established the "woodpecker" system designed for cases' risk prevention and control, and then further improves the inspection mode combining of "identifying risks via off-site inspection and verifying risks via on-site examination", as a result, the accuracy and influence of inspection and supervision have been significantly improved.

12. Information technology

During the reporting period, the Company's information system was under stable operation, the core V3 system, value-added tax management system, retail credit factory and other key projects had been introduced, and the information construction of unified credit granting of the Group officially commenced. In addition, the Group strengthened its IT control, promoted IT consolidation management of the Group, enhanced the construction of sharing center, and actively explore the integration of artificial intelligence, block chains and other advanced technologies and business.

The Company took initiative to promote the information construction and research. During the reporting period, the Company commenced 65 new projects and completed 47 listings of 44 projects. With respect to development and construction of business system, the Company attached more attention on giving full play of synergies of technology and business. The newly introduced core V3 system has functions of multi-hierarchy interest rate execution system, multi-level account management system, expansion of payment and settlement platform, diversified products and personalized customization, daily transaction processing capacity improved from 10 million level to 100 million level, providing a great support of systems required by business innovation, professional operation, intensive management, scientific management and dedicated marketing. Automation and intelligent of credit risk decision-making capacity of retail credit factory project have been enhanced, the cross-trading platform of financial products enables the retail customers for transferring financial products, and the single vehicle financing system could quickly respond to the needs of bulk financing of the single vehicle, the interbank all-in-one intelligent deposit would effectively improve the competitiveness of interbank deposit and liability products. The economic benefit generated from systems regarding asset custody, business management of financial market, agency insurance sales, asset securitization of corporate banking, Phase II of market maker system was significant. Specialty works such as direct connection between large-scale key conglomerates and banks, direct connection between cross-border e-commerce and banks, and upgrades and transformation of asset securitization system of corporate banking has played a positive role in relating to the construction of financial ecology.

The Company took initiative to develop and leverage on the IT system to effectively enhance compliance and internal control management level. The Company was the first one that completion of deployment of value-added tax

management system and realized the link between invoice issuance and each individual business. For fingerprint authentication management system, teller logging, chief officer's authorization and management of equipment and tools were implemented unified fingerprint authentication. The risk precaution management system had been added the precaution function against risky customers. The classification management items of individual RMB-dominated accounts could quickly met the regulatory requirements of account classification management. Abnormal loans of RMB10 billion were accurately identified by the "Golden Eye", which was included in the best innovation case of global data analysis of 2016 by Gartner. Visitor volume of internal control products such as Feng Kong Sou, Blacklist and He Dai Bao increased by 3 times year-on-year.

The Company actively explored the application of emerging technologies in finance, and formulated the goals for implementation of the "Industrial Brain" planning. Following the cloud computing and mega data, the Company focused on exploration of the artificial intelligence, block chain and other information technology with great significance. At present, a block chain technology research team was set up and an artificial intelligence laboratory was in preparation with an aim to constantly explore business application fields based on business needs. Among them, the block chain technology has been applied to the contract anti-tamper management, the artificial intelligence has been applied to some areas of risk identification, intelligent investment and consultant has been completed prototype development, as well as the prototype design of hall service robot with proprietary characteristics was also completed, with its application in practice in the future, the Company's intelligent operation and management level will be comprehensively enhanced.

iii. Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2016		December 31, 2015		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Normal	**1,991,479**	**95.76**	1,711,649	96.19	16.35
Special mention	**53,919**	**2.59**	41,776	2.35	29.07
Substandard	**17,496**	**0.84**	11,331	0.64	54.41
Doubtful	**12,068**	**0.58**	9,560	0.54	26.23
Loss	**4,852**	**0.23**	5,092	0.28	(4.71)
Total	**2,079,814**	**100**	**1,779,408**	**100**	**16.88**

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB34.416 billion, up RMB8.433 billion from the figure at the beginning of the period with NPL ratio of 1.65%, up 0.19 percentage point from the beginning of the period. The balance of special mention loans was RMB53.919 billion, up RMB12.143 billion from the beginning of the period. The proportion of the special mention loans in the total loans was 2.59%, up 0.24 percentage point from the beginning of the period. Main reasons for the increase in NPLs and special mention loans were that the decelerated economic growth, adjustment to industrial structure, private lending, guarantee chain and other factors caused increase in credit risk exposed to individual regions and industries and enterprises with decreased debt paying ability, financial strain and capital chain rupture; meanwhile, solution of risks, recovery and disposal of non-performing assets took time.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**54,586**
Provision during the reporting period (+)	**46,376**
Write-off and transfer-out during the reporting period (-)	**(28,847)**
Write-back during the reporting period of write-off in previous years (+)	**1,414**
Transfer-out due to the increase in discounted value of loan value (-)	**(1,133)**
Changes in exchange rates (+)	**52**
Closing balance	**72,448**

Description of method for impairment loss on loans: if loans are impaired, the carrying amount of loans is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. For a loan that is individually significant, the Company assesses the asset individually for impairment. For a loan that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of

loans with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed loan, it includes the loan in a group of loans with similar credit risk characteristics and collectively reassesses them for impairment. Loans for which an impairment loss is individually recognized are not included in a collective assessment of impairment. If, subsequent to the recognition of an impairment loss on loans, there is objective evidence of a recovery in value of the loans which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of loan at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3.Changes in overdue loans

Unit: RMB million

Item	December 31, 2016		December 31, 2015	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**17,563**	**39.35**	21,822	44.72
91-360 days (inclusive) overdue	**16,303**	**36.52**	18,867	38.66
361 days - 3 years (inclusive) overdue	**9,798**	**21.95**	7,760	15.90
Over 3 years overdue	**974**	**2.18**	348	0.72
Total	**44,638**	**100**	**48,797**	**100**

As at the end of the reporting period, the balance of the Company's overdue loans was RMB44.638 billion, down RMB4.159 billion from the beginning of the period, of which overdue corporate loans decreased by RMB6.484 billion and overdue personal loans increased RMB1.815 billion respectively, and credit cards overdue increased by RMB510 million. The primary cause for the decrease was that the balance of overdue corporate loans was effectively reduced due to the strengthen management of the maturity of corporate loans and increased efforts on collection.

4.Changes in restructures loans

Unit: RMB million

Item	December 31, 2016		December 31, 2015	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured loans	**38,954**	**1.87**	17,808	1.00

As at the end of the reporting period, the balance of the Company's restructured loans stood at RMB38.954 billion, up RMB21.146 billion from the beginning of the reporting period, mainly due to that certain enterprises renewed their loans or used new loans to repay old ones due for the purpose of temporary capital turnover and that certain enterprises had more reorganization needs as a result of industrial integration against the backdrop of deepening supplier side reform.

iv. Foreclosed assets and impairment provision

Unit: RMB million

Category	December 31, 2016	December 31, 2015
Foreclosed assets	**447**	595
Incl: Buildings	**396**	298
Land use rights	**48**	73
Others	**3**	224
Less: Impairment provision	**(23)**	(9)
Net value of foreclosed assets	**424**	586

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB101 million (mainly including land and buildings, vehicles and transfer tax, etc.), and recovered RMB26 million from the disposal of foreclosed assets, thereby increasing the net book value of foreclosed assets by RMB75 million. The Company conducted re-evaluation for certain foreclosed assets, resulting in provision therefor of RMB14 million and an increase in the net balance of provision for impairment of foreclosed assets of RMB14 million.

v. Information of structure entities under control of the Company

For information of consolidated structure entities and structure entities which were not consolidated but managed by and entitled to equity by the Company, refer to Notes VIII.50 to the Notes to the Financial Statements.

vi. Information of financial bonds held

1.Categories and par value of financial bonds held as at the end of the reporting period

Unit: RMB million

Category	Par value
Bonds of policy banks	25,962
Bank bonds	33,679
Bonds of non-banking financial institutions	67,770
Total	**127,411**

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

2.Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Name of bond	Par value	Annual yield rate (%)	Maturity date
16 SF D56	18,170	3.40	2017-09-07
16 CSF D36	14,559	3.30	2017-02-15
16 CSF D37	7,332	3.30	2017-08-08
16 SF D53	5,000	3.40	2017-03-31
16 SF D66	4,261	4.50	2017-12-05
16 CSF D26	4,093	3.40	2017-07-21
10 CDB 24	2,320	1.95	2020-08-26
16 HXB 01	2,000	3.03	2019-03-07
12 CDB 24	1,960	2.22	2019-05-22
13 PICC Subordinated Debt 01	1,600	4.95	2023-06-17

vii. Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Interest rate derivatives	1,182,679	4,428	4,080
Exchange rate derivatives	1,101,859	10,293	11,039
Precious metals derivatives	60,037	1,319	1,347
Credit derivatives	11,060	97	13
Total	-	**16,137**	**16,479**

viii. Financial instruments denominated in foreign currencies held by the Company

Unit: RMB million

Item	Opening balance	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	Closing balance
Trading financial assets	4,149	(19)	-	-	**9,555**
Derivative financial assets	7,240	882	-	-	**9,729**
Derivative financial liabilities	1,565				**3,172**
Available-for-sale financial assets	20,696	-	(125)	-	**93,705**
Investment in accounts receivable	-	-	-	-	**8,788**
Held-to-maturity investment	7,375	-	-	-	**7,482**

ix. Internal control system related to measurement of fair value

1.Internal control system related to measurement of fair value

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

2.Items related to measurement of fair value

Unit: RMB million

Item	December 31, 2015	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	December 31, 2016
Financial assets at fair value through profit or loss	128,685	(627)	-	-	**354,595**
Precious metals	41,964	595	-	-	**17,261**
Derivative financial assets	13,933	(3,723)	-	-	**16,137**
Derivative financial liabilities	10,563		-	-	**16,479**
Available-for-sale financial assets	426,304	-	1,492	443	**583,983**
Financial liabilities at fair value through profit or loss	1	(1)	-	-	**494**

x. Situation of interest receivable

Unit: RMB million

Item	December 31, 2016	Increase in the reporting period	Recovery in the reporting period	December 31, 2015
Interest receivable	**23,899**	236,279	234,123	21,743

As at the end of the reporting period, the interest receivable increased by RMB2.156 billion or 9.92% from the figure at the beginning of the period, mainly because of the increase in interest-bearing assets.

xi. Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2016	December 31, 2015	Provision for impairment	Provision method
Other receivables	**10,686**	10,540	1,193	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis.

xii. Situation of off-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2016	December 31, 2015
Letters of credit	**79,402**	111,547
Letters of guarantee	**119,303**	132,130
Bank acceptance	**391,154**	498,589
Unused credit cards commitments	**140,375**	92,357

xiii. Risks and risk management during the reporting period

1. Overview

Risk management is the basic guarantee for the survival and development of commercial banks. The Company regards risk management as one of the core competitiveness. It has formulated the development strategy laying equal stress on business operation and risk management, established the advance, in-process and subsequent risk control system centering on risk assets management, and improved the risk management system and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risks, market risks, liquidity risks, operation risks and other risks exposed to various businesses and customers are included in the scope of comprehensive risk management. In addition, the Company further clarified the specific duties of the Board of Directors, Board of Supervisors, senior management and executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, the business department, risk management functional departments and internal audit department form “three lines of defense” of risk management with clear responsibilities and duty segregation to achieve the risk management goals.

2. Credit risk management

The Company’s credit risk management objectives are: establishing and continuously improving the credit risk management system, promoting the specialization level and refinement of credit risk management, optimizing the orientation of credit granting and customer structure, constantly reinforcing risk management and control of the overall credit business process, realizing the balance between risks and gains, and effectively controlling risks.

During the reporting period, given the macro-economic situation and industrial development prospects, the Company adhered to stable and healthy operation, paid special attention to asset quality and future sustainable development, continued to further improve credit risk management system and to maintain basically stable and good asset quality. Firstly, the Company adjusted the authorization and granting policy of credit business. It timely adjusted and optimized authorization, continued to implement the differentiated granting policy of “assuring supply, control and stock compression”, and included the requirements on limit management in the granting policy. Meanwhile, the Company strengthened the supervision and evaluation of the implementation of authorization and granting policy and examination of post-approval evaluation to ensure policy implementation. Secondly, the Company reinforced risk monitoring. While intensifying duration management and monitoring of the usage and flow of credit funds, the Company deepened the risk management and control for critical risks and key fields to ensure authenticity of asset quality and “early discovery, early warning and early disposal” of risks; the phase I of risk early warning system was put into operation and big data technology was applied for collection and integration of internal and external risk information to promptly and effectively reveal customers’ potential risks and improve the sensitivity and accuracy of risk early warning; moreover, the Company established a risk capital pool as the monitoring focus, carried out risk screening in a prompt manner and prepared a risk disposal plan to effectively enhance forward-looking and proactive risk disposal and prevent downward movement of risks. Thirdly, efforts were made for disposal of risk assets. The Company promoted the construction of a professional operation and management system for disposal of non-performing assets and set up special assets operation departments at the head office and branches to improve the professional level of disposal; more efforts were exerted for assessment and reward of cash recovery and reorganization to encourage branches to increase the percentage of cash recovery and reorganization in disposal of non-performing assets and effectively reduce the loss from disposal of non-performing assets; besides, the Company intensified the disposal of non-performing assets by means of marketization to improve the disposal efficiency and effects of non-performing assets.

3. Liquidity risk management

The Company's objectives for management of liquidity risk were: firstly, ensuring the demand of payment; secondly, improving the application efficiency of funds and guaranteeing the rapid and healthy development of all businesses; and thirdly, realizing the unification of "security, liquidity and profitability".

During the reporting period, facing the complicated and changing macro-economy, the Company earnestly implemented the requirements of the country's macroeconomic policies and finance supervisory management, rationally executed the business strategy and timely adjusted and optimized the liquidity management policy in accordance with internal and external changes to ensure the Company's liquidity safety. Firstly, based on internal and external situation, the Company grasped market opportunities to rationally increase a certain amount of high quality current assets to improve liquidity reserve and prevent liquidity risks. Secondly, the Company, based on changes in market situation, expanded liability resource through multiple channels and optimized liability structure. On the basis of guiding revenue-producing units in increasing deposits at legal interest rate, the Company explored liability resources through multiple channels to ensure reasonable and balanced liability structure. Thirdly, the Company reinforced management of asset liability ratio and improved FTP management mechanism to ensure liquidity safety. It strengthened and optimized the management of fully-covered asset-liability ratio of revenue-producing units and implemented differentiated and dynamic management for asset liability ratio indicators. Furthermore, the Company prospectively judged market conditions and ensured an overall balanced asset liability ratio through FTP price guidance. During the reporting period, the Company maintained overall sound liquidity situation, regulatory indicators met requirements and all asset liability businesses maintained balanced and coordinated development.

4. Market risk management

Market risk refers to the risk of loss of in on-balance-sheet and off-blance-sheet businesses of the Bank caused by the unfavourable changes in market price (interest rate, exchange rate, share price and commodity price). Interest rate risk and exchange rate risk represent the major market risks confronted by the Company. The Company's market risk management was for the purposes of: firstly, establishing and continuously improving market risk management system which matched with the risk management strategies, and satisfied standard requirements of the New Capital Accord and regulatory requirements of market risk; secondly, completing market risk management structure, policies, processes and methods; and thirdly, promoting the specialization level of market risk management, realizing centralized and unified management of market risks, and facilitating the sustainable and healthy development of relevant businesses with risks under control.

During the reporting period, the Company established a complete basic structure of market risk management in terms of organizational system construction, risk limit indicator system, and basic risk management strategy and policy and effectively prevented interest rate risk and exchange rate risk through reinforcing investment decision-making management and interest-sensitive gap management. It strengthened the management and control of interest rate risks, controlled market risks within a reasonable range through effective market risk management and control measures, and realized the maximum benefits. In the meantime, the Company assessed the risks exposed to the Company in extreme conditions through market risk stress testing and other means to provide references for control of market risks. In respect of system construction, the Company further enhanced the construction of capital transaction and analysis system to achieve coverage of more new products and businesses.

(1) Interest rate risk

The Company flexibly adjusted the interest rate risk management measures according to changes of the market situation to ensure that the interest rate risks are reasonable and controllable. In light of the complicated and changeable macro economic situation and complex changes in interest rate in the PRC, the Company flexibly adjusted its assessment policy to guide branches in adjusting their capital term structure, optimized the capital application means of fixed-rated asset business and reinforced the matching management of capital source and application and interbank capital business. The Company regularly monitored the sensitivity gap of interest rate risk, conducted scenario analysis for interest rate risk through the assets and liabilities management system and adjusted the assets and liabilities pricing structure to management interest rate risks.

For interest rate risks of transaction account, the Company implemented management mainly through constant improvements on the market risk indicator limit system and setting authorization for interest rate risk exposure indicators and stop-loss limits for different transaction account products, which were executed by way of annual business authorization letter and regular investment strategy plan. The capital transaction and analysis system was introduced for system hard control of market risks. The system enabled real-time re-evaluation and transaction process control for the interest rate products under transaction accounts. On this basis, the Company achieved real-time monitoring of interest rate risk exposure indicators and stop-loss limits to ensure that the interest risks of transaction accounts were controllable. Meanwhile, the risk middle office was able to promptly view and monitor the transaction details and use of risk exposure indicator limits of front transaction departments.

(2) Exchange rate risk

The Company's exchange rate risk is subject to unified management by the Financial Markets of the Head Office. The exchange rate risk exposures arising from various business processes of all the branches were collected via the core business system to the Financial Markets of the Head Office in due course for unified management. The specific risk management measures include daytime proprietary exposure limit and end-of-day exposure limit. The total exposure limit was relatively small compared to the size of the Company's absolute assets, and risk was controllable.

The exposures of exchange rate risk of RMB against foreign currencies assumed by the Company are mainly exchange rate risk exposures in terms of comprehensive position of RMB market making business and foreign capital projects. The management of comprehensive position of RMB market making business is mainly conducted through the interbank foreign exchange transaction. As a proactive RMB market maker in the market, the Company proactively controls exposure limit to prevent risk arising from RMB exchange rate fluctuation and achieve small overnight risk exposure. The risk exposure of RMB against foreign currencies assumed by foreign capital projects is the current largest exchange rate risk exposure. As foreign capital is required for the Company to engage in foreign currency business, for the exchange rate risk of this part of exposure, the Company takes the strategy of assumption of risk and the control means is to control the quantity of exposure through periodical application to the Administration of Foreign Exchange for settlement of exchange of capital funds or settlement of exchange of foreign exchange profit.

5. Operational risks management

The objective of the Company's operational risk management is to improve and perfect the operational risk management system that matches the degree of complexity of the Company's business to reduce the frequency of operational risk events and control operational risk loss within the acceptable range to ensure that the business operations of offices at all levels are lawful and compliant so as to create a healthy operating environment for the business development of the Company.

The Company continued to strengthen the building of the “three lines of defense” for operational risk management. At the level of corporate governance, the Board of Directors, Board of Supervisors and senior management formed a steering and supervisory office for operational risk management. At the level of functional management, the Head Office’s audit department, legal and compliance department and relevant departments as well as branches and sub-branches jointly formed a multi-line defense, matrix operational risk management framework.

Complying with implementing the New Capital Accord and regulatory requirements, along with the business development and management reality, the Company continued to push forward the establishment and improvement of the operational risk management system, gradually enhanced the overall standard and quality of the Company’s asset management ability, internal control and risk management.

Firstly, the Company improved the operational risk management mechanism. It orderly carried out application of various management instruments, including procedure analysis of major businesses and management procedures, sorting out information of internal control inspection, assessment and identification of operational risks and control, setting and monitoring of key risk indicators, collection and analysis of risk events, rectification, management and improvement of problems, propelled the assessment of new products and new business operational risks and established and improved the standardized and normalized work mechanisms. It regularly carried out calculation and analysis of operational risk capital at both Group level and legal person level, and adopted assets allocation and monitoring application at the level of business lines, branches and holding subsidiaries. Secondly, the Company continuously optimized and perfected its operational risk management system platform to provide a unified system platform for the Company to carry out operational risk management work in a continuous and effective way and continued to collect management data of various operational risks and enhance the quality and level of the Company’s operational risk management. Thirdly, the Company enhanced the implementation of operational risk management systems during operational business management. It formulated the Manual of Compliance Internal Control and Operational Risk of Industrial Bank, organized training on management of operational risks throughout the Bank and applied the implementation achievements of various management instruments to perfect the Company’s relevant policies, procedures and management processes as well as internal control examinations to effectively reinforce the basis for compliance internal control and operational risks management. Fourthly, the Company continuously enhanced the quality and efficiency of litigation prevention and control throughout the Bank. It maintained a high-handed posture for litigation case risk events, optimized the linkage coordination and treatment mechanism for case risk events of the Head Office and branches and reinforced the case prevention constraint mechanism for the whole process of the Bank and the “top-down” transmission mechanism for case prevention and compliance culture to comprehensively improve the Bank’s case risk management and control capacity; through carrying out special screening of case risk, strengthening risk prevention and control for critical parts and establishing a case prevention and control system resolving problems and causes, the Company practically guaranteed its sound business development.

6. Compliance risk management

The objectives for the Company’s compliance risk management were: to realize effective identification and management of compliance risks through establishing and perfecting compliance risk management framework, so as to make all businesses comply with requirements of various regulations and standards, to timely take rectification measures for irregularities, to prevent itself from suffering from legal sanctions, regulatory penalties, financial or reputation loss due to violations, to realize the continued development of the Company to the maximum extent, and to realize the Company’s maximum benefits.

The Company continued to deepen compliance operation philosophy and give priority to compliance awareness at all times. It has established the concept and culture of “everyone is responsible for compliance and compliance creates value” to implement the compliance concept throughout the whole business process to further push forward the effective implementation of compliance management and the Company’s healthy and sustainable business development.

Firstly, the Company made full use of the evaluation management tools to enhance the culture of compliance operations. The Company further optimized and improved compliance operations and internal control evaluation program by setting up a multi-level evaluation system covering the business lines of domestic branches, Hong Kong branch, subsidiaries and the Head Office to strengthen guidance and normalization of assessment and give full play to the role of assessment as the “baton”; the Company effectively carried out assessment in terms of compliance operations and internal control and continued to facilitate the mutual integration and promotion of internal control and compliance operations with business development; it improved delicacy management, enhanced the idea of compliance operations according to laws of the agencies at all levels of the Group and fostered a good compliance operation culture to radically guarantee the Company’s healthy and sustainable business development.

Secondly, the Company established a sound internal oversight mechanism to enhance internal control management of compliance. The Company further regulated the internal control investigation process, strengthened the long-acting mechanism for internal control inspection and management, perfected the responsibility investigation mechanism for internal control and supervision and intensified the construction of an internal control and supervision mechanism. It organized compliance and internal control screening including “two containments and review” and conducted continuous tracking for the rectification and responsibility investigation for the problems founds in inspections and built a daily management system for the inspection of data to strengthen inspection of results application. Furthermore, the Company put more efforts on management of employees’ behaviors, carried out the publicity of “thirteen injunctions on employees” and pushed forward the employee compliance file and violation credit management to enhance employees’ compliance awareness. The Company improved the compliance management mechanism and framework of branches, improved the long-acting mechanism for regulating the extraordinary transaction activities of employees by means of compliance risk alert, compliance and internal control evaluation, special troubleshooting and strengthened accountability of employees for irregularities.

Thirdly, the Company grasped the regulatory focus and made innovative management tools to enhance the overall quality and efficiency of anti-money laundering. With its ongoing commitment to the “risk-based” and “corporate governance” principle, the Company vigorously set up an anti-money laundering “whole process” management mechanism for pushing the organic integration of anti-money laundering with compliance management and internal control; intervened in system review at source by strengthening the anti-money laundering compliance management review of new products and businesses to ensure the effectiveness of the top-level design of anti-money laundering; made a correct judgment of the regulatory situation of international anti-money laundering; strengthened the risk management of money laundering for cross-border business and terrorist financing; earnestly carried out a self-assessment of the risk of money laundering for guiding the allocation of resources towards high-risk areas; independently designed indicators for monitoring unusual transactions to look at the setup of a fund monitoring model appropriate for the Company’s actual situations; optimized and improved the anti-money laundering monitoring and management system; and strengthened training as well as assessment and supervision of anti-money laundering for continuous enhancing the Group’s anti-money laundering management standard.

Fourthly, the Company continued to prefect systems across the Bank and contract management system to further enhance the sensitivity and effectiveness of management. Apart from intensifying legal compliance demonstration for innovative business and improving business system and supporting contract contexts to promote sound business

development, the Company organized and carried out rearrangement and post evaluation of regulations and timely discovered and rectified the wrongdoing in implementation of business and regulations so as to provide clear, legitimate and effective regulation guarantee for Company's operation management. Moreover, it analyzed and concluded typical cases, issued compliance risk prompts and guided grassroots agencies in strengthening risk management and control and regulation of business operations. In accordance with the updated external laws and regulations and internal systems, the Company continued to carry our contract sorting and post evaluation, so as to enhance the level of the use specification and refinement of contract texts.

Fifthly, the Company continued to enhance the proactive and professional legal services. It continuously optimized the methods and means of legal and compliance management, proactively made reference to the plan and progress of major projects and product innovations of the Bank and deepened legal support for major, difficult and innovative products and projects; the Company implemented strengthened monitoring for legal and compliance risks for external laws and regulations and typical cases of the banking industry and organized experts in the industry to perform monographic studies on important legal issues in business development to comprehensively enhance the overall efficiency of legal and compliance services of the agencies at all levels.

7. IT risk management

The objectives of IT risk management were: based on establishing and perfecting procedure of IT risk management, to uniformly define the type of IT risks and areas of IT risks, so as to realize identification, assessment, monitoring, control, sustained releasing and reporting of IT risks, provide early warning, reinforce effective management, ensure proper management of IT risks, guarantee IT value and promote business development and innovation.

The Company vigorously perfected the IT risk institutional frame, formed three lines of defence of IT risk management comprised of IT department, law and compliance department, audit department and other relevant department and made full use of IT risk management instruments, reinforced IT risk management through adopting various measures simultaneously. Firstly, the Company enhanced IT risk management by virtue of electronic means, making management functions electronic including IT risk, control, identification and assessment, IT key indicators monitoring, collecting of IT risk incidents, reviewing and management of all kinds of IT risks. Secondly, the Company continuously carried out assessment of IT risks covering the Bank to identify and stress the major risks among the remaining risks. Thirdly, the Company attached importance to outsourcing risk management, enhanced uniform management of outsourced projects, carried out project risk assessment and provider assessment of the outsourced projects, paid special attention to situation including self-control capability of IT technology during outsourcing and outsourcing provider risk, and timely rectified problems. Fourthly, IT inspection was strengthened. The Company conducted IT inspection for branches through site inspection in combination with off-site inspection and placed the focus on the management in relevant fields including IT risk management, outsourcing risk management, information safety and business continuity management, and reinforced rectification for the problems found in inspection.

8.Management of reputational and country risks

(1) Management of reputational risks

The Company's management of reputational risks was for the purpose of: actively and effectively preventing reputational risks and coping with reputation incidents, and reducing the losses and adverse impacts caused to the Company and the public to the minimum level.

The Company's reputational risk management follows the principle of "division of labour, hierarchical management, handling by type, swift response and ongoing maintenance" for continuously increasing the effectiveness of reputation risk management. During the reporting period, based on the Sub-strategies of Reputational Risk Management and the Reputational Risk Management System, the Company incorporated the reputational risk management into the Company's governance and comprehensive risk management system, clarified functions of different levels and divisions, adopted hierarchical classification management, and thus reinforced the effective prevention and control of reputational risks. The Company continuously perfected the operational procedures in terms of news public opinion, information disclosure and customer complaint management, raised the level of comprehensive management of coping with adverse public opinion and capacity of contingency treatment, enhanced public opinion troubleshooting and established the regulation of daily reporting of risk information, to effectively prevent, immediately control and properly cope with adverse public opinion and prevent and control reputational risks. The Company fulfilled its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company. The Company also incorporated reputational risk management into the comprehensive appraisal of branches, effectively facilitating and reinforcing the reputational risk management at basic operating units.

(2) Management of country risks

The Company's management of country risks was for the purpose of: establishing and continuously improving the Company's country risk management system based on its internationalization process and business growth, adopting proper measurement, assessment and rating system for such risk with a view to accurately identifying and assessing country risks relating to business activities and promoting sustainable and healthy development of its business.

Country risks exist in businesses including granting of credit line, international capital market business, setting up overseas institutions, transaction with correspondent banks and outsourcing service provided by overseas service provider. Based on the degree of risks, country risks are classified into five grades-low, relatively low, moderate, relatively high and high. Appropriate management is carried out for each grade. Moreover, country risks are used as major criteria for weighing the management of granting credit to customers. Based on its progress in the internationalization process and the growth of its business size, the Company will continue to improve country risk management.

SIGNIFICANT ISSUES

I.Proposal of profit distribution of ordinary shares or transfer of capital reserve

i. Formulation, implementation or adjustment of the cash dividend policy

The Company considered and passed the amendments to the Articles of Association at the first extraordinary general meeting in 2012, which stated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non-distribution of dividends and the usage of the profit retained if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder which appropriates the Company's fund in violation of regulations to repay the funds appropriated.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity and stability of the profit distribution policy, by taking into consideration of its actual operation and future development need, the 2013 annual general meeting of the Company considered and approved the Proposal on the Mid-term Shareholders' Return Plan (2014-2016) (for details, please refer to the announcement on the resolutions of the general meeting dated July 1, 2014), which planned that in the coming three years (2014-2016), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash would not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares, provided that it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. When the Company distributes dividends in cash or in stocks or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive) of the profit distribution for the year.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2015 annual profit distribution plan in June 2016, based on the total share capital of 19,052,336,751 shares, the Company distributed cash dividend of RMB6.1 for every 10 shares (tax included), issued RMB11.622 billion cash dividends as a whole, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year. The formulation and implementation procedure of the Company's cash dividend policy was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The Board of Directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

ii. Profit distribution plan for 2016

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2016-2018), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve exceeded 50% of the registered capital, therefore it was not necessary to transfer statutory surplus reserve according to the Company Law. The Company planned to transfer RMB8,527,238,001.27 to general reserve. The dividend of preferred shares is RMB1.482 billion. The Company also planned to distribute cash dividend of RMB6.10 for every 10 ordinary shares (tax included), amounting to RMB12.672 billion, based on the total share capital of 20,774,190,751 shares.

This plan shall be executed within two months after approval by the 2016 annual general meeting.

iii. Plan or proposal on profit distribution for ordinary shares of the previous three years (including the reporting period)

Unit: RMB million

Year	Number of bonus shares for every 10 shares (tax incl.)	Amount of dividends for every 10 shares (Yuan) (tax incl.)	Number of shares converted by capital reserve for every 10 shares	Amount of cash dividends (tax incl.)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year	Percentage of net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year (%)
2016	**-**	**6.10**	**-**	**12,672**	**53,850**	**23.53**
2015	-	6.10	-	11,622	50,207	23.15
2014	-	5.70	-	10,860	47,138	23.04

Note: For details of the preferred shares dividend plan, please refer to "Preferred Shares".

II.Performance of undertakings

i. The 2013 annual general meeting of the Company considered and approved the Mid-term Shareholders' Return Plan (2014-2016) (for details, please refer to the announcement on the resolutions of the general meeting dated July 1, 2014), which planned that in the coming three years (2014-2016), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. When the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive) of the profit distribution for the year. The Company fulfilled the above profit distribution undertaking on schedule.

ii. The 2016 first extraordinary general meeting of the Company considered and approved the Mid-term Shareholders' Return Plan (2016-2018) (for details, please refer to the announcement on the resolutions of the general meeting dated August 16, 2016), which planned that in the coming three years (2016-2018), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40%.

iii. The Company's shareholders, namely The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited (collectively holding 10.87% of the total share capital of the Company) undertook that the non-publicly offered shares of the Company they subscribed for in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed, except otherwise required by the competent regulators on the lock-up period. The above-mentioned companies performed their obligations, the trading moratorium restriction of relevant shares has been expired on January 6, 2016, and these shares have been listed and tradable on the market since January 7, 2016.

iv. The Company's shareholders, namely China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd., holding 3.22% and 0.99% of the total share capital of the Company respectively, undertook that the non-publicly offered shares of the Company they subscribed in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed. The above-mentioned companies performed their obligations, the trading moratorium of relevant shares has been expired on January 6, 2016, and such shares have been listed and tradable on the market since January 7, 2016.

The Company and its shareholders holding 5% or more of the Company's shares made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

III.Capital being occupied and used during the reporting period

During the reporting period, no controlling shareholder or other related parties used the capital for non-operating purpose. Deloitte Touche Tohmatsu Certified Public Accountants LLP had issued "Specification for the Funds Occupied by Controlling Shareholder and Other Related Parties of Industrial Bank Co., Ltd".

IV.Appointment of accounting firms

Upon approval of the 2015 annual general meeting, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the 2016 annual report, review the semi-annual report and provide internal control and audit services with the total audit fee amounting to RMB9.58 million, which included fees and expenses on transportation, accommodation, stationery, communication and printing as well as related taxes, of which RMB7.98 million was for audit and review of financial statements and RMB1.6 million was for internal control audit.

Currently, Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit services to the Company for 6 consecutive years.

V.Material lawsuits and arbitrations

During the reporting period, there was no lawsuit or arbitration with material effects on the Company that was required to be disclosed.

The Company may be subject to lawsuit or arbitration arising from recovery of loans or disputes with customers in the daily business process. In addition, as at the end of the reporting period, there were 263 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent (including the cases in which the Company was a third party), involving an aggregate amount of RMB2.841 billion.

VI.Punitive actions against the Company, and its directors, supervisors, senior management personnel and the largest shareholder

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

VII.Integrity of the Company and the largest shareholder

During the reporting period, there had been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the largest shareholder.

VIII.Material related party transactions

i. The 6th meeting of the 8th session of the Board of Directors of the Company considered and approved the Proposal concerning Extension of a Related Party Transaction Line to Hang Seng Bank (including Hang Seng Bank (China) Limited), agreeing to extend an internal basic credit line of RMB3 billion to Hang Seng Bank (including Hang Seng Bank (China) Limited), with the types of business under the credit extension consisting of credit business for which the Company assumed the credit risks of the credit receiver (excluding buy-back credit asset transfer business). It was also agreed to extend a non-credit related party transaction line with an annual transaction amount of not exceeding RMB5 billion for non-credit business, including asset transfer business such as bond transactions as well as service provision business for a term of 2 years. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company's announcement dated June 7, 2014.

ii. The 18th meeting of the 8th session of the Board of Directors of the Company considered and approved the Proposal concerning Extending of a Related Party Transaction Line to China National Tobacco Corporation ("CNTC"), agreeing to extend an internal basic credit line of RMB15 billion to CNTC related legal persons for various types of short-term, medium-term and long-term business. It was also agreed to extend a non-credit related party transaction line with an annual transaction amount of not exceeding RMB540 million, and the types of transactions included property leasing, entrusted loans and comprehensive service businesses for a term of 3 years. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company's announcement dated April 18, 2016.

iii. The 20th meeting of the 8th session of the Board of Directors of the Company and the 2016 first extraordinary general meeting of the Company considered and approved the Proposal concerning the Non-public Issuance of A Share Involving a Related Party Transaction, agreeing to make a non-public issuance of A shares to the Finance Bureau of Fujian Province (the "Finance Bureau"), China National Tobacco Corporation (the "CNTC"), Fujian Company of China National Tobacco Corporation (the "Fujian Tobacco") and Guangdong Company of China National Tobacco Corporation (the "Guangdong Tobacco"), which proposed to subscribe for 430,463,500 A shares, 496,688,700 A shares, 132,450,300 A shares and 99,337,700 A shares, respectively. The subscription price per share is RMB15.10. The lock-up period for the shares subscribed for by the subscribers is 60 months. The conditions of the aforementioned related party transaction are fair and reasonable and the terms and execution procedures of the subscription agreement are in line with laws and regulations. All the proceeds raised from the issuance after deducting issuance expenses will be used to replenish the Company's core Tier 1 capital and improve the Company's risk resistance, which is favourable for the sustained and steady development of the Company and in line with the interests of the Company and all its holders of ordinary shares. For details, please refer to the Company's announcement dated July 30, 2016.

iv. The 2016 second extraordinary general meeting of the Company considered and approved the Proposal concerning Extension of Related Party Transaction Line to The People's Insurance Company (Group) of China Limited, agreeing to extend an internal basic credit line of RMB54 billion to The People's Insurance Company (Group) of China Limited and its subsidiaries used for inter-bank borrowing and lending, daylight overdraft of corporate accounts, pledged repo of securities, buyout repo of securities, investment in debenture bonds or debts with domestic and foreign currencies for which the applicant is the issuing entity, guarantee and credit enhancement, capital transaction (used for RMB interest rate swap, cooperation in dealing with future foreign exchange settlement), working capital loans, financing guarantee, etc; extend a non-credit related transaction line of RMB10.134 billion, of which the sales of principal-guaranteed wealth management shall not exceed RMB5 billion, the transaction amount of capital business shall not exceed RMB3 billion, the accumulative annual payment and compensation for insurance services shall not exceed RMB1.132 billion and the annual income and accumulative expenditures of various intermediate businesses including agent sales of insurance products, investment in insurance asset management products, asset custody business, sales of non-principal-guaranteed wealth management, property leasing and insurance consulting shall not exceed RMB1.002 billion; the term is 2 years. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company's announcements dated October 28, 2016 and December 20, 2016.

As at the end of the reporting period, the balance and risk exposure (excluding deposits from related natural persons) of the Company's related party transactions with related natural persons was RMB13 million.

Please refer to "Related party relationships and transactions" under the Notes to the Financial Statements for further details on specific data on related party transactions.

IX.Material contracts and performance thereof

i. Material custody, lease and contracting issues

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

ii. Guarantees issues

In accordance with the relevant provisions of CSRC, the Company carefully verified its guarantee to external parties in 2016. The Company's external guarantee business was approved by PBOC and CBRC and it was part of the Company's regular business operations. As at the end of the reporting period, the balance of the Company's letter of guarantee business was RMB119.303 billion. No illegal guarantee was discovered.

The Company always adheres to the principle of prudence when conducting its external guarantee business, and at the same time, it strengthens risk monitoring and management of off-balance businesses by issuing risk warnings in a timely manner and putting preventive measures in place. Under the effective supervision and management of the Board of Directors, the Company's guarantee business operated normally and the risk concerned was under control.

The Company had no other material guarantees requiring disclosure.

iii. Other material contracts

During the reporting period, the Company had no material contractual disputes.

X.Description of other major issues

i. Issuance of green financial bonds: as approved by CBRC and PBOC, during the reporting period, the Company has publicly issued three tranches of domestic green financial bonds totaling RMB50 billion in the national inter-bank bond market to raise funds solely used in green industrial project loans.

ii. Issuance of secondary capital bonds: as approved by CBRC and PBOC, the Company has publicly issued secondary capital bonds totaling RMB30 billion in the national inter-bank bond market on April 2016, with a term of 10 years and at a fixed interest, attaching redemption right at the end of the fifth year, and the raised funds were used for supplementing Tier 2 capital.

iii. Non-public offering of A shares: as considered and approved by the 20th meeting of the 8th session of the Board of Directors of the Company and the first extraordinary general meeting in 2016, and approved by the CBRC and the CSRC, the Company made non-public offering of 1,721,854,000 A shares to six specific investors, namely, the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco

Corporation, Guangdong Company of China National Tobacco Corporation, Yango Holdings and Fujian Investment and Development Group Co., Ltd., at the offering price of RMB15.10 per share, raising funds of RMB25,999,995,400, which, after deducting the relevant issue expenses, will be fully used to supplement the Company's core Tier 1 capital. The registration procedures for such additional shares were completed with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on April 4, 2017. For details please refer to the announcements of the Company dated July 30, 2016, August 16, 2016, October 25, 2016, January 12, 2017, March 29, 2017, and April 11, 2017, respectively.

XI.PERFORMANCE OF SOCIAL RESPONSIBILITIES

i. Poverty alleviation work

1.Targeted poverty alleviation plan

The basic strategy of targeted poverty alleviation plan of the Company is to comprehensively implement the major strategic deployment of the Central Committee of the China Communist Party and the PRC State Council regarding poverty alleviation, adhere to targeted poverty reduction and elimination, representing that the Company will firmly understand the core content of "six targets of precision", and keep close communication with people's banks and poverty alleviation bureaus and other competent authorities at all levels, strictly in accordance with the documentary list of poverty counties and poverty individuals of China, precisely select the poverty alleviation targets and accurately docking industry projects, precisely match credit funds to help poverty areas to develop production, alleviate poverty and become richer.

General objectives: to form a long-term mechanism for financial target poverty alleviation, so as to provide sustainable financial services for poverty alleviation; to continuously make more efforts in financial poverty alleviation, and to increase financial services support such as granting more credits for poverty areas through preferential investment or other business resources; featuring the green finance of proprietary business, the Company carried out poverty alleviation from the perspective of green ecological, striving to leading the innovation in the field of poverty alleviation.

Main tasks: combining with the progress of targeted poverty alleviation work of China and the requirement of targeted poverty alleviation in finance, the Company specified the poverty alleviation plan to ensure that the growth rate of loans in poverty alleviation areas is not lower than the average level of the Bank, and continuously raise the proportion of poverty alleviation financial business.

Guarantee measures: the Company has established a leader team for the financial poverty alleviation work with the President as the team leader, formulated the Development and Service Plan for Financial Poverty Alleviation of Industrial Bank, allocated special resources for poverty alleviation, implemented the follow-up and aggregation policy for poverty alleviation, and actively execute performance appraisal on financial target poverty alleviation policy jointly implemented by the five committees and authorities including the PBOC.

2.Summary of targeted poverty alleviation plan in 2016

During the reporting period, the Company successfully completed the annual poverty alleviation plan, with details of completion and the results as follows:

As at the end of the reporting period, the balance of the Company's targeted poverty alleviation loans totaled RMB3,127 million, representing an increase of RMB1,642 million or 110.57% as compared with the beginning of the period. The balance of the targeted poverty alleviation loans in terms of units totaled RMB2,022 million, representing an increase of RMB987 million or 95.36% over the beginning of the period, of which, the balance of targeted poverty alleviation loans in terms of projects totaled RMB1,121 million, representing approximately 10 times the opening balance; and the balance of targeted poverty alleviation loans in terms of individuals totaled RMB1,105 million, or the number of loans of 2,548.

3.Statistical table of targeted poverty alleviation works in 2016

Unit: RMB million

Indicator	Amount and its implementation
I. General information	
1. Fund	3,127
2. Number of poor people helped to be removed from administrative record for poverty registering (Person)	18,759
II. Itemized input	
1. Poverty alleviation through industrial development	
Number of industrial poverty alleviation projects (Unit)	66
Amount invested in industrial poverty alleviation projects	2,022
Number of poor people helped to be removed from administrative record for poverty (Person)	16,107
2. Other investment	1,105

4.Subsequent plan of targeted poverty alleviation

According to the Company's long-term business strategy and poverty alleviation plan, work arrangements of targeted poverty alleviation and the main measures in 2017 will be as follows:

Firstly, to expand the coverage of poverty alleviation, to further improve the institutional layout, extend the servicing fields of poverty alleviation. At first, the Company will continue to promote the rapid development of featured business of "bank-to-bank platform", extending the business into poor counties and rural areas where the Company's physical network has not yet covered; then, the Company will set up Yinchuan Branch in Ningxia Hui Autonomous Region, increasing the financial support to western region; lastly, the Company will make greater effort in establishment of secondary branches, allowing branches penetrate into counties and rural areas, expanding the institutional coverage in poverty alleviation areas.

Secondly, to carry out green poverty alleviation. Featuring the green finance of proprietary business, the Company will further optimize the service plan of green financial business, and carry out poverty alleviation from the perspective of green ecological, striving to lead the innovation in the field of poverty alleviation.

Thirdly, to diversify the measures of poverty alleviation. In addition to the provision of credit support, fixed-point poverty alleviation, charitable donation and other poverty alleviation methods, the Company will carry out various poverty alleviation activities, for example, to proactively introduction of third parties to participate in poverty alleviation, to attract social funds to investment in poor counties; in addition, the Company will conduct promotion and education campaigns of financial knowledge, and organized campaigns with special subjects towards poverty areas and towns, communities and farms with density populations, pilot the mobile "Industrial Finance Class", to improve the financial knowledge of the poor population and their consumer rights protection through a variety of ways.

Fourthly, to push forward the synergetic innovation. By taking advantages of financial group, the Company will encourage its branches and subsidiaries to utilize the resources of the Group to enhance the synergies between poverty alleviation and other financial activities, so as to improve the efficiency of poverty alleviation. The Company will also put more effort in product innovation, to develop the customized poverty alleviation financial products applicable to designated districts or communities based on the needs of industries and communities of the poverty area, to improve the capability of poverty alleviation.

ii. The Company has disclosed the 2016 Sustainable Development Report, for details please refer to the website of Shanghai Stock Exchange.

SHARE CAPITAL CHANGES AND SHAREHOLDERS OF ORDINARY SHARES

I.Changes in shares during the reporting period

i. Changes in shares

Unit: share

	Before the change		Changes during the reporting period		After the change	
	Number	Percentage (%)	Release of restricted shares	Sub-total	Number	Percentage (%)
I. Restricted shares	2,872,720,050	15.08	-2,872,720,050	-2,872,720,050	0	0
1. State-owned shares	0	0	0	0	0	0
2. Shares held by state-owned legal entities	2,684,189,100	14.09	-2,684,189,100	-2,684,189,100	0	0
3. Shares held by other domestic investors	188,530,950	0.99	-188,530,950	-188,530,950	0	0
Incl: Shares held by domestic non-state-owned legal persons	188,530,950	0.99	-188,530,950	-188,530,950	0	0
Shares held by domestic natural persons	0	0	0	0	0	0
4. Shares held by foreign investor	0	0	0	0	0	0
Incl: Shares held by foreign legal persons	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0
II. Unrestricted floating shares	16,179,616,701	84.92	2,872,720,050	2,872,720,050	19,052,336,751	100
1. RMB ordinary shares	16,179,616,701	84.92	2,872,720,050	2,872,720,050	19,052,336,751	100
2. Domestically listed foreign shares	0	0	0	0	0	0
3. Overseas listed foreign shares	0	0	0	0	0	0
4. Others	0	0	0	0	0	0
III. Total shares	**19,052,336,751**	**100**	**0**	**0**	**19,052,336,751**	**100**

Upon approval by the CSRC, the Company made a non-public issuance of 1,915,146,700 ordinary shares denominated in Renminbi to The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited, PICC Life Insurance Company Limited, China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd. at a price of RMB12.36 per share on December 31, 2012. The procedures and formalities for registration and custodian of the non-publicly offered shares were handled with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on January 7, 2013. These shares could not be transferred within 36 months from the day when the offering was completed (except otherwise required by the competent regulators on the lock-up period). The Company implemented the 2012 profit distribution plan by distributing 5 bonus shares and cash dividend RMB5.70 for every 10 shares in July 2013, and thus the aforementioned restricted shares were increased to 2,872,720,050 shares. The lock-up period for such shares expired on January 6, 2016 and the shares were able to be listed and tradable from January 7, 2016.

ii. Changes in shares subjected to trading moratorium

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of shares released from restrictions	Number of restricted shares increased in the period	Number of restricted shares at the end of the period	Reasons of restrictions	Date of release from restrictions
The People's Insurance Company (Group) of China Limited	174,651,600	174,651,600	-	0	Undertakings on the lock-up period of non-public offering	January 7, 2016
PICC Property and Casualty Company Limited-traditional-common insurance product	948,000,000	948,000,000	-	0		
Life Insurance Company Limited-participating-personal insurance (participating)	474,000,000	474,000,000	-	0		
PICC Life Insurance Company Limited-universal-personal insurance (universal)	474,000,000	474,000,000	-	0		
China National Tobacco Corporation	613,537,500	613,537,500	-	0		
Shanghai Zheng Yang International Business Co., Ltd.	188,530,950	188,530,950	-	0		
Total	**2,872,720,050**	**2,872,720,050**	**-**	**0**	**-**	**-**

II.Issuance and listing of securities

i. Issuance of securities during the reporting period

The Company didn't issue any additional ordinary shares and other securities during the reporting period.

ii. The Company had no employee stocks.

III.Shareholders

i. Total number of shareholders

As at the end of the reporting period, the Company had a total of 208,708 shareholder accounts, and 233,080 shareholders accounts at the end of the month prior to the release of this annual report.

ii. Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares	Type of shareholders
Finance Bureau of Fujian Province	69,494,537	3,471,668,306	18.22	0	None	State authority
PICC Property and Casualty Company Limited-traditional-common insurance product	0	948,000,000	4.98	0	None	State-owned legal person
PICC Life Insurance Company Limited-participating-personal insurance (participating)	0	801,639,977	4.21	0	None	State-owned legal person
Buttonwood Investment Platform LLC.	0	671,012,396	3.52	0	None	State-owned legal person
China National Tobacco Corporation	0	613,537,500	3.22	0	None	State-owned legal person
China Securities Finance Corporation Limited	18,465,038	565,345,130	2.97	0	None	State-owned legal person
PICC Life Insurance Company Limited-universal-personal insurance (universal)	0	474,000,000	2.49	0	None	State-owned legal person
Tian'an Property Insurance Co., Ltd.-guaranteed win No. 1	134,733,435	461,293,795	2.42	0	None	Domestic non-state-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	0	441,504,000	2.32	0	None	State-owned legal person
Tian'an Life Insurance Company Limited-traditional product	334,205,501	396,132,551	2.08	0	None	Domestic non-state-owned legal person

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. was a subsidiary of China National Tobacco Corporation.

iii. Shareholdings of the top ten shareholders of unrestricted shares

Unit: share

Name of shareholders	Number of unrestricted shares	Percentage in total share capital (%)	Type of shares
Finance Bureau of Fujian Province	3,471,668,306	18.22	RMB ordinary shares
PICC Property and Casualty Company Limited-traditional-common insurance product	948,000,000	4.98	RMB ordinary shares
PICC Life Insurance Company Limited-participating-personal insurance (participating)	801,639,977	4.21	RMB ordinary shares
Buttonwood Investment Platform LLC.	671,012,396	3.52	RMB ordinary shares
China National Tobacco Corporation	613,537,500	3.22	RMB ordinary shares
China Securities Finance Corporation Limited	565,345,130	2.97	RMB ordinary shares
PICC Life Insurance Company Limited-universal-personal insurance (universal)	474,000,000	2.49	RMB ordinary shares
Tian'an Property Insurance Co., Ltd.-guaranteed win No. 1	461,293,795	2.42	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.32	RMB ordinary shares
Tian'an Life Insurance Company Limited–traditional product	396,132,551	2.08	RMB ordinary shares

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. was a subsidiary of China National Tobacco Corporation.

iv. The Company has no controlling shareholder or de facto controller and its largest shareholder is the Finance Bureau of Fujian Province. As at the end of the reporting period, shareholders holding over 10% of the Company's shares were as follows:

1.The Finance Bureau of Fujian Province is a legal person of government unit. Its legal representative is Wang Yongli and the address is 5 Zhongshan Road, Fuzhou. It is the largest shareholder of the Company, holding 18.22% of the Company's shares.

2.The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited: The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 14.06% of the Company's shares, and PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited.

The People's Insurance Company (Group) of China Limited is a comprehensive insurance (financial) company, incorporated in 1996. Its precedent was the People's Insurance Company of China established in 1949 upon approval of the Government Administration Council of China. As at the end of the reporting period, it had a registered capital of RMB42.424 billion, its registered place was Beijing and its legal representative was Wu Yan. Its business includes: investment in and holding of shares of listed companies, insurance institutions and other financial institutions; and supervision and management of domestic and overseas businesses of its holding ventures. It was listed on the Hong Kong Stock Exchange in December 2012.

PICC Property and Casualty Company Limited was established in 2003 and listed on the Hong Kong Stock Exchange in the same year. It has a registered capital of RMB14.829 billion, its registered place was Beijing and its legal representative is Wu Yan. Its business covers all types of property insurance, including motor vehicle, property, marine, credit, accident, energy, aerospace and agricultural insurances. Now, it is the largest property insurance company in China.

PICC Life Insurance Company Limited is a national life insurance company. Established in 2005, it has a registered capital of RMB25.761 billion, its registered office is in Beijing and its legal representative is Wu Yan. Its business includes: life insurance, health insurance, accident insurance, personal reinsurance and investment.

MATTERS REGARDING PREFERRED SHARES

I.Issuance and listing of preferred shares in the last three years

Unit: share

Stock code	Stock name	Date of issuance	Issuing price (Yuan/share)	Dividend rate (%)	Issuance size	Date of listing	No. of shares approved for listing	Date of delisting
360005	Industrial P1	December 3, 2014	100	6.00	130,000,000	December 19, 2014	130,000,000	None
360012	Industrial P2	June 17, 2015	100	5.40	130,000,000	July 17,2015	130,000,000	None

Notes: 1. With the approval of CSRC, the Company issued 130 million preferred shares with a par value of RMB100 per share and 6.00% coupon rate in the first interest cycle through non-public offering in December 2014. After deducting the offering expenses, the net proceeds reached RMB12.958 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of the issuance of the first tranche of preferred shares, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since December 19, 2014.

2. The Company issued the second tranche 130 million preferred shares with a par value of RMB100 per share and 5.4% coupon in the first interest cycle through non-public offering in June 2015. After deducting the offering expenses, the net proceeds reached RMB 12.947 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of issuance of the second tranche of preferred shares, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since July 17, 2015.

II.Preferred shares shareholders

i. Number of preferred shares shareholders

No. of shareholder accounts as at the end of the reporting period	30
No. of shareholder accounts as at the end of the month prior to the disclosure of the annual report	30

ii. Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes of number of shares during the period	Number of shares held at the end of the period	Percentage (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China-participating-personal insurance (participating)	0	44,114,000	16.97	Preferred shares	None	Others
The Finance Bureau of Fujian Province	0	25,000,000	9.62	Preferred shares	None	State authority
Ping An Property & Casualty Insurance Company of China, Ltd. -traditional general insurance products	0	21,254,000	8.17	Preferred shares	None	Others
Ping An Life Insurance Company of China-universal-individual insurance (universal)	0	21,254,000	8.17	Preferred shares	None	Others
Bank of Communications Schroders Funds	0	13,474,000	5.18	Preferred shares	None	Others
Guangdong Finance Trust Co., Ltd.	0	12,198,000	4.69	Preferred shares	None	Others
PICC Life Insurance Company Limited -participating-personal insurance (participating)	0	11,450,000	4.40	Preferred shares	None	Others
BOCI Securities Limited	0	9,044,000	3.48	Preferred shares	None	Others
Bosera Funds	0	7,944,000	3.06	Preferred shares	None	Others
Zhonghai Trust Co., Ltd.	0	7,944,000	3.06	Preferred shares	None	Others

Notes: 1. All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders holding both Industrial P1 and Industrial P2 were presented in consolidation.

2.The connected relationship exists among Ping An Life Insurance Company of China-participating-personal insurance (participating), Ping An Life Insurance Company of China-universal-individual insurance (universal), and Ping An Property & Casualty Insurance Company of China, Ltd. -traditional-general insurance products.

3.As at the end of the period, the Finance Bureau of Fujian Province held 3,471,668,306 ordinary shares of the Company.

III.Profit distribution of preferred shares

i. Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment.

The aggregate par value of the preferred shares “Industrial P1” is RMB13 billion, the interest period of preferred shares for 2016 was from January 1, 2016 to December 31, 2016, and the proposed dividends are RMB780 million with an annual dividend yield of 6%.

The aggregate par value of the preferred shares “Industrial P2” is 13 billion and the interest period of preferred shares for 2016 was from January 1, 2016 to December 31, 2016, and the proposed dividends are RMB702 million with an annual dividend yield of 5.40%.

The above distribution plans will be implemented in two months after the approval of the general meeting.

ii. Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio
2016	**1,482**	**100%**
2015	1,147	100%
2014	51	100%

Note: Distribution ratio = Announced distribution amount / Agreed distribution amount for the year * 100%

IV.During the reporting period, the Company made no repurchase of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

V.Accounting policies adopted by the Company for the preferred shares and reasons

The preferred shares of the Company are categorized as a financial liability or an equity instrument at initial recognition in accordance with the following accounting policies regarding financial liabilities and equity instruments and clauses of the issued preferred shares.

Financial liability refers to a liability that fulfills one of the following conditions: (1) a contractual obligation to deliver cash or other financial assets to another entity. (2) a contractual obligation to exchange financial assets or financial liabilities with another entity under potentially unfavourable circumstances. (3) a non-derivative instrument contract that shall be or may be settled in the Company's own equity instruments in future, pursuant to which the Company will deliver a variable number of its own equity instruments. (4) a derivative instrument contract that shall be or may be settled in the Company's own equity instruments in the future, excluding any derivative instrument contract for which the Company will deliver a fixed number of its own equity instruments to exchange a fixed amount of cash or other financial assets.

Equity instrument is any contract that can prove a residual interest in the assets of the Company after deducting all of its liabilities. The Company will categorize its financial instrument as equity instrument when it satisfies all of the following conditions: (1) the financial instrument shall include no contractual obligation to deliver cash or other financial assets to another entity, or exchange financial assets or financial liabilities with another entity under potentially unfavourable circumstances; (2) the financial instrument shall be or may be settled in the Company's own equity instruments in the future. If it is a non-derivative instrument, it shall include no contract obligation for the Company to deliver a variable number of its own equity instrument for settlement. If it is a derivative instrument, the Company can only settle it by using a fixed number of its own equity instruments to exchange for a fixed amount of cash or other financial assets. Issuance (including refinancing), redemption, disposal or write-off of equity instruments by the Company is accounted for as movements in equity. The Company does not recognize changes in fair value of equity instruments. Transaction fees related to equity transactions are deducted from equity.

In December 2014, the Company issued non-cumulative preferred shares amounted to RMB13 billion to domestic investors, and the Company had, after deducting the issuance fee, booked an amount of RMB12.958 billion under the category of other equity instruments. In the duration period of the preferred shares under this issuance, the Company is entitled to, by satisfying the related requirements and with the approval of the CBRC, fully or partly exercise its redemption rights for its preferred shares on each year's dividend payment date (i.e. December 8, 2014) after 5 years of the issuance date of the preferred shares, but the shareholders of the preferred shares have no right to request the Company to make redemption. The coupon of the preferred shares will be adjusted by phases, i.e. in a five-year coupon adjustment period, the dividend payment shall be paid in cash at a fixed dividend rate once a year. The Company reserves the right to fully or partly cancel the declaration and payment of dividend for the preferred shares.

In June 2015, the Company issued the second tranche non-cumulative preferred shares amounted to RMB13 billion to domestic investors, and the Company had, after deducting the issuance fee, booked an amount of RMB12.947 billion under the category of other equity instruments. In the duration period of the preferred shares under this issuance, the Company is entitled to, by satisfying the related requirements and with the approval of the CBRC, fully or partly exercise its redemption rights for its preferred shares on each year's dividend payment date (i.e. June 24, 2014) after 5 years of the issuance date of the preferred shares, but the shareholders of the preferred shares have no right to request the Company to make redemption. The coupon of the preferred shares will be adjusted by phases, i.e. in a five-year coupon adjustment period, the dividend payment shall be paid in cash at a fixed dividend rate once a year. The Company reserves the right to fully or partly cancel the declaration and payment of dividend for the preferred shares.

The Company shall, subject to the approval of CBRC, fully convert its existing preferred shares under this issuance into its ordinary shares, in the event of the following trigger conditions of the mandatory conversion: (1) when the core Tier 1 capital adequacy ratio falls to 5.125%, the preferred shares under this issuance, subject to the decision of the CBRC, shall be fully converted into the ordinary A shares of the Company based on the mandatory conversion price. After the conversion, those ordinary A shares will not be converted back into preferred shares under any circumstances; (2) When triggered event of the secondary capital instruments issued by the Company occurs, the preferred shares of this

issue will be examined and decided by the CBRC, and shall be fully converted into ordinary A shares of the Company in accordance with the full mandatory conversion price. After the conversion, those ordinary A shares will no longer be restored to preferred stock under any conditions. Among them, the secondary capital instruments triggering event is the earlier of the following two situations: ① CBRC identifies if it was not converted or written down, the Company will be unable to survive; ② Relevant departments identify if the public sectors don't inject or offer the same effect support, the Company will not survive.

The initial conversion price of the preferred shares under the issuance shall be the average trading price (that is RMB9.86/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved. Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), rights issue, etc., the Company shall, based on the sequence of the occurrences of the above events, undertake cumulative adjustments to the conversion prices in accordance with the specified formula. In accordance with the applicable laws and regulations and the CBRC's Official Reply of the Industrial Bank's Non-public Offering of Preferred Shares and Amendments to the Articles of Association (YJF [2014] No.581) and the CSRC's Official Reply of Approval on the Non-public Offering of Preferred Shares by Industrial Bank Co., Ltd (ZJXK [2014] No.1231), the proceeds from the offering of preferred shares shall be used to replenish the other Tier 1 capital of the Company. In the event of liquidation, shareholders of preferred shares shall have priority over shareholders of ordinary shares in receiving the par value as the settlement amount. If the residual property of the Company is insufficient, the payment shall be settled on a pro rata basis based on the shareholdings of shareholders of preferred shares. The preferred shares under this issuance shall be recognized as other equity.

The CSRC approved the Company's non-public issuance of not more than 1,721,854,000 A shares on March 28, 2017. On April 7, 2017, the Company handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the A shares issued in a non-public way. Calculated with the formula for adjustment of compulsory conversion price of "Industrial P1" and "Industrial P2" as set out in relevant terms of the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd. and the Prospectus for Non-public Issuance of Domestic Preferred Shares (Second Tranche) of Industrial Bank Co., Ltd., upon completion of the non-public issuance of A shares by the Company, the compulsory conversion price of "Industrial P1" and "Industrial P2" issued by the Company was adjusted from RMB9.86 to RMB9.80. For details, please refer to the Company's announcement dated April 11, 2017.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

I.Directors, supervisors and senior management members

i. General information

Unit: Share

Name	Title	Gender	Date of birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Variation of shares during the year	Reasons for variation	Total remuneration from the Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related party
Gao Jianping	Chairman of the Board of Directors	Male	July 1959	September 11, 2000	December 18, 2019	0	0	0	-	93.6	No
Chen Yichao	Director	Male	November 1950	July 1, 2015	December 18, 2019	0	0	0	-	0	Yes
Fu Anping	Director	Male	February 1963	June 20, 2016	December 18, 2019	0	0	0	-	0	Yes
Han Jingwen	Director	Male	June 1959	February 7, 2017	December 18, 2019	0	0	0	-	0	Yes
Xi Xinghua	Director	Male	October 1969	February 7, 2017	December 18, 2019	0	0	0	-	0	Yes
Tao Yiping	Director	Male	April 1963	June 20, 2016	December 18, 2019	0	0	0	-	78	No
	President			April 28, 2016	December 18, 2019						
Chen Jinguang	Director	Male	November 1961	June 20, 2016	December 18, 2019	0	0	0	-	84.24	No
	Vice president			February 4, 2013	December 18, 2019						
Xue Hefeng	Director	Male	March 1969	June 20, 2016	December 18, 2019	20,000	20,000	0	-	84.24	No
	Vice president			December 27, 2012	December 18, 2019						
Chen Xinjian	Director	Male	October 1967	June 20, 2016	December 18, 2019	116,800	116,800	0	-	84.24	No
	Vice president			July 10, 2014	December 18, 2019						
	Secretary of the Board of Directors			November 26, 2015	December 18, 2019						

Name	Title	Gender	Date of birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Variation of shares during the year	Reasons for variation	Total remuneration from the Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related party
Paul M. Theil	Independent director	Male	May 1953	December 24, 2013	December 18, 2019	0	0	0	-	30	Yes
Zhu Qing	Independent director	Male	May 1957	August 26, 2014	December 18, 2019	0	0	0	-	30	No
Liu Shiping	Independent director	Male	April 1962	August 26, 2014	December 18, 2019	0	0	0	-	30	Yes
Su Xijia	External supervisor	Male	September 1954	May 23, 2016	December 19, 2016	0	0	0	-	12.84	Yes
	Independent director			February 7, 2017	December 18, 2019						
Lin Hua	Independent director	Male	September 1975	July 1, 2015	December 18, 2019	0	0	0	-	28	Yes
Jiang Yunming	Chairman of the Board of Supervisors	Male	October 1965	February 29, 2016	December 18, 2019	0	0	0	-	92.04	No
	Director			December 24, 2013	February 25, 2016						
	Vice president			March 15, 2010	February 25, 2016						
Xu Chiyun	Supervisor	Female	August 1968	October 15, 2013	December 18, 2019	0	0	0	-	0	No
He Xudong	Supervisor	Male	November 1977	December 19, 2016	December 18, 2019	0	0	0	-	0	No
Peng Jinguang	Supervisor	Male	August 1962	December 19, 2016	December 18, 2019	0	0	0	-	0	Yes
Li Jian	Supervisor	Male	September 1956	October 15, 2013	December 18, 2019	35,500	35,500	0	-	339.8	No
Lai Furong	Supervisor	Male	October 1968	October 19, 2007	December 18, 2019	0	0	0	-	311.9	No

Name	Title	Gender	Date of birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Variation of shares during the year	Reasons for variation	Total remuneration from the Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related party
Li Ruoshan	Independent director	Male	February 1949	December 6, 2010	December 19, 2016	0	0	0	-	30	No
	External supervisor			December 19, 2016	December 18, 2019						
Ben Shenglin	External supervisor	Male	January 1966	December 19, 2016	December 18, 2019	0	0	0	-	0	No
Xia Dawei	External supervisor	Male	February 1953	May 23, 2016	December 18, 2019	0	0	0	-	13.5	No
Li Weimin	Vice president	Male	November 1967	December 27, 2012	December 18, 2019	50,000	50,000	0	-	84.24	No
Sun Xiongpeng	Vice president	Male	April 1967	August 25, 2016	December 18, 2019	0	0	0	-	49.14	No
Li Renjie	Director and president	Male	March 1955	June 26, 2002	February 29, 2016	0	0	0	-	46.8	No
Li Liangwen	Director	Male	October 1951	December 24, 2013	April 27, 2016	0	0	0	-	0	Yes
Andrew H C Fung	Director	Male	July 1957	January 13, 2010	December 19, 2016	0	0	0	-	0	Yes
Zhang Yuxia	Director	Female	June 1955	December 24, 2013	December 19, 2016	0	0	0	-	0	Yes
Yan Jie	Supervisor	Male	June 1980	October 15, 2013	December 19, 2016	0	0	0	-	0	No
Li Li	Supervisor	Female	February 1969	October 15, 2013	December 19, 2016	0	0	0	-	0	Yes
Zhang Xin	External supervisor	Male	December 1951	June 27, 2014	December 19, 2016	0	0	0	-	21.33	No

Note: 1. The remuneration for some of the directors, supervisors and senior management members who served full-time positions in the Company is currently under examination of the authorized department. Should there be any changes, the Company will make an announcement.

During the reporting period, the total actual remuneration paid for all directors, supervisors and senior management members amounted to RMB15.4391 million. Tao Yiping, the president, and Sun Xiongpeng, the vice president, served as senior management members in 2016 and their remunerations were not for the whole year.

2.The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management members were as follows: the remuneration for directors, supervisors and senior management members were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disbursed in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the compensation and assessment committee under the Board of Directors and then submitted to the Board of Directors for approval.

3.The directors, supervisors, senior management personnel of the Company haven't received any punishment from the securities regulatory commission in recent three years.

ii. Positions held by directors and supervisors in the shareholder companies

Name	Shareholder company	Title
Fu Anping	PICC Life Insurance Co. , Ltd.	Secretary of the Party committee, vice chairman, president
Han Jingwen	China National Tobacco Corporation	Deputy head of the Division of Financial Management and Supervision (Audit Division)
Xi Xinghua	Tian'an Property Insurance Co., Ltd.	General manager of Assets Management Department
Xu Chiyun	Longyan Huijin Development Group Co., Ltd.	Chairman of the Board of Supervisors
He Xudong	Zhejiang Energy Group Co., Ltd.	Deputy director of Assets Operation Department
Peng Jinguang	Fujian Investment & Development Group Co., Ltd.	General manager, vice chairman, deputy secretary of the Party committee

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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Gao Jianping	Bachelor degree, senior economist. He previously served as deputy general manager of the General Office of Industrial Bank, director of the Industrial Bank's Office in Fuzhou Economic and Technological Development Zone, general manager of the General Office of Industrial Bank, head of Industrial Bank's Shanghai Branch preparatory team, president of Industrial Bank's Shanghai Branch, president assistant of Industrial Bank, vice president of Industrial Bank and president of Industrial Bank, secretary of communist party committee, chairman and president of Industrial Bank, and currently as member of the National Committee of CPPCC, secretary of communist party committee and chairman of Industrial Bank and manage the general work of communist party committee and activities of the Board of Directors.	Member of the 12th National Committee of the Chinese People's Political Consultative Conference
Chen Yichao	Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the Integrated Service Department, executive deputy director of the General Office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Fu Anping	Doctoral degree, senior economist, associate researcher, PRC actuary. He previously served as the deputy head of the Insurance Management Office of the Non-bank Institution Division and head of the Life Insurance of the Insurance Division of the PBOC, section chief and deputy director of Personal Insurance Regulation Department of the CIRC, deputy director of Beijing Office of the CIRC, deputy director general of the CIRC Beijing Bureau, deputy leader of the Preparation Group of Life Insurance Company of PICC Holding Company, and vice president of PICC Life Insurance Company Limited. He currently serves as the secretary of the Party committee, vice chairman and president of PICC Life Insurance Company Limited.	Chairman of China-US Insurance Advisory Co., Ltd.
Han Jingwen	On-the-job graduate. He previously served as an associate researcher of the Division of Financial Management and Supervision (Audit Division), the deputy head, head of the General Office, and an associate inspector of State Tobacco Monopoly Bureau (China National Tobacco Corporation). He currently serves as the deputy head of the Division of Financial Management and Supervision (Audit Division) of State Tobacco Monopoly Bureau (China National Tobacco Corporation).	A director of the National Integrated Circuit Industrial Investment Fund Co., Ltd.
Xi Xinghua	Master degree. He previously served as a section member of Sanmen County Land and Resources Bureau of Zhejiang Province, a macro-economic analyst of Beijing Securities Limited, the deputy general manager of Zibohong Investment Company, the general manager of Hengtai Changtai Securitas Brokerage Co., Ltd., the deputy general manager of HengTai Securities Co., Ltd., the general manager of Rongtong Fund Management Co., Ltd., and the deputy general manager and standing deputy general manager of Huaxia Everwin Asset Management Co., Ltd. He currently serves as the general manager of the Assets Management Department of Tian'an Property Insurance Co., Ltd.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Tao Yiping	University graduate, master degree, senior economist. He previously served as a section chief of the General Plan Office of Fujian Branch of Bank of China, a senior manager of the Hong Kong and Macao Administration Office of Bank of China Group, a senior manager of China Business Department of Hong Kong Branch of Kincheng Banking Corporation, an Office Director and chief of Fund Planning Office of Fujian Branch of Bank of China, the president of Fuzhou Sub-branch of Bank of China, the president assistant and vice president of Fujian Branch of Bank of China, the president of Xiamen Branch of Bank of China, the president of Fujian Branch of Bank of China, and the president of Shandong Branch of Bank of China. He currently serves as a member of the Party committee, a director and the president of Industrial Bank and presides over the Bank's senior management activities, and is responsible for the Office, the Planning & Finance Department, Development & Plan Department, etc.	None
Chen Jinguang	College graduate, economist. He previously served as head of Pudong Sub-branch of Shanghai Branch, vice president of Shanghai Branch, president of Ningbo Branch, president of Chengdu Branch and president of Beijing Branch of Industrial Bank. He is currently serving as a Party committee member, a director and vice president of Industrial Bank, and manages the Retail Business Management Department, Private Banking Department, Bank Card & Channel Department, Retail Assets & Liabilities Department, Retail Risk Management Department, etc.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xue Hefeng	Bachelor degree. He previously served as deputy manager of Operation Department of Fuzhou Branch, deputy head of Majiang Office of Fuzhou Branch, general manager of Credit Management Department of Beijing Branch and head of Chaowai Sub-branch, general manager of Risk Management Department of Beijing Branch, president assistant and vice president of Beijing Branch, president of Shenzhen Branch of Industrial Bank. He is currently serving as a Party committee member, a director and vice president of Industrial Bank, and mainly in charge of Key Account Department, SME Department, Corporate Financial Business Management Department, Transaction Banking Department, Green Finance Department, Corporate Financial Risk Management Department, etc.	None
Chen Xinjian	University graduate, master degree. He previously served as director of the Financial Division and director of External Debt Division at the Finance Bureau of Fujian Province, vice president of Shanghai Branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch, president of Nanjing Branch, president of Beijing Branch of Industrial Bank. He is currently serving as a Party committee member, a director, vice president of Industrial Bank, and secretary of the Board of Directors, and is mainly in charge of the Investment Banking Department, Assets Management Department, Financial Markets, Assets Custody Department, Investment Banking & Financial Market Risk Management Department, Office of the Board of Directors, etc.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Paul M. Theil	PhD. He served previously as first secretary and commercial counsellor of the U.S. Embassy in China. He is currently serving as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd.	Chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Guo An County Bank, independent director of Morgan Stanley Huaxin Fund Management Company Limited and Qinqin Food Group, director of Runhui Fund Management Co., Ltd. and president of Small Loans Industry Association of Shenzhen, vice president of Shenzhen Venture Capital Association, standing vice president of Shenzhen General Chamber of Commerce and vice president of China Micro-credit Companies Association.
Zhu Qing	PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the School of Finance at Renmin University of China, and he also worked for the Budget and Tariffs Departments of European Commission (EC). He is currently serving as director of the Academic Committee of the School of Finance, professor and PhD tutor at Renmin University of China.	Director of Academic Committee of the School of Finance, professor and PhD tutor at Renmin University of China, an independent director of Jangho Group Company Limited, Zhejiang Jinlihua Electric Co., Ltd., and Zhongtai Trust Co., Ltd., an external supervisor of China Trust Protection Fund Co., Ltd., an executive member of the society of public finance of China, executive member and deputy chairman of the academic committee of China International Taxation Research Institute, executive member of the Chinese tax institute, executive director of China Social Insurance Association, executive member of Beijing Public-finance Society, vice president of Beijing Tax Institute, distinguished professor at Yangzhou Tax Institute of the State Administration of Taxation, adjunct professor at Beijing National Accounting Institute and Xiamen National Accounting Institute.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Liu Shiping	PhD. He previously served as leader of the data mining consulting team (global financial industry) of the service division of IBM and chief adviser of Business Intelligence, providing business intelligent consulting services to over 200 financial institutions including central banks, Shanghai Stock Exchange and China Development Bank. He is currently serving as president of the Global Business Intelligence Consulting (Beijing) Co., Ltd.	Chairman of Global Business Intelligence Consulting (Beijing) Co., Ltd., an independent director and a member of the Informatization Committee of the China Association for Public Companies, professor and PhD tutor at the University of Chinese Academy of Sciences (UCAS), Associate of the Research Center of Finance Sciences and Technology of UCAS, a distinguished professor at Fuzhou University, a director and general manager of Qingdao Going Green Wealth Management Co., Ltd. and Shandong Wanwei Business Credit Investigation Co., Ltd., an independent director of People's Daily Online and Tailong Bank, a supervisor of Hangzhou Bidi Information Technology Co., Ltd., an advisor of the Chengdu Technology Consulting Team, torch entrepreneurship tutor in Ministry of Science and Technology, committee member of China Association of Technology Entrepreneurs, committee member of China Accounting Informatization Committee, vice chairman of the executive committee of XBRL China, a member of Shanghai Credit Investigation Committee, technical consultant of the Southern Medicine Economic Research Institute of CFDA, vice president of Beijing Overseas Chinese Technology Entrepreneurship Association.
Su Xijia	PhD, professor, Canadian nationality. He previously served as a lecturer at the Accounting Department of Shanghai University of Finance and Economics and an associate professor at the Accounting Department of College of Business, City University of Hong Kong. He currently serves as a professor at the Accounting Department of China Europe International Business School.	A professor at the Accounting Department of China Europe International Business School, an independent director of China Jinmao Group and Ellassay Fashion, and a director of Changbao.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Lin Hua	Master degree. He previously served as general manager of Jinyuan Capital Management (Xiamen) Co., Ltd., general manager of Xiamen Venture Capital Co., Ltd. (Xiamen Municipal Government Parent Fund), director of operations of the Investment Department of China Guangdong Nuclear Power Group (CGNPC), structural department high-level model engineer and project manager of KPMG in the United States. He currently serves as the chairman of Shanghai Heyi Financial Information Co., Ltd. (China Securitization Analytics website) and CEO of China Fund Administration System.	Chairman of Shanghai Heyi Financial Information Co., Ltd. (China Securitization Analytics website, Fund Administration System), chairman of Beijing Zhongcheng Boyuan Assets Management Co., Ltd., chairman of Zhongrui Huaxin (Beijing) Assets Management Co., Ltd., chairman of Xiamen Ruituo Angel Management Company, part-time professor of Nankai University and Southwestern University of Finance and Economics, and an independent director of Generali Insurance Assets Management Company.
Jiang Yunming	PhD, senior economist. He previously served as deputy section chief of business section of Securities Business Department, manager of Issuance Department of Industrial Bank, general manager assistant and manager of Investment Banking Department of Industrial Securities, deputy general manager of General Office, general manager of Board Secretariat and deputy general manager of General Office, general manager of General Office of Industrial Bank, president of Industrial Bank Beijing Branch, a Party committee member, director and vice president of Industrial Bank. He currently serves as a Party committee member and chairman of the Board of Supervisors, he holds activities of the Board of Supervisors, and is in charge of the Audit Department, Discipline Inspection and Supervision Department (discipline inspection commission) and Party & Populace Pidgin Department of the Company (Propaganda Department of Party Committee, Department Party Committee, Trade Union Committee, Department Trade Union), etc.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xu Chiyun	Bachelor degree, senior accountant. She previously served as deputy section chief, principal section member of Longyan Municipal Bureau of Finance and deputy president of Accountants Society of Longyan. She is currently serving as section chief of Company Division of Longyan Municipal Bureau of Finance, Fujian Province, and chairman of the Board of Supervisors of Longyan Huijin Development Group Co., Ltd.	Section chief of Company Division of Longyan Municipal Bureau of Finance, vice president of Finance, Accountants & Abacus Society of Longyan.
He Xudong	Bachelor degree, economist. He previously served as a staff at the Project Management Department of Zhejiang Power Development Company, a staff at the Assets Operation Department of Zhejiang Energy Group, director of the Assets Operation Department of the Coal and Transportation Branch of Zhejiang Energy Group, and director of the General Office of the Coal and Transportation Branch of Zhejiang Energy Group. He currently serves as the deputy director of the Assets Operation Department of Zhejiang Energy Group Co., Ltd.	A director of Jiangxi Ganzhe Energy Co., Ltd., CNOOC Zhejiang Ningbo LNG Co., Ltd., Zhejiang Zheneng Jiaxing Power Generation Co., Ltd., and Zhejiang Zheneng Jiahua Power Generation Co., Ltd., and a supervisor of China Zheshang Bank Co., Ltd. and Sinopec Xinjiang Coal-based Natural Gas Pipeline Co., Ltd.
Peng Jinguang	Bachelor degree, senior accountant, senior lecturer. He previously served as a teacher at Ningde Finance and Economics School in Fujian Province, director of the accounting center, deputy chief accountant and director of the accounting center, general manager assistant of Fujian Investment & Development Corporation, chief financial officer, a Party committee member and chief accountant of CNOOC Fujian Natural Gas Co., Ltd., and a Party committee member, deputy general manager and chief accountant of Fujian Investment & Development Group. He currently serves as the general manager, vice chairman and deputy secretary of Party committee of Fujian Investment & Development Group Co., Ltd.	A director of Minxin Group Co., Ltd., vice chairman of Fujian Shuikou Power Generation Co., Ltd., and a director of Xiamen International Bank and Xiamen Air.
Li Jian	Master degree, senior accountant. He previously served as planning team leader, director assistant, deputy director of Budget Office, concurrent director of Budget Office, Fiscal Revenue Inspection Office and Infrastructure Construction Office, director of Enterprise Office of Finance Bureau of Fujian Province. He is currently serving as a supervisor and general manager of Planning & Finance Department of Industrial Bank.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Lai Furong	Bachelor degree, senior accountant. He previously served as vice head and head of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, deputy general manager of Finance & Accounting Department of Industrial Bank, vice president of Guangzhou Branch of Industrial Bank, vice general manager of Planning & Finance Department of Industrial Bank. He is currently serving as a supervisor and general manager of Audit Department of Industrial Bank.	None
Li Ruoshan	PhD, professor, non-practicing certified accountant. He previously served as deputy dean of the Accounting Department and vice president of the School of Economics, Xiamen University, dean of the Accounting Department and the Finance Department, and vice president of the School of Management of Fudan University. He is currently serving as MPACC academic dean, professor, PhD tutor at the School of Management of Fudan University.	MPACC academic dean, professor and PhD tutor of the School of Management at Fudan University, director of Forward, independent director of China Eastern Airlines, Xi'an Shangu Power Co., Ltd. and Zhangjiang High-technology Company.
Ben Shenglin	PhD, professor. He previously served as senior vice president of Algemene Bank Nederland, managing director of HSBC, president of JPMorgan Chase Bank (China) Company Limited, a member of the global leadership team of Global Corporate Bank. He currently serves as a professor and PhD tutor of School of Management, Zhejiang University and founding dean of Zhejiang University Academy of Internet Finance.	Professor and PhD tutor of School of Management, Zhejiang University, founding dean of Zhejiang University Academy of Internet Finance, executive director of International Monetary Institute, a counsellor of Zhejiang Provincial People's Government, an independent director of Bank of Ningbo Co., Ltd., Wuchan Zhongda Group Co., Ltd., and Tsingtao Brewery Co., Ltd., and an independent non-executive director of China International Capital Corporation Limited.
Xia Dawei	Master degree, professor. He previous served as the dean of School of International Business Administration, president assistant and vice president of Shanghai University of Finance and Economics, and president of Shanghai National Accounting Institute. He currently serves as the director of academic committee, professor and PhD tutor of Shanghai National Accounting Institute.	Director of academic committee, professor and PhD tutor of Shanghai National Accounting Institute, vice chairman of Chinese Industrial Economic Association, vice chairman of China Association of Chief Financial Officers, chairman of Shanghai Accounting Society, and a member of the listing committee of the Shanghai Stock Exchange.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Li Weimin	University graduate, master degree, senior economist. He previously served as deputy manager and then manager of Operation Department of Fuzhou Branch, president assistant and manager of General Office of Fuzhou Branch, vice president of Fuzhou Branch, vice president of Nanjing Branch, president of Zhangzhou Branch, president of Zhengzhou Branch, and president of Fuzhou Branch of Industrial Bank. He is currently serving as Party committee member and vice president of Industrial Bank, he is mainly in charge of the Risk Management Department, Special Assets Operation Department, Law & Compliance Department, etc.	None
Sun Xiongpeng	University graduate, master degree, senior economist. He previously served as deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, president assistant and vice president of Quanzhou Branch of Industrial Bank, president of Zhangzhou Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Xiamen Branch of Industrial Bank, and president of Fuzhou Branch of Industrial Bank. He currently serves as a Party committee member and vice president of Industrial Bank, he is mainly in charge of Interbank Business Department (Futures Finance Department), Bank Cooperation Center, Operation Management Department, Information Technology Department, Network Finance Department, Administrative Safeguard Department, Shanghai administrative service center, Beijing representative office (Beijing administrative service center), etc.	None

iv. Changes of directors, supervisors and senior management members during the reporting period

1.On February 29, 2016, Mr. Li Renjie tendered his resignation in writing to the Board of Directors due to retirement age and resigned from the position of director and president of the Company.

2.On February 29, 2016, the Company's 17th meeting of the 8th session of the Board of Directors resolved to appoint Mr. Tao Yiping as the president, and the appointment qualification of Mr. Tao Yiping as the president was approved by the CBRC on April 28, 2016.

3.On February 25, 2016, Mr. Jiang Yunming tendered his resignation in writing to the Board of Directors and resigned from the position of director and vice president of the Company. On the same day, the Company held worker's conference and appointed Mr. Jiang Yunming as staff representative supervisor. On February 29, 2016 the Company's 15th meeting of the 6th session of the Board of Supervisors considered and approved to appoint Mr. Jiang Yunming as chairman of the Company's 6th session of the Board of Supervisors.

4.On April 27, 2016, Mr. Li Liangwen tendered his resignation in writing to the Board of Directors due to his retirement from the shareholder company which recommended him as a director of the Company and resigned from the position of director of the Company.

5.On May 23, 2016, at the 2015 annual general meeting of the Company, Mr. Fu Anping, Mr. Tao Yiping, Mr. Chen Jinguang, Mr. Xue Hefeng, and Mr. Chen Xinjiang were appointed as directors of the 8th session of the Board of Directors of the Company, and their appointment qualifications were approved by the CBRC on June 20, 2016.

6.On May 23, 2016, at the 2015 annual general of the Company, Mr. Su Xijia and Mr. Xia Dawei were appointed as external supervisors of the 6th session of the Board of Supervisors of the Company.

7.On June 30, 2016, the Company's 19th meeting of the 8th session of the Board of Directors resolved to appoint Mr. Sun Xiongpeng as the vice president, and the appointment qualification of Mr. Sun Xiongpeng as the president was approved by the CBRC on August 25, 2016.

8.On December 19, 2016, in the general election at the 2016 second extraordinary general meeting of the Company, Mr. Gao Jianping, Mr. Tao Yiping, Mr. Chen Jinguang, Mr. Xue Hefeng and Mr. Chen Xinjian were elected as executive directors of the 9th session of the Board of Directors, Mr. Chen Yichao, Mr. Fu Anping, Mr. Han Jingwen and Mr. Xi Xinghua were elected as non-executive directors of the 9th session of the Board of Directors, and Mr. Paul M. Theil, Mr. Zhu Qing, Mr. Liu Shiping, Mr. Su Xijia and Mr. Lin Hua were elected as independent non-executive directors of the 9th session of the Board of Directors. The appointment qualifications of Mr. Han Jingwen, Mr. Xi Xinghua and Mr. Su Xijia as directors were approved by the CBRC on February 7, 2017.

9.On December 16, 2016, in the general election for staff representative supervisors at the worker's conference of the Company, Mr. Jiang Yunming, Mr. Li Jian and Mr. Lai Furong were elected as staff representative supervisors of the 7th session of the Board of Supervisors of the Company.

10.On December 19, 2016, in the general election for shareholding supervisors and external supervisors at the Company's general meeting, Mr. Xu Chiyun, Mr. He Xudong and Mr. Peng Jinguang were elected as shareholding supervisors of the 7th session of the Board of Supervisors and Mr. Li Ruoshan, Mr. Ben Shenglin and Mr. Xia Dawei were elected as external supervisors of the 7th session of the Board of Supervisors.

II.Employees

i. General information of employees

Number of the incumbent staff of the parent company	54,208
Number of the incumbent staff of main subsidiaries	2,028
Total number of the incumbent staff	56,236
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	**418**
Education level	
Types of education	Number
Master and above	8,341
Bachelor	41,226
College	5,539
Secondary technical school and below	1,130
Total	**56,236**
Professional occupation	
Types of professional occupation	Number
Management	3,371
Business	45,559
Support	7,306
Total	**56,236**

Note: the above number of the incumbent staff includes outsourcing labor.

ii. Employee remuneration policies

In respect of the remuneration management, the Company adheres to the requirements of corporate governance, maintaining the competitiveness and sustainable development of the bank, matching up with the operating results, integrating with the long- and short-term incentives, balancing the internal fairness and external competitiveness, facilitating the implementation of strategic objectives of the Company, supporting the demands of business development at different stages as well as the attracting and retaining of employees, especially for key personnel.

1.Remuneration structure

In accordance with the internal control mechanism of the Company, the growth in the total remuneration of employees should not exceed the growth in the number of employees and the growth in major indicators of business performance in general. Employees holding different positions carry different responsibilities and bear different risk levels, resulting in differences in their remuneration structure. The higher the correlation between the work performance of employees and the overall business performance of the Company, the higher will be the proportion of the floating bonus.

2.Remuneration policies

Performance bonus of employees is linked with the comprehensive performance of the Company, the institutions (departments) and individuals. In terms of the scope of assessment indicators, several key indicators are selected for performance assessment, including the rate of return on capital, rate of return on risk assets, non-performing loans ratio, compliance operations and evaluation on internal control. The indicators are applied to the institutions and employees, and the overall appraisal results will be linked to the bonus of employees to reflect the correlation between the remuneration and various types of risks. In order to improve the incentive and restraint mechanism, and ensure the remuneration policies are in line with the present and future risks, the payment of a certain proportion of the performance bonus to the senior management members, senior management cadres, and key business staff and employees holding key positions in the revenue-producing institutions shall be deferred and retained as risk fund. If there is a breach of regulations or discipline or extraordinary risk exposure in carrying out duties during the appraisal period, a corresponding amount shall be deducted from the risk fund of the staff held liable, so as to ensure the remuneration level of employees is consistent with their risk-adjusted performance.

3.Detailed information about remuneration of employees in positions having significant impacts on the risks of the bank

The allocation of remuneration is based on the fundamental idea of “allocation based on the value of job positions and contributions”, among which the value of job positions includes technological and managerial difficulties, risk levels and contributions to the banking system. The remuneration of employees matches with the value of their job positions and their job responsibilities. For those engaged in the risk management and compliance fields, their remuneration depends on individual capability, performance of duties, and appraisals on the team and individual basis, but has no direct relationship with the performance of other business areas, which can ensure that the remuneration of staff in the risk management and compliance fields is independent from the performance of the business lines under their supervision, and such segregation can promote the steady operations and sustainable development of the Company.

iii. Staff training schemes

The Company has set out to launch the overseas talent cultivation program to reserve a talent team in line with the collectivized, comprehensive and international strategic development of the Bank; a light and efficient learning biological circle has been built and the training coverage is enlarged relying on various electronic learning platforms to enhance organizational learning efficiency; centering on the business and management of the Bank, the focus is placed on the performance-support training programs to enhance performance of relevant businesses, optimize management and transmit new knowledge; the Company pays attention to the improvement of staff’s professional skills and adopts diversified ways of training to create and optimize various branded training programs and propel the construction of talent team.

CORPORATE GOVERNANCE

I.Corporate governance overview

The Company continued to strengthen the construction of corporate governance system, while constructing and clarifying the objectives and direction of the Board of Directors and the Board of Supervisors. The Company continued to solidify the governing concept of sustainable development to shape scientific and democratic decision-making, established a research and training learning system for directors and supervisors, and created a sound corporate governance transmission mechanism. During the reporting period, the general meeting operated effectively in a standard way. The Board of Directors and the Board of Supervisors fully performed their functions in making strategic decisions and supervision. The directors and supervisors continuously enhanced their capability and professionalism in fulfilling their duties through specific investigations and inspections. The management earnestly implemented the decision opinions of the Board of Directors and the supervision recommendations of the Board of Supervisors. The businesses of the Company witnessed the steady and sustainable development of the Company, and the interests of all shareholders and stakeholders were effectively safeguarded.

i. Shareholders and general meetings

During the reporting period, the Company convened 1 annual general meeting and 2 extraordinary general meetings in a way in combination of on-site meeting and online voting. The Company standardized the convening, holding, discussing and voting procedures of general meetings in accordance with the relevant laws and regulations, the Articles of Association of the Company, and the provisions on the rules of procedures for general meetings, and safeguarded the lawful rights of shareholders. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations.

ii. Directors and the Board of Directors

As at the end of reporting period, the Board of Directors of the Company consisted of 14 directors. By categories, it includes 9 non-executive directors (including 5 independent non-executive directors) and 5 executive directors. By geographical segments, there are 11 domestic directors and 3 overseas directors. There are 5 committees under the Board of Directors, namely, the strategy committee, the risk management committee, the audit & related party transaction control committee, the nomination committee and the remuneration & evaluation committee. With the exception of the strategy committee, the other four committees are chaired by the independent directors. By giving full play of their professional strengths, those committees carefully reviewed and discussed an array of important items, and submitted them to the Board of Directors for consideration and approval, whereby the Company's corporate governance and operating efficiency were improved effectively. During the reporting period, 7 meetings of the Board of Directors were convened and 22 meetings were convened by various committees of the Board of Directors, of which 192 proposals were considered or received. The Board of Directors effectively played its role of decision-making in development of corporate strategies and development plans, determination of business plans and enhancement of capital management and the group oriented operation, and the committees' supporting functions in decision-making were also strengthened.

iii. Supervisors and the Board of Supervisors

The Board of Supervisors has 9 supervisors, including 3 shareholder representatives, 3 employee representatives and 3 external supervisors. Under the Board of Supervisors, two special committees were established, namely the supervision committee and the nomination, remuneration & evaluation committee. Both of the committees are headed by external supervisors. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the project-based research and studies and the auditing investigation, overseeing the Company's financial activities, risk management and internal control and the duty-fulfillment of the Board of Directors and the senior management. During the reporting period, the Company held 6 meetings of the Board of Supervisors (including 1 teleconference), in which 37 proposals were considered and received. The committees under the Board of Supervisors convened 2 meetings and considered and approved 3 proposals.

iv. Senior management

The 6 senior management members of the Company consists of 1 president and 5 vice presidents. With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of guiding the overall operation and management activities, organizing and implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, annual financial budgets and final financial statements, profit distribution plans, basic management rules and specific regulations.

Several committees were established under the senior management, namely the business management committee, the assets & liabilities management committee, the risk management committee, the credit approval committee, the internal control committee, the credit accountability committee, the major purchases committee, the business continuity management committee, the internal accountability committee and the community bank committee.

v. Related party transactions

The Company enhanced the management of related party transactions. In light of regulatory provisions of the Ministry of Finance, CBRC, CSRC and Shanghai Stock Exchange, in couple with the Articles of Association, the Company further amended and completed the Administrative Measures of Industrial Bank for Related Party Transactions and the Implementation Rules of Industrial Bank for Management of Related Party Transactions. The different levels in the Company including the general meetings, the Board of Directors, the senior management and the relevant departments of the head office and various branches strictly conducted reviews, examinations, approvals and management of related party transactions as well as the supervision and management of approved quotas based on their respective functions, together with timely disclosure of information concerning the related party transactions, and the Board of Supervisors made supervision in compliance with the law. All related party transactions between the Company and related parties strictly abode by the principles of "fairness, openness and valuable consideration", with fair and reasonable transaction terms and conditions which should not be more favourable than those of similar transactions conducted with non-related parties, and such fair transaction pricing could safeguard the interests of the Company and shareholders as a whole and encourage the development of the related businesses of the Company in a regulated and sustainable manner.

vi. Implementation of the management system to the persons with inside information

The Company formulated the Administrative Measures for Persons with Inside Information, which aimed at regulating the internal circulation and external submission of material information, enhancing the confidentiality management of inside information, strengthening the management of filings and archives concerning the insiders, urging major shareholders to comply with the supervisory regulations of inside information, so that the illegal acts such as insider trading would be prevented and eliminated, and the fairness of information disclosure would also be preserved. A special section on prevention and control of insider trading was set up on the website of the Company and a reporting hotline was published for accepting external supervision on insider trading. During the reporting period, the Company strictly enforced and implemented the relevant disclosure system, made timely registration and filed information on the status of insiders to the securities regulatory authorities. There were no cases of inside information being used by insiders for stock trading prior to the disclosure of material information.

In the "2016 Appraisal of Excellent Board of Directors of China's Listed Companies" organized by the 21st Century Business Herald, the Company won the "2016 Excellent Board of Directors of China's Strategic Listed Companies" award and the chairman Mr. Gao Jianping was rated as the "2016 Most Respected Chairman of the Board of China's Listed Companies". In the Appraisal of Golden Bull Awards held by China Securities Journal, the Company won "2015 Golden Bull Best Profitable Company" award; in the "Appraisal of Best Practice of Board of Supervisors of Listed Companies" jointly held by China Association for Public Companies, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the Company was rated as "Top 20 Board of Supervisors with the Best Practice of Listed Companies".

II.Brief introduction of general meetings

Session of the meeting	Date of convening	Reference of appointed websites for disclosure of resolutions	Disclosure date of the publish of resolutions
2015 Annual General Meeting	May 23, 2016	Shanghai Stock Exchange Website (www.sse.com.cn) and Company Website (www.cib.com.cn)	May 24, 2016
2016 First Extraordinary General Meeting	August 15, 2016	Shanghai Stock Exchange Website (www.sse.com.cn) and Company Website (www.cib.com.cn)	August 16, 2016
2016 Second Extraordinary General Meeting	December 19, 2016	Shanghai Stock Exchange Website (www.sse.com.cn) and Company Website (www.cib.com.cn)	December 20, 2016

III.The directors' performance of their duties

i. The attendance of directors in Board of Directors and shareholder's meeting

During the reporting period, the Company convened 7 meetings of the Board of Directors, which are all on-site meetings. The attendance records of directors in the Board of Directors meetings and general meetings are as follows:

Name	Whether an independent director	Attendance at meetings of the Board of Directors						Attendance at general meetings
		Expected attendance	Attendance in person	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Attendance
Gao Jianping	No	7	7	0	0	0	No	3
Chen Yichao	No	7	7	0	0	0	No	3
Fu Anping	No	5	3	0	2	0	No	0
Tao Yiping	No	5	5	0	0	0	No	3
Chen Jinguang	No	5	5	0	0	0	No	1
Xue Hefeng	No	5	4	0	1	0	No	1
Chen Xinjian	No	5	5	0	0	0	No	3
Paul M. Theil	Yes	7	7	0	0	0	No	1
Zhu Qing	Yes	7	6	0	1	0	No	1
Liu Shiping	Yes	7	7	0	0	0	No	1
Lin Hua	Yes	7	7	0	0	0	No	1
Li Renjie	No	1	1	0	0	0	No	0
Li Liangwen	No	1	0	0	1	0	No	0
Andrew H C Fung	No	6	3	0	3	0	No	0
Zhang Yuxia	No	6	5	0	1	0	No	0
Li Ruoshan	Yes	6	6	0	0	0	No	1

During the reporting period, there was no shareholder failing to attend the Board of Directors' meeting in person for two consecutive times.

ii. Situation of objections to the issues of the Company raised by independent directors

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

IV.Important opinions and suggestions by the committees under the Board of Directors in performing their duties during the reporting period

i. The Strategy Committee of the Board of Directors

In light of the great macro economy downward pressure, the strategy committee of the Board of Directors accurately understood and actively grasped the new normal, new pattern and new opportunities to assist the Board of Directors in studying and formulating strategic plans and business strategies, thus to achieve a balanced development of scale, quality and efficiency. The strategy committee prepared a scientific plan for a new round of five-year development and proposed to adhere to the business transformation towards “light assets and high efficiency” to strengthen the capacities of settlement, investment and transaction businesses and drive parallel development of wholesale finance, industrial and commercial finance, retail finance and assets management finance. It formulated the annual capital plan in a reasonable way, which, based on long-term sustainable development of the Bank, integrates the idea of intensive capital operation to guide and promote operation transformation and optimisation of assets business structure. The capital replenishment was propelled proactively and private placement plan was implemented as scheduled to promptly replenish core Tier 1 capital by nearly RMB26 billion. In addition, qualified secondary capital bonds of RMB30 billion were issued to further consolidate the capital foundation. Further efforts were exerted for risk management and assets quality control and enhancement of credit responsibility investigation to maintain assets quality in a reasonable and controllable range. The committee planned the layout of organizations in an overall manner, continued to improve the service network and intensify the transformation and upgrade of existing outlets and construction of community banks, striving to reduce the operational costs of outlets. The comprehensive outlets and community outlets were distinguished and subject to differentiated management. In steady promotion of international layout, the committee applied for establishment of CIB International Financial Holdings Limited to promote the overall operation and management of the group’s international businesses. While consolidating the construction of statement consolidation system of the group, the finance and business authorization plan was also optimized and more efforts were made on authorization management and inspection. Meanwhile, adhering to operation according to laws, it thoroughly carried out education on honesty and self-discipline and compliance for staff including “thirteen injunctions” to normalize and manage staff’s behaviors and safeguard the legitimate interests of the extensive customers and financial consumers.

ii. The Risk Management Committee of the Board of Directors

On the basis of grip of the complex and changing macro-economic environment, the committee paid special attention to and analyzed the Company’s major risks, and regularly drew conclusion on and evaluated its risk management measures to effectively raise the risk management standards and ensure the Bank’s steady management and compliant operations. In respect of business strategy, the committee kept a close eye on the changes in external situation and analyzed and mastered the opportunities in supply side reform to proactively prevent the risks caused by the exit of industries and enterprises with excess production capacity in the context of “de-capacity, de-stocking, de-leverage, cost reduction and improvement of weaknesses”. By keeping close to the trends in the real estate market and relevant national policies, the committee prepared access policies and duration management measures based on the differences of the cities,

regions and product types of real estate projects; it prevented various risks of investment business through paying close attention to the changes in the bond market, capital market and foreign exchange market. In respect of assets quality management and control, the work focus was required to be placed on cash collection reorganization to include non-performing assets filed in write-off accounts in previous years in assessment to change write-off of non-performing assets into operation of non-performing assets to promote capital saving and increase profit. More attention was paid to the liquidity risk management and plans were prepared in advance from two perspectives, i.e. scientific assets allocation and stable liability source. In respect of case prevention and control, the committee fully implemented regulatory requirements and the Company's relevant internal management measures to further enhance executive force. In addition, it guided the promotion of implementation of New Capital Accord projects, and guided and optimized the Bank's business strategy and layout and improved the refined risk management.

iii. The Audit & Related Party Transaction Control Committee of the Board of Directors

The audit & related party transaction control committee of the Board of Directors proactively performed duties, promoted the Company to continuously improve financial management, risk management, internal control and related party transaction management. The committee maintained good communications with external auditors, thoroughly screened potential risks of on- and off- statement assets and liabilities and urged relevant departments to make improvements based on the revealed risk factors. It stressed that financial audit must follow the principles of "steadiness, reasonableness and compatibility", adhere to facts as basis and compliance as priority and make prompt reports on significant matters. The committee audited and reviewed the 2015 annual report, 2016 first quarterly report, interim report, third quarterly report and the financial budget and final accounts reports, highly appreciated the business performance achieved by the Company, and required the Company to change the business mode to an intensive one with medium to low risks that could improve the internal management so as to adapt to the economic situation. It guided the supervision of internal audit, accountability and internal control, requested the accelerated construction of an advanced and safe information system and the application thereof, and recommended to improve the trace management system to promote the realization of "accurate accountability". In the principle of openness, fairness and transparency, it continued to intensify related party transaction management, guided the amendments to Measures for Management of Related Party Transactions and earnestly audited the limit of related party transactions of China National Tobacco Corporation and PICC and the related party transactions involved in non-public issuance of shares to ensure consistency between relevant rules and the latest regulatory requirements and that material related party transactions will not prejudice the interests of the Company and shareholders, in particular minority shareholders.

iv. The Nomination Committee of the Board of Directors

The nomination committee of the Board of Directors earnestly performed the duties conferred by the Articles of Association, and promptly sought for and selected candidates for directors following the resignation tendered by some directors, and, upon earnest examination of candidates' qualifications, recommended Mr. Fu Anping, Mr. Tao Yiping, Mr. Chen Jinguang, Mr. Xue Hefeng and Mr. Chen Xinjian as directors to the Board of Directors for filling the vacancies, who were nominated by the Board of Directors. They were elected at and their appointments were approved by the general meeting. The committee organized the work involved in the general election of the Board of Directors, widely sought for candidates for directors, and earnestly examined directors' qualifications to guarantee continuous operation of corporate governance decisions. Upon earnest preliminary qualification examination of Mr. Tao Yiping and Mr. Sun Xiongpeng, who were proposed to be appointed as president and vice president, respectively, the committee recommended them to the Board of Directors for appointment.

v. The Remuneration & Evaluation Committee

The remuneration and evaluation committee of the Board of Directors focused on the Company's development strategies and annual business targets in order to conduct appraisal on the business performance of the senior management members in 2015 by strictly following the performance appraisal criteria and the assessment procedures, and formulated the 2015 Salary Distribution Plan for Senior Management Members and the 2012 Proposal on Evaluation and Disbursement Regarding Risk Fund for Senior Management Members. Meanwhile, the committee made conclusion to the duty-fulfillment of each director, and completed the duty-fulfillment evaluation report of the directors.

V.The description of risks discovered by the Board of Supervisors

During the reporting period, the Board of Supervisors made no objection to the issues under supervision during the reporting period.

VI.The description of independence of the Company from its largest shareholder

The Finance Bureau of Fujian Province, which holds 18.22% of the shares of the Company, is the largest shareholder of the Company. The Company is fully independent from its largest shareholder in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

VII.The examination and evaluation mechanism, and the establishment and implementation of the incentive system for senior management members during the reporting period

The senior management members of the Company were subject to the examination and assessment by the Board of Directors. By optimizing the remuneration structures for the senior management members, setting scientific and reasonable evaluation indicators and creating an evaluation mechanism linking their remuneration with responsibilities, risks and operating results, the Board of Directors of the Company provided incentives and constraints for senior management members, so as to ensure consistency between the direction of their efforts and the interests of the Company.

VIII.Assessment report on internal control

The Company's Board of Directors has issued a self-assessment report on internal control. Please refer to the website of Shanghai Stock Exchange for details. During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness.

IX.Description of the internal control audit report

The Company has disclosed the internal control audit report. The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2016.

FINANCIAL STATEMENTS

The Company's financial statements 2016 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Liu Minghua and Zhang Hua, who have issued a standard and unqualified auditors' report. For full text of the financial statements, please refer to the appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

Chairman: Gao Jianping

Board of Directors of Industrial Bank Co., Ltd.

April 27, 2017

INDUSTRIAL BANK
10TH ANNIVERSARY OF PUBLIC LISTING

Pioneer in Financial Market Business,
Leader of Green Finance,
Pathfinder of Pension Finance,
Keen Innovator of Modern Integrated Financial Services.

Appendix: Auditors' Report and Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

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AUDITORS' REPORT

De Shi Bao (Shen) Zi (17) No. P02306

[Translation]

TO THE SHAREHOLDERS OF INDUSTRIAL BANK CO., LTD.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the Bank's and consolidated statement of financial position as at 31 December 2016, and the Bank's and consolidated statements of comprehensive income, the Bank's and consolidated statements of changes in equity and the Bank's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1.Management's responsibility for the financial statements

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

2.Auditors' responsibility

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

An audit includes performing audit procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3.Opinion

In our opinion, the financial statements of the Bank present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2016, and the Bank's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountant

Liu Minghua, Zhang Hua

Shanghai, China

27 April 2017

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

THE BANK'S AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2016 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets					
Cash and balances with Central Bank	1	**457,654**	417,911	**457,626**	417,854
Deposits with banks and other financial institutions	2	**56,206**	42,347	**43,273**	40,032
Precious metals		**17,431**	42,010	**17,431**	42,010
Placements with banks and other financial institutions	3	**16,851**	56,336	**22,109**	60,552
Financial assets at fair value through profit or loss	4	**354,595**	128,685	**357,893**	126,324
Derivative financial assets	5	**16,137**	13,933	**16,137**	13,933
Financial assets held under resale agreements	6	**27,937**	225,924	**25,330**	225,924
Interest receivable	7	**23,899**	21,743	**23,152**	21,430
Loans and advances to customers	8	**2,007,366**	1,724,822	**2,002,037**	1,722,667
Available-for-sale financial assets	9	**584,850**	426,634	**590,277**	419,582
Held-to-maturity investments	10	**249,828**	206,802	**249,828**	206,702
Investments classified as receivables	11	**2,102,801**	1,834,906	**2,095,593**	1,829,171
Finance lease receivables	12	**89,839**	74,146	**-**	-
Long-term equity investments	13	**2,418**	1,918	**14,106**	13,763
Fixed assets	14	**15,581**	11,368	**10,673**	10,701
Construction in progress	15	**6,390**	6,461	**6,388**	6,453
Intangible assets		**556**	519	**526**	499
Goodwill	16	**532**	532	**-**	-
Deferred tax assets	17	**23,456**	14,532	**22,576**	13,952
Other assets	18	**31,568**	47,351	**10,472**	13,885
Total assets		**6,085,895**	**5,298,880**	**5,965,427**	**5,185,434**

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

AT 31 DECEMBER 2016 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Liabilities					
Borrowing from Central Bank		**198,000**	67,700	**198,000**	67,700
Deposits from banks and other financial institutions	20	**1,721,008**	1,765,713	**1,728,699**	1,768,591
Placements from banks and other financial institutions	21	**130,004**	103,672	**42,597**	20,268
Financial liabilities at fair value through profit or loss	22	**494**	1	**459**	-
Derivative financial liabilities	5	**16,479**	10,563	**16,479**	10,563
Financial assets sold under repurchase agreements	23	**167,477**	48,016	**165,691**	48,016
Due to customers	24	**2,694,751**	2,483,923	**2,694,843**	2,483,923
Employee benefits payable	25	**13,916**	11,262	**12,732**	10,484
Tax payable	26	**11,488**	10,802	**10,809**	10,070
Interest payable	27	**35,900**	36,443	**35,295**	35,796
Debt securities issued	28	**713,966**	414,834	**708,224**	409,853
Other liabilities	29	**28,002**	28,574	**11,732**	13,990
Total liabilities		**5,731,485**	4,981,503	**5,625,560**	4,879,254
Equity					
Share capital	30	**19,052**	19,052	**19,052**	19,052
Other equity instruments	31	**25,905**	25,905	**25,905**	25,905
Including: Preference shares		**25,905**	25,905	**25,905**	25,905
Capital reserve	32	**50,861**	50,861	**51,081**	51,081
Other comprehensive income	47	**1,085**	5,685	**1,105**	5,623
Surplus reserve	33	**9,824**	9,824	**9,824**	9,824
General and regulatory reserve	34	**69,878**	60,665	**67,744**	59,217
Retained earnings	35	**173,524**	141,656	**165,156**	135,478
Equity attributable to equity holders of the Bank		**350,129**	313,648	**339,867**	306,180
Non-controlling interests in equity		**4,281**	3,729	**-**	-
Total equity		**354,410**	317,377	**339,867**	306,180
Total liabilities and equity		**6,085,895**	**5,298,880**	**5,965,427**	**5,185,434**

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

THE BANK'S AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	2016	2015	2016	2015
1. Operating income		**157,060**	154,348	**149,796**	148,107
Net interest income	36	**112,319**	119,834	**107,671**	117,241
Interest income	36	**236,279**	255,972	**228,382**	249,749
Interest expense	36	**(123,960)**	(136,138)	**(120,711)**	(132,508)
Net fee and commission income	37	**36,552**	32,190	**32,539**	28,786
Fee and commission income	37	**38,682**	33,592	**34,775**	30,200
Fee and commission expense	37	**(2,130)**	(1,402)	**(2,236)**	(1,414)
Investment income	38	**11,836**	3,482	**12,619**	3,235
Including: Income from investments in an associate		**246**	275	**238**	263
(Losses) gains from changes in fair values	39	**(3,756)**	1,378	**(3,301)**	1,394
Foreign exchange (losses) gains		**(105)**	(2,850)	**79**	(2,808)
Other operating income		**214**	314	**189**	259
2. Operating expenses		**(93,678)**	(91,538)	**(90,597)**	(88,762)
Business taxes and surcharges	40	**(5,667)**	(12,955)	**(5,400)**	(12,617)
General and administrative expenses	41	**(36,401)**	(32,849)	**(34,353)**	(31,438)
Impairment losses on assets	42	**(51,276)**	(45,260)	**(50,510)**	(44,233)
Other operating expenses		**(334)**	(474)	**(334)**	(474)
3. Operating profit		**63,382**	62,810	**59,199**	59,345
Add: Non-operating income	43	**669**	561	**414**	278
Less: Non-operating expenses	44	**(126)**	(127)	**(121)**	(122)
4. Total profit		**63,925**	63,244	**59,492**	59,501
Less: Income tax expenses	45	**(9,598)**	(12,594)	**(8,518)**	(11,621)
5. Net profit		**54,327**	50,650	**50,974**	47,880
Net profit attributable to equity holders of the Bank		**53,850**	50,207	**50,974**	47,880
Non-controlling interests		**477**	443	**-**	-

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

FOR THE YEAR ENDED 31 DECEMBER 2016 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	2016	2015	2016	2015
6. Earnings per share:					
Basic earnings per share (RMB Yuan)	46	**2.77**	2.63	**-**	-
Diluted earnings per share (RMB Yuan)	46	**2.77**	2.63	**-**	-
7. Other comprehensive income	47	**(4,628)**	3,466	**(4,518)**	3,466
Other comprehensive income attributable to equity holders of the Bank		**(4,600)**	3,471	**(4,518)**	3,466
(1)Items that may be reclassified subsequently to profit or loss: Fair value (losses) gains on available-for-sale financial assets		**(4,627)**	3,750	**(4,545)**	3,745
(2)Items that will not be reclassified subsequently to profit or loss: Actuarial (losses) profits on defined benefit plans		**27**	(279)	**27**	(279)
Other comprehensive income attributable to non-controlling interests		**(28)**	(5)	**-**	-
8. Total comprehensive income		**49,699**	54,116	**46,456**	51,346
Total comprehensive income attributable to:					
Equity holders of the Bank		**49,250**	53,678	**46,456**	51,346
Non-controlling interests		**449**	438	**-**	-

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

THE BANK'S AND CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	2016	2015	2016	2015
Cash flows from operating activities:					
Net increase in due to customers and deposits from banks and other financial institutions		**166,123**	713,708	**171,028**	714,625
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		**-**	65,698	**-**	65,622
Net increase in borrowing from banks and other financial institutions and financial assets sold under repurchase agreements		**145,793**	-	**140,004**	-
Net decrease in placements with banks and other financial institutions and financial assets held under resale agreements		**138,496**	407,618	**137,554**	403,552
Net increase in borrowing from Central Bank		**130,300**	37,700	**130,300**	37,700
Cash receipts from interest, fee and commission		**152,359**	184,314	**143,557**	176,884
Other cash receipts relating to operating activities		**26,041**	8,623	**3,747**	2,073
Sub-total of cash inflows from operating activities		**759,112**	1,417,661	**726,190**	1,400,456
Net increase in loans and advances to customers		**328,950**	212,181	**325,975**	209,952
Net increase in finance leases		**15,693**	32,367	**-**	-
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**24,907**	-	**18,465**	-
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**-**	27,963	**-**	54,576
Cash payments to interest, fee and commission		**121,075**	120,179	**117,906**	116,432
Cash payments to and on behalf of employees		**19,930**	18,602	**18,886**	17,715
Cash payments of various types of taxes		**27,429**	29,764	**25,612**	29,000
Other cash payments relating to operating activities		**18,111**	157,912	**8,457**	152,002
Sub-total of cash outflows from operating activities		**556,095**	598,968	**515,301**	579,677

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

		The Group		The Bank	
	Note VIII	2016	2015	2016	2015
Net cash flow from operating activities	48	**203,017**	818,693	**210,889**	820,779
Cash flows from investing activities:					
Cash receipts from disposal/redemption of investments		**4,141,695**	2,280,944	**3,957,618**	2,015,037
Cash receipts from returns on investment income		**115,688**	106,434	**116,168**	104,988
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**283**	195	**283**	195
Cash receipts from subsidiaries and other operation companies		**-**	785	**-**	-
Other cash receipts relating to investing activities		**459**	-	**458**	-
Sub-total of cash inflows from investing activities		**4,258,125**	2,388,358	**4,074,527**	2,120,220
Cash payments for investments		**4,617,498**	3,459,278	**4,409,078**	3,189,014
Cash payments for purchasing fixed assets, intangible assets and other long-term assets		**6,758**	5,902	**2,184**	5,845
Other cash payments relating to investing activities		**-**	1,685	**-**	1,685
Sub-total of cash outflows from investing activities		**4,624,256**	3,466,865	**4,411,262**	3,196,544
Net cash flow from investing activities		**(366,131)**	(1,078,507)	**(336,735)**	(1,076,324)
Cash flows from financing activities:					
Proceeds from capital contributions		**103**	13,170	**-**	13,000
Including: Proceeds from capital contributions from non-controlling shareholders of subsidiary		**103**	170	**-**	-
Proceeds from issuance of bonds		**1,049,126**	586,454	**1,047,211**	581,475
Other proceeds relating to financing activities		**117**	-	**-**	-
Sub-total of cash inflows from financing activities		**1,049,346**	599,624	**1,047,211**	594,475
Cash repayments of borrowings		**734,521**	363,300	**733,550**	363,300
Cash payments for distribution of dividends, profits or settlement of interest expenses		**32,557**	22,203	**33,611**	22,076
Including: Payments for distribution of dividends to non-controlling shareholders of subsidiary		**-**	81	**-**	-
Other cash payments relating to financing activities		**-**	330	**-**	53
Sub-total of cash outflows from financing activities		**767,078**	385,833	**767,161**	385,429
Net cash flow from financing activities		**282,268**	213,791	**280,050**	209,046
Effect of foreign exchange rate changes on cash and cash equivalents		**1,557**	1,247	**1,553**	1,247
Net increase (decrease) in cash and cash equivalents	48	**120,711**	(44,776)	**155,757**	(45,252)
Add: Opening balance of cash and cash equivalents		**312,352**	357,128	**310,026**	355,278
Closing balance of cash and cash equivalents	48	**433,063**	312,352	**465,783**	310,026

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

UNIT: RMB Million

		2016								
		Attributable to equity holders of the Bank								
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Non-controlling interests	Total
I. As at 1 January 2016		19,052	25,905	50,861	5,685	9,824	60,665	141,656	3,729	**317,377**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	53,850	477	**54,327**
(II) Other comprehensive income	47	-	-	-	(4,600)	-	-	-	(28)	**(4,628)**
Subtotal of (I) and (II)		-	-	-	(4,600)	-	-	53,850	449	**49,699**
(III) Capital contribution from shareholders		-	-	-	-	-	-	-	103	**103**
1. Contribution from non-controlling shareholders		-	-	-	-	-	-	-	103	**103**
(IV) Profit distribution		-	-	-	-	-	9,213	(21,982)	-	**(12,769)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	9,213	(9,213)	-	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(11,622)	-	**(11,622)**
3. Dividends paid to preference shares		-	-	-	-	-	-	(1,147)	-	**(1,147)**
III. As at 31 December 2016		**19,052**	**25,905**	**50,861**	**1,085**	**9,824**	**69,878**	**173,524**	**4,281**	**354,410**

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

FOR THE YEAR ENDED 31 DECEMBER 2016 UNIT: RMB Million

		2015								
		Attributable to equity holders of the Bank								
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Non-controlling interests	Total
I. As at 1 January 2015		19,052	12,958	50,861	2,214	9,824	43,418	119,607	3,162	**261,096**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	50,207	443	**50,650**
(II) Other comprehensive income	47	-	-	-	3,471	-	-	-	(5)	**3,466**
(III)Addition through acquisition		-	-	-	-	-	-	-	40	**40**
Subtotal of (I), (II) and (III)		-	-	-	3,471	-	-	50,207	478	**54,156**
(IV) Capital contribution from shareholders		-	12,947	-	-	-	-	-	170	**13,117**
1. Contribution from non-controlling shareholders		-	-	-	-	-	-	-	170	**170**
2. Issuance of preference shares		-	12,947	-	-	-	-	-	-	**12,947**
(V) Profit distribution		-	-	-	-	-	17,247	(28,158)	(81)	**(10,992)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	17,247	(17,247)	-	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(10,860)	(81)	**(10,941)**
3 Dividends paid to preference shares		-	-	-	-	-	-	(51)	-	**(51)**
III. As at 31 December 2015		**19,052**	**25,905**	**50,861**	**5,685**	**9,824**	**60,665**	**141,656**	**3,729**	**317,377**

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

THE BANK'S STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

UNIT: RMB Million

		2016							
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Total owners' equity
I. As at 1 January 2016		19,052	25,905	51,081	5,623	9,824	59,217	135,478	**306,180**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	50,974	**50,974**
(II) Other comprehensive income	47	-	-	-	(4,518)	-	-	-	**(4,518)**
Subtotal of (I) and (II)		-	-	-	(4,518)	-	-	50,974	**46,456**
(III) Capital contribution from shareholders		-	-	-	-	-	-	-	**-**
1. Contribution from shareholders		-	-	-	-	-	-	-	**-**
(IV) Profit distribution		-	-	-	-	-	8,527	(21,296)	**(12,769)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	8,527	(8,527)	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(11,622)	**(11,622)**
3. Dividends paid to preference shares		-	-	-	-	-	-	(1,147)	**(1,147)**
III. As at 31 December 2016		**19,052**	**25,905**	**51,081**	**1,105**	**9,824**	**67,744**	**165,156**	**339,867**

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

		2015							
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Total owners' equity
I. As at 1 January 2015		19,052	12,958	51,081	2,157	9,824	42,043	115,683	**252,798**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	47,880	**47,880**
(II) Other comprehensive income	47	-	-	-	3,466	-	-	-	**3,466**
Subtotal of (I) and (II)		-	-	-	3,466	-	-	47,880	**51,346**
(III) Capital contribution from shareholders		-	12,947	-	-	-	-	-	**12,947**
1. Issuance of preference shares		-	12,947	-	-	-	-	-	**12,947**
(IV) Profit distribution		-	-	-	-	-	17,174	(28,085)	**(10,911)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	17,174	(17,174)	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(10,860)	**(10,860)**
3. Dividends paid to preference shares		-	-	-	-	-	-	(51)	**(51)**
III. As at 31 December 2015		**19,052**	**25,905**	**51,081**	**5,623**	**9,824**	**59,217**	**135,478**	**306,180**

The accompanying notes form part of the financial statements.

The financial statements on pages 129 to 277 were signed by the following:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

I.GENERAL INFORMATION

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

The Bank operates under financial services certificate No. B0013H135010001 issued by China Banking Regulatory Commission (the "CBRC"), and business license issued by Fujian Provincial Administration of Industry and Commerce, the unified social credit code is 91350000158142711F, the registered office of the Bank is located at154 Hudong Road, Fuzhou, Fujian Province, the PRC. The legal representative of the Bank is Mr. Gao Jianping.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issue and encashment, underwriting and trading of government bonds; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; sale and purchase of foreign exchange; bank card business; letter of credit and letter of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services and other banking activities approved by the CBRC.

The principal activities of the Bank's subsidiaries comprise finance leasing, trust services, fund raising and marketing, asset management for specific clients, asset management, consumer finance, equity investment, industrial investment, investment management and consulting(excluding brokerage); financial consulting, business consulting, enterprise management consulting, financial data processing, commodity futures brokerage, financial futures brokerage, futures investment consulting, economic information consulting service, application software development and operational services, system integration services; other banking activities approved by the CBRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II.BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank and its subsidiaries (collectively, “the Group”) has adopted the Accounting Standards for Business Enterprises (the "ASBE") issued by the Ministry of Finance of People's Republic of China (the "MOF").

In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (Revised in 2014) and the relevant regulations released by the China Securities Regulatory Commission.

The report is prepared on a going concern basis.

III.STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank's and consolidated financial position as of 31 December 2016, and the Bank's and consolidated results of operations and cash flows for the year then ended.

IV.SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1.Accounting period

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

2.Basic of accounting and principle of measurement

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

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received in exchange for the present obligation, or the amount payable under contract for assuming the present obligation, or at the amount of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement and disclosure of fair value in the financial statements are based on the fair value regardless of whether it is directly observable or estimated using valuation technique.

The fair value measurement is categorized into 3 levels subject to the observability of input and the significance of the input to the entire measurement:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

3.Functional currency

The Bank and its domestic subsidiaries choose Renminbi (“RMB”) as their functional currency, while its subsidiaries overseas choose their functional currency depends on the primary economic environment in which the subsidiaries operate. The Group adopts RMB to prepare its financial statements.

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

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

4.1 Business combinations involving enterprises under common control

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

4.2 Business combinations not involving enterprises under common control and goodwill

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

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquire. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree’s identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date.

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

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

5.Preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of subsidiary.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

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

All significant intergroup accounts and transactions between the Bank and its subsidiaries or between subsidiaries are eliminated in full amount on consolidation.

The portion of subsidiaries' equity that is not attributable to the Bank is treated as non-controlling interests in equity and presented as "non-controlling interests in equity" in the consolidated statements of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated statements of comprehensive income below the "net profit" line item.

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

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

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

Structured entities refers to the entities that voting rights or similar rights do not constitute decisive factors when recognise the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, fund, trust fund plans and fund management plans could be used as examples of the structured entities.

6.Recognition criteria of cash and cash equivalents

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

7.Transactions denominated in foreign currencies and translation of foreign currency financial statements

7.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

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

Involving in business overseas when preparing consolidated financial statements, such as foreign currency monetary items which essentially constitute net investment in a foreign operation, exchange differences arising from changes in exchange rate interests is presented as "foreign currency report translation differences" item in other comprehensive income and recognized in profit or loss disposal when disposing business overseas.

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

7.2 Transactions for foreign currency financial statements

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this yeas equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities &shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

Cash flow in foreign currency and cash flow of overseas institutions are translated by applying the spot exchange rates at the cash flow occurred date. Affected amount of cash and cash equivalents by exchange rate changes is presented separately as "effect of exchange rate changes on cash and cash equivalents" in the cash flow statement, as an adjustment item.

8.Financial instruments

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

8.1 Effective interest method

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

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

8.2 Classification, recognition and measurement of financial assets

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

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

Financial assets at FVTPL include financial assets held for trading and those assigned as at fair value through profit or loss.

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

A financial asset is assigned as financial assets at fair value through profit or loss, on initial recognition, if one of the following conditions is satisfied: (1) the recognition could eliminate or significantly reduce profit or loss differences in recognition or measurement due to the difference in measurement basis of financial assets; or (2) It has been stated in formal written document of the Group's risk management or investment strategy, that managing and evaluating the group of financial assets or financial assets & financial liabilities on the basic of fair value, and reporting it to key management personnel; or (3) The hybrid financial instrument combines financial asset with embedded derivatives.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

8.2.2 Held-to-maturity investments

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

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

8.2.3 Loans and receivables

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

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

8.2.4 Available-for-sale financial assets

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

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

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

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

8.3 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

8.3.1 Impairment of financial assets measured at amortised cost

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

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

8.3.2 Impairment of available-for-sale financial assets

Objective evidence that an available-for-sale financial asset is impaired includes significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group assesses each available-for-sale equity instrument investment individually on balance sheet date. Impairment is indicated when the fair value of an equity instrument is lower than its initial investment cost over 50% (including 50%) or the fair value has been lower than its initial investment cost for over 12 months (including 12 months).

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

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

8.3.3 Impairment of financial assets measured at cost

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

8.4 Transfer of financial assets and derecognition of financial assets

The Group's financial assets are transferred if one of the following conditions is satisfied:

(1)Contractual rights to receive cash flow of the financial asset has been transferred; or

(2)Although the financial asset has been transferred, the Group keeps the contractual rights to receive cash flow of the financial asset and undertake the obligation to pay the received cash flow to the final transferee, and if the following conditions are satisfied simultaneously:

• The Group has the obligation to pay to the final recipient when receiving peer cash flow from the financial asset. It's deemed to satisfy this condition when the Group pays short-term advances, but it is entitled to recover the full amount of the advances and receive interest accrued in accordance with the market interest rate of bank loan.

• According to the contract, the financial asset could not be sold or pledged, but it could be offered as guarantee for paying cash flow to the final recipient.

• The Group has the obligation to pay the received cash flow to the final recipient promptly. The Group is not entitled to reinvest with the cash flow, except for the investment in cash or cash equivalent in accordance with the contract during the interval between two consecutive payments. If the Group reinvests according to the contract, it should pay the investment income to the final recipient in accordance with the provisions of the contract.

The Group derecognises a financial asset if one of the following conditions is satisfied:

(1) The contractual rights to the cash flows from the financial asset expire; or

(2) The financial asset has been transferred, and if one of the following conditions is satisfied:

• All the risks and rewards of ownership of the financial asset is transferred to the transferee; or

• The Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset.

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

8.5 Asset-backed securities business

The Group securitises a portion of assets by selling these assets to structured entities, and then issue securities to its investors. Conditions of derecognising the relevant financial assets refer to Note IV 8.4. When applying the derecognising conditions of financial assets, the Group has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other structured entity, as well as the extent of control over such entity by the Group. If the derecognising conditions of securities are not satisfied, the related financial assets are not derecognised, but the funds raising from third party investors will be treated as financial liabilities.

8.6 Classification, recognition and measurement of financial liabilities

The Group recognises a financial liability if one of the following conditions is satisfied: (1) Contractual obligations to deliver cash or other financial assets to other parties, or (2) Contractual obligations to exchange financial assets or financial liabilities with other parties under potential adverse conditions, or (3) Non-derivative contracts provide the Group shall or may measure business with its own equity instruments in the future, and will deliver a variable number of its own equity instruments, or (4) Derivative contracts provide the Group shall or may settle business with its own equity instruments in the future, except for the derivative contracts deliver a fixed number of its own equity instruments to exchange a fixed amount of cash or other financial assets.

At initial recognition, the Group classified financial instrument as financial liabilities or equity instruments according to the contractual terms of issued financial instruments and the reflected economic substance rather than its legal form only, combining with the definition of financial liabilities and equity instruments.

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

8.6.1 Financial liabilities at fair value through profit or loss

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

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

A financial liability is assigned as financial assets at fair value through profit or loss, on initial recognition, if one of the following conditions is satisfied: (1) the recognition could eliminate or significantly reduce profit or loss differences in recognition or measurement due to the difference in measurement basis of financial liability; or (2) It has been stated in formal written document of the Group's risk management or investment strategy, that managing and evaluating the group of financial liabilities or financial assets & financial liabilities on the basic of fair value, and reporting it to key management personnel; or (3) The hybrid financial instrument embedded with derivatives.

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

8.6.2 Other financial liabilities

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

8.6.3 Financial guarantee contracts and loan commitments

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

8.7 Derecognition of financial liabilities

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

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

8.8 Derivatives and embedded derivatives

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

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

8.9 Offsetting financial assets and financial liabilities

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

8.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group classified financial instruments as equity instruments when all of the following conditions is satisfied: (1) the financial instruments should not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potential adverse conditions; and (2) the Group shall or may measure business with its own equity instruments in the future. If it is a non-derivative instrument, contractual obligations settled by delivering its own variable equity instruments shall not be included; if it is a derivative instrument, the Group can settle the financial instrument only through exchanging fixed amount of cash or other financial assets with fixed amount of its own equity instruments. Equity instruments issued (including refinanced), repurchased, sold and written off by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transaction are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

9.Precious metal

Non-trading precious metal of the Group is initially measured at cost at acquisition, and subsequently re-measured at the lower of cost and realizable value. Trading precious metal of the Group is initially measured and subsequently re-measured at fair value. The change in fair value arising from re-measurement is recognized in profit or loss.

10.Long-term equity investments

10.1 Determination of joint control or significant influence over investee

Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

10.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party's shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock's face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

Long-term equity investments other than those arising from business combination, is initially measured at cost. When the Group increases its ownership interest in the investee to the extent that the Group has joint control or significant

influence, but not control, over the investee, the cost of the long-term equity investment is the aggregation of fair value of its prior ownership interest recognized in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the additional investment cost at that date.

10.3 Subsequent measurement and recognition of profit or loss

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

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee that controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

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

The Group accounts for investment in associates using the equity method. Associates are those that the group is able to exercise significant influence over the investee.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognizes investment income and other comprehensive income based on the Group's share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's identifiable assets after the adjustment of investee's net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group's, the investment income and other comprehensive income are recognized based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees in respect of impairment losses on the transferred assets shouldn't be eliminated.

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

10.3.3 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the equity recognized by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognized by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the other changes in owners'' equity recognized by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

11.Fixed assets

11.1 Recognition criteria for fixed assets

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

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

11.2 Depreciation of each category of fixed assets

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

Category	Depreciation period	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings	20-30 years	0-3	3.23-5.00
Fixed assets improvement	The lower of improvement period and remaining useful life	0	
Office equipment	3-10 years	0-3	10.00-33.33
Transportation vehicles	5-8 years	0-3	12.50-20.00

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

11.3 Other explanations

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

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

12. Construction in progress

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

13. Intangible assets

Intangible assets include land use rights, franchising, etc.

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

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

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

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortization policies for intangible assets with finite useful life.

14. Impairment of long-term assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, and intangible assets with a finite useful life will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of the assets is based on individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the assets group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or assets group after disposal expenses, or present value of the expected cash flow from the assets.

If asset's recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognized by their balances in profit or loss for the period.

The goodwill should be tested of impairment at least in the end of the each year with related assets group or combination of assets group. In purchase date, the carrying amount of goodwill should be allocated reasonably to assets group or combinations which can benefit from the synergy of enterprise merger. If the recoverable amount of assets group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognized. The amount of impairment loss should offset the carrying value which is allocated to the goodwill of certain assets group or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of assets group or combination after goodwill.

The impairment losses cannot be reversed once they are recognized.

15. Long-term prepaid expenses

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

16. Employee benefits

16.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss.. The employee's welfare incurred is recognized in the profit or loss for the period as well. Non-monetary benefit included in employee's welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

16.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability and included in profit or loss for the period.

For the defined benefit plan, the Group recognizes the obligations arising from such plan based on formula under estimated cumulated welfare method in the period in which employees render service and included in profit or loss for the period. The classifications of the costs are as follows:

• Service costs (including service costs of the period, service costs in the past, and profit and loss).

• Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).

• The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognized as a net asset or liability of defined benefit plans. If there is surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

16.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognized at the earlier of when the Company entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

17. Assets transferred under repurchase agreements

17.1 Financial assets held under resale agreements

The financial assets are not recognized in the statements of financial position if they are committed to be resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

17.2 Financial assets sold under repurchase agreements

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

18. Provisions

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

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

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

19. Interest income and expense

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

20. Fee and commission income

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

21. Government grants

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according the subjects required by the Government documents.

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

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

22. Deferred tax assets/deferred tax liabilities

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

22.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

22.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

23. Fiduciary activities and agent business

The Group acts in a fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fee and commission. The fiduciary activities and agent business are excluded from the financial statements.

24. Lease

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

The Group as lessee under operating leases

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

The Group as lessor under operating leases

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

The Group as lessor under finance leases

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

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

25. Other significant accounting policies and accounting estimates

Foreclosed asset

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

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

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

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ASSUMPTIONS AND UNCERTAINTY

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

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

The followings are the key items of financial statements that the Group has made critical judgement, estimation and assumption at the balance sheet date.

1. Impairment on loans and advances to customers and investments classified as receivables

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

2. Fair value of financial instruments

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

3. Impairment of available-for-sale financial assets

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

4. Classification of held-to-maturity investments

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

5. Impairment of held-to-maturity investments

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

6. Income taxes

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

7. Consolidation of structured entities

As the manager of structured entities, the Group should assess whether the Group is the main charger or an agent in order to evaluate whether the Group has control over the structured entities and should consolidate the structured entities. Factors taken into consideration includes decision scope of asset manager, power of other trust holders, reward from offering management service and the risk exposure to variable return.

8. Derecognition of Transfer of Financial Assets

The Group transfers financial assets in a variety of ways through regular trading, asset securitization, and repurchase agreements in daily operations. The Group needs to make significant judgments and estimates in determining whether a transferred financial asset can be fully or partially derecognized. In assessing and judging, the Group takes into account a wide range of factors and determines whether the conditions for the derecognition of the financial assets are met by using a reasonable model to measure the degree of transfer of risk and return associated with the ownership of financial assets.

VI.TAXATION

1. Enterprise income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of domestic branches of the Bank and subsidiaries is calculated and settled at the tax rate of 25%.

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

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

2. Business tax

As of 30 April 2016, Business tax of the Bank's domestic branches and subsidiaries is levied at 5% of taxable revenue. Domestic branches and subsidiaries declare and pay the business tax to local tax bureau as required.

3. Value-added tax

According to "Circular on Nationwide Implementation of Pilot for Change from Business Tax to VAT" (Cai Shui [2016] No.36), jointly issued by the Ministry of Finance and State Administration of Taxation on 23 March 2016, the Group started paying VAT at the rate of 6% - 17% instead of business tax as required since 1 May 2016.

In accordance with the regulations of the "Circular on Clarification of Value-added Tax Policies in Finance, Real Estate Development and Education, etc. (Cai Shui [2016] No. 140)" and the "Supplementary Circular on Related Issues Concerning the Value-added Tax on Asset Management Products (Cai Shui [2017] No. 2)", jointly issued by the Ministry of Finance and the State Administration of Taxation, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products after 1 July 2017 (inclusive).

4. City maintenance and construction tax

The Group's city maintenance and construction tax is calculated according to 1% ~ 7% of business tax.

5. Education surcharge

The Group's education surcharge and local education surcharge is calculated according to 3% ~ 5% of business tax.

VII.CONSOLIDATION SCOPE

1. Details of the Bank's principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/Place of registration	Business nature	Registered capital RMB in Million	Total shareholding by the Group			
				31/12/2016		31/12/2015	
				Direct(%)	Indirect(%)	Direct(%)	Indirect(%)
Industrial Bank Financial Leasing Co., Ltd.[1]	Tianjin	Financial leasing	7,000	**100**	**-**	100	-
China Industrial International Trust Limited	Fuzhou	Trust	5,000	**73**	**-**	73	-
CIB Fund Management Co., Ltd.[1]	Fuzhou	Fund management	700	**90**	**-**	90	-
Industrial Consumer Finance Co., Ltd.[1]	Quanzhou	Consumer finance	500	**66**	**-**	66	-
Industrial Economic Research and Consulting Co., Ltd.	Shanghai	Investment consulting (except brokers), finance consulting, business consulting, management consulting, financial data processing	60	**-**	**66.67**	-	66.67
CIIT Asset Management Co., Ltd. [2]	Shanghai	Assets management, equity investment, industrial investment, investment management and consulting	300	**-**	**100**	-	100
Industrial Wealth Asset Management Co., Ltd. [2][3]	Shanghai	Assets management	380	**-**	**100**	-	100
Industrial Futures Co., Ltd. [2]	Ningbo	Merchandise, financial futures investment and consulting service	500	**-**	**92.20**	-	92.20

(1)In April 2016, Industrial Bank Financial Leasing Co., Ltd., which is the Bank's wholly-owned subsidiary, increased its registered capital to RMB 7 billion through capitalization of retained earnings amounting RMB 2 billion; In May 2016, CIB Fund Management Co., Ltd., which is the Bank's holding subsidiary, increased its registered capital to RMB 700 million through capitalization of retained earnings amounting RMB 200 million. In December 2016, the Bank increased the registered capital of its holding subsidiary Industrial Consumer Finance Co., Ltd. by RMB 132 million according to its shareholding proportion. After the capital increase, the registered capital of Industrial Consumer Finance Co., Ltd. is RMB 500 million.

(2)The companies are the subsidiaries of the Bank's holding subsidiaries.

(3)The Bank's holding subsidiary CIB Fund Management Co., Ltd. increased the registered capital of its wholly-owned subsidiary Industrial Wealth Asset Management Co., Ltd. by RMB 180 million. After the capital increase, the registered capital of Industrial Wealth Asset Management Co., Ltd. is RMB 380 million, with 100% shares held by CIB Fund Management Co., Ltd.

2. Refer to No. VIII 50 for information of consolidated structure entities.

3. Foreign exchange rate of principle items in financial statements of overseas operating entities

The operating entity of the Group converts the financial statement from foreign currency to RMB based on the following method: all assets and liabilities in the statement of financial position should be converted by spot rate at balance sheet date; equity of shareholders except for the retained earnings should be converted by spot rate when occurs; all subjects in the statements of comprehensive income and subjects which reflect the accrual distributed profit should be converted by approximate spot rate when occurs.

The exchange rate of USD, JPY, EUR, HKD, and GBP to RMB should be determined by the middle rate published by China's State Administration of Foreign Exchange (the "SAFE"). The exchange rate of other currency to RMB should be calculated by the benchmark rate of USD to RMB and rate of USD to other currency offered by SAFE.

VIII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Cash	**5,806**	5,622	**5,806**	5,622
Mandatory reserves [(1)]	**384,801**	353,620	**384,784**	353,575
Surplus deposit reserves [(2)]	**66,508**	57,994	**66,497**	57,982
Other reserve [(3)]	**539**	675	**539**	675
Total	**457,654**	**417,911**	**457,626**	**417,854**

(1)The domestic institution of the Bank places mandatory reserves mainly with the PBOC as required, including RMB reserves and foreign reserves. These reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organizations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposit. On 31 December 2016, the ratio of the Bank's RMB reserves is 14.5% (31 December 2015: 15%), the ratio of foreign reserves is 5% (31 December 2015:5%). According to related regulations from the PBOC, foreign reserves are non-interest bearing. The Group's subsidiaries'

RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of mandatory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2)Surplus reserves are reserve in excess of mandatory reserve maintained with the PBOC mainly for the purpose of clearing, and transferring, etc.

(3)The majority of other deposits are the fiscal deposits placed with the Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank's agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Deposits with banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Domestic banks	**37,002**	28,082	**24,087**	25,770
Other domestic financial institutions	**2,177**	1,187	**2,159**	1,184
Overseas banks	**17,048**	13,099	**17,048**	13,099
Subtotal	**56,227**	42,368	**43,294**	40,053
Less: Allowance for impairment losses	**(21)**	(21)	**(21)**	(21)
Net value	**56,206**	**42,347**	**43,273**	**40,032**

3. Placements with banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Domestic banks	**249**	1,997	**249**	1,997
Other domestic financial institutions	**5,499**	31,103	**10,757**	35,319
Overseas financial institutions	**11,167**	23,304	**11,167**	23,304
Subtotal	**16,915**	56,404	**22,173**	60,620
Less: Allowance for impairment losses	**(64)**	(68)	**(64)**	(68)
Net value	**16,851**	**56,336**	**22,109**	**60,552**

4. Financial assets at fair value through profit or loss

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Trading financial assets:				
Debt instrument investments:				
Government bonds	**22,761**	1,871	**11,947**	1,871
The Central Bank bills and policy financial bonds	**7,072**	4,778	**2,953**	4,778
Bonds issued by financial institutions	**3,006**	1,122	**3,006**	1,122
Corporate bonds	**34,055**	19,179	**19,515**	19,179
Non-negotiable certificates of deposit	**21,043**	1,362	**12,226**	1,362
Subtotal of debt instruments investments	**87,937**	28,312	**49,647**	28,312
Equity instrument investments:				
Funds	**265,787**	98,583	**308,246**	98,012
Trust plan of assembled funds	**4**	134	**-**	-
Stocks	**165**	10	**-**	-
Wealth management products	**-**	500	**-**	-
Subtotal of equity instrument investment	**265,956**	99,227	**308,246**	98,012
Total of trading financial assets	**353,893**	127,539	**357,893**	126,324
Financial assets designated at fair value through profit and loss:				
Debt instrument investment	**599**	1,037	**-**	-
Equity instrument investment	**103**	109	**-**	-
Subtotal of financial assets designated at fair value through profit and loss	**702**	1,146	**-**	-
Total	**354,595**	128,685	**357,893**	**126,324**

5. Derivative financial instruments

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

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

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

UNIT: RMB Million

	The Group and the Bank					
	31/12/2016			31/12/2015		
		Fair Value			Fair Value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**1,182,679**	**4,428**	**4,080**	981,942	3,867	3,868
Exchange rate derivatives	**1,101,859**	**10,293**	**11,039**	917,675	7,381	6,352
Precious metal derivatives	**60,037**	**1,319**	**1,347**	56,816	2,626	308
Credit derivatives	**11,060**	**97**	**13**	7,970	59	35
Total		**16,137**	**16,479**		**13,933**	**10,563**

6. Financial assets held under resale agreements

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Bonds	**8,261**	51,550	**5,654**	51,550
Bills	**3,902**	97,839	**3,902**	97,839
Beneficial rights of trust and others (Note 1)	**11,306**	76,535	**11,306**	76,535
Credit assets (Note 2)	**4,468**	-	**4,468**	-
Total	**27,937**	**225,924**	**25,330**	**225,924**

Note 1: Beneficial rights of trust and others mainly comprised of the investment to trust plans and asset management plans operated by trust companies, securities companies and asset management companies.

Note 2: The credit assets purchased under resale agreement are carried out between the Hong Kong Branch of the Bank and overseas counterparties.

7. Interest receivable

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Deposits with Central Bank and financial institutions	**339**	607	**267**	635
Placements with banks and other financial institutions	**133**	161	**193**	163
Financial assets held under resale agreements	**83**	1,456	**78**	1,456
Loans and advances to customers	**5,108**	4,826	**5,059**	4,807
Bonds and other investments	**18,092**	14,290	**17,516**	14,207
Other	**144**	403	**39**	162
Total	**23,899**	**21,743**	**23,152**	**21,430**

8. Loans and advances to customers

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

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Personal loans and advances				
Residential and business mortgage loans	**517,597**	298,309	**517,597**	298,309
Credit cards	**110,330**	77,960	**110,330**	77,960
Others	**122,611**	135,637	**116,896**	133,201
Subtotal	**750,538**	511,906	**744,823**	509,470
Corporate loans and advances				
Loans and advances	**1,271,347**	1,197,627	**1,271,548**	1,197,827
Discounted bills	**57,929**	69,875	**57,929**	69,875
Subtotal	**1,329,276**	1,267,502	**1,329,477**	1,267,702
Gross loans and advances	**2,079,814**	1,779,408	**2,074,300**	1,777,172
Less: Allowance for impairment losses	**(72,448)**	(54,586)	**(72,263)**	(54,505)
- Individually assessed	**(12,669)**	(11,297)	**(12,669)**	(11,297)
- Collectively assessed	**(59,779)**	(43,289)	**(59,594)**	(43,208)
Loans and advances to customers	**2,007,366**	1,724,822	**2,002,037**	1,722,667

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

UNIT: RMB Million

	The Group				The Bank			
	31/12/2016		31/12/2015		31/12/2016		31/12/2015	
		(%)		(%)		(%)		(%)
Manufacturing	**310,297**	**14.92**	295,358	16.60	**310,297**	**14.96**	295,358	16.62
Retail and wholesale	**196,681**	**9.46**	205,299	11.54	**196,681**	**9.48**	205,299	11.55
Real estate	**164,351**	**7.90**	201,366	11.32	**164,351**	**7.92**	201,366	11.33
Leasing and commercial services	**142,608**	**6.86**	90,505	5.09	**142,608**	**6.87**	90,505	5.09
Water, environment and public facilities administration	**109,135**	**5.25**	92,518	5.20	**109,135**	**5.26**	92,518	5.21
Construction	**86,707**	**4.17**	73,226	4.12	**86,707**	**4.18**	73,226	4.12
Transport, logistics and postal service	**66,644**	**3.20**	60,575	3.40	**66,644**	**3.21**	60,575	3.41
Extractive industry	**64,684**	**3.11**	66,930	3.76	**64,684**	**3.12**	66,930	3.77
Production and supply of power, gas and water	**60,939**	**2.93**	53,808	3.02	**60,939**	**2.94**	53,808	3.03
Information transfer, software and IT services	**15,590**	**0.75**	8,782	0.49	**15,590**	**0.75**	8,782	0.49
Other corporate industries	**53,711**	**2.57**	49,260	2.76	**53,912**	**2.61**	49,460	2.78
Discounted bills	**57,929**	**2.79**	69,875	3.93	**57,929**	**2.79**	69,875	3.93
Personal loans	**750,538**	**36.09**	511,906	28.77	**744,823**	**35.91**	509,470	28.67
Gross loans and advances	**2,079,814**	**100.00**	**1,779,408**	**100.00**	**2,074,300**	**100.00**	**1,777,172**	**100.00**
Less: Allowance for impairment losses	**(72,448)**		(54,586)		**(72,263)**		(54,505)	
-Individually assessed	**(12,669)**		(11,297)		**(12,669)**		(11,297)	
-Collectively assessed	**(59,779)**		(43,289)		**(59,594)**		(43,208)	
Loans and advances to customers	**2,007,366**		1,724,822		**2,002,037**		1,722,667	

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

UNIT: RMB Million

	The Group				The Bank			
	31/12/2016		31/12/2015		31/12/2016		31/12/2015	
		(%)		(%)		(%)		(%)
Head office (Note 1)	**127,488**	**6.13**	90,589	5.09	**127,488**	**6.15**	90,589	5.10
Fujian	**268,487**	**12.91**	251,630	14.14	**267,344**	**12.89**	250,872	14.12
Beijing	**130,925**	**6.30**	95,586	5.37	**130,925**	**6.31**	95,586	5.38
Shanghai	**116,401**	**5.60**	99,581	5.60	**115,133**	**5.55**	99,166	5.58
Guangdong	**217,880**	**10.48**	174,734	9.82	**217,144**	**10.47**	174,357	9.81
Zhejiang	**134,720**	**6.48**	122,778	6.90	**134,590**	**6.49**	122,806	6.91
Jiangsu	**167,291**	**8.04**	133,444	7.50	**166,844**	**8.04**	133,264	7.50
Other (Note 2)	**916,622**	**44.06**	811,066	45.58	**914,832**	**44.10**	810,532	45.60
Gross loans and advances	**2,079,814**	**100.00**	**1,779,408**	**100.00**	**2,074,300**	**100.00**	**1,777,172**	**100.00**
Less: Allowance for impairment losses	**(72,448)**		(54,586)		**(72,263)**		(54,505)	
-Individually assessed	**(12,669)**		(11,297)		**(12,669)**		(11,297)	
-Collectively assessed	**(59,779)**		(43,289)		**(59,594)**		(43,208)	
Loans and advances to customers	**2,007,366**		1,724,822		**2,002,037**		1,722,667	

Note 1: Head office contains the Credit Card Centre and the Financial Markets Department.

Note 2: As at 31 December 2016, the Bank has 43 tier 1 branches, apart from the tier 1 branches mentioned above, the rest is categorised into "Others". Loans and advances of the subsidiaries of the Bank are presented by geographical distribution.

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

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Unsecured loans	**411,300**	309,261	**405,786**	307,025
Guaranteed loans	**482,311**	401,035	**482,311**	401,035
Collateralised loans	**1,128,274**	999,237	**1,128,274**	999,237
-Secured by mortgage	**955,801**	826,016	**955,801**	826,016
-Secured by collaterals	**172,473**	173,221	**172,473**	173,221
Discounted bills	**57,929**	69,875	**57,929**	69,875
Gross loans and advances	**2,079,814**	**1,779,408**	**2,074,300**	**1,777,172**
Less: Allowance for impairment losses	**(72,448)**	(54,586)	**(72,263)**	(54,505)
-Individually assessed	**(12,669)**	(11,297)	**(12,669)**	(11,297)
-Collectively assessed	**(59,779)**	(43,289)	**(59,594)**	(43,208)
Loans and advances to customers	**2,007,366**	1,724,822	**2,002,037**	1,722,667

(5)Overdue loans:

UNIT: RMB Million

	The Group									
	31/12/2016					31/12/2015				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total
Unsecured loans	2,144	2,289	469	20	**4,922**	4,771	2,675	1,429	50	8,925
Guaranteed loans	6,135	5,600	4,845	728	**17,308**	6,611	9,144	3,935	266	19,956
Collateralised loans	9,284	8,414	4,484	226	**22,408**	10,440	7,048	2,396	32	19,916
-Secured by mortgage	8,356	8,072	4,129	102	**20,659**	9,789	6,447	1,984	27	18,247
-Secured by collaterals	928	342	355	124	**1,749**	651	601	412	5	1,669
Total	**17,563**	**16,303**	**9,798**	**974**	**44,638**	**21,822**	**18,867**	**7,760**	**348**	**48,797**

UNIT: RMB Million

	The Bank									
	31/12/2016					31/12/2015				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total
Unsecured loans	2,086	2,221	431	20	**4,758**	4,744	2,652	1,429	50	8,875
Guaranteed loans	6,135	5,600	4,845	728	**17,308**	6,611	9,144	3,935	266	19,956
Collateralised loans	9,283	8,414	4,484	226	**22,407**	10,440	7,048	2,396	32	19,916
-Secured by mortgage	8,355	8,072	4,129	102	**20,658**	9,789	6,447	1,984	27	18,247
-Secured by collaterals	928	342	355	124	**1,749**	651	601	412	5	1,669
Total	**17,504**	**16,235**	**9,760**	**974**	**44,473**	**21,795**	**18,844**	**7,760**	**348**	**48,747**

Note: The loan will be categorized into overdue when principal or interest is overdue for one day.

(6) Allowance for impairment losses on loans and advances to customers

UNIT: RMB Million

The Group	2016			2015		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	11,297	43,289	**54,586**	6,581	37,315	43,896
Charge for the year	27,380	18,996	**46,376**	27,508	9,585	37,093
Write-off/Transfer out	(25,903)	(2,944)	**(28,847)**	(22,262)	(3,766)	(26,028)
-Recoveries of loans and advances written off in previous years	819	595	**1,414**	216	295	511
-Unwinding of discount on allowance	(924)	(209)	**(1,133)**	(746)	(161)	(907)
Fluctuation in exchange rate	-	52	**52**	-	21	21
Closing balance	**12,669**	**59,779**	**72,448**	**11,297**	**43,289**	**54,586**

UNIT: RMB Million

The Bank	2016			2015		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	11,297	43,208	**54,505**	6,581	37,314	43,895
Charge for the year	27,380	18,892	**46,272**	27,508	9,505	37,013
Write-off/Transfer out	(25,903)	(2,944)	**(28,847)**	(22,262)	(3,766)	(26,028)
-Recoveries of loans and advances written off in previous years	819	595	**1,414**	216	295	511
-Unwinding of discount on allowance	(924)	(209)	**(1,133)**	(746)	(161)	(907)
Fluctuation in exchange rate	-	52	**52**	-	21	21
Closing balance	**12,669**	**59,594**	**72,263**	**11,297**	**43,208**	**54,505**

9.Available-for-sale financial assets

(1) Listed by types:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Available-for-sale debt instruments:				
Government bonds	**85,496**	82,224	**85,496**	82,224
The Central Bank bills and policy financial bonds	**17,973**	28,547	**17,973**	28,547
Bonds issued by banks and other financial institutions	**81,670**	11,426	**81,770**	11,426
Corporate bonds	**132,567**	70,466	**132,002**	68,615
Non-negotiable certificates of deposit	**60,636**	4,071	**60,636**	4,071
Trust fund plans and other equity instrument (Note 1)	**157,844**	201,689	**157,259**	201,573
Subtotal	**536,186**	398,423	**535,136**	396,456
Available-for-sale equity instruments:				
Measured at fair value	**47,797**	27,881	**54,832**	23,045
Measured at cost	**867**	330	**309**	81
Subtotal	**48,664**	28,211	**55,141**	23,126
Total available-for-sale financial assets	**584,850**	**426,634**	**590,277**	**419,582**

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

(2) Related analysis for available-for-sale financial assets at fair value in the year-end:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Available-for-sale debt instrument:				
Amortized cost	**537,691**	394,078	**536,648**	392,158
Fair value	**536,186**	398,423	**535,136**	396,456
Accumulative appropriation to other comprehensive income	**1,265**	6,670	**1,240**	6,623
Accumulative appropriation to allowance for impairment losses	**(2,770)**	(2,325)	**(2,752)**	(2,325)
Available-for-sale equity instrument:				
Cost	**47,573**	26,857	**54,554**	22,092
Fair value	**47,797**	27,881	**54,832**	23,045
Accumulative appropriation to other comprehensive income	**227**	1,029	**278**	953
Accumulative appropriation to allowance for impairment losses	**(3)**	(5)	**-**	-
Total:				
Amortized cost of debt instruments/ cost of equity instrument	**585,264**	**420,935**	**591,202**	**414,250**
Fair value	**583,983**	**426,304**	**589,968**	**419,501**
Accumulative appropriation to other comprehensive income	**1,492**	**7,699**	**1,518**	**7,576**
Accumulative appropriation to allowance for impairment losses	**(2,773)**	**(2,330)**	**(2,752)**	**(2,325)**

(3) Related analysis for available-for-sale financial assets at cost in the year-end:

UNIT: RMB Million

Investee	The Group					
	Book balance			Provision	Proportion of share in investee (%)	Cash dividends for the year
	Opening	Increase	Closing			
China Union Pay Co., Ltd.	81	-	81	-	2.13	3
Huafu Securities Co., Ltd.	180	179	359	-	4.35	17
Zijin Mining Group Holding Group Finance Co. Ltd.	25	-	25	-	5.00	5
China Trust Registration Co. Ltd.	-	60	60	-	2.00	-
Others	44	298	342	-		-
Total	**330**	**537**	**867**	**-**		**25**

UNIT: RMB Million

Investee	The Bank					
	Book balance			Provision	Proportion of share in investee (%)	Cash dividends for the year
	Opening	Increase	Closing			
China Union Pay Co., Ltd.	81	-	81	-	2.13	3
Others	-	228	228	-		-
Total	**81**	**228**	**309**	**-**		**3**

(4)Related analysis for allowance for impairment losses on available-for-sale financial assets:

UNIT: RMB Million

	The Group			The Bank		
	Available-for-sale debt instrument	Available-for-sale equity instrument	Total	Available-for-sale debt instrument	Available-for-sale equity instrument	Total
Opening	2,325	5	2,330	2,325	-	2,325
Provision/(Reversal)	445	(2)	443	427	-	427
Closing	**2,770**	**3**	**2,773**	**2,752**	**-**	**2,752**

10. Held-to-maturity investments

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Government bonds	**210,232**	170,352	**210,232**	170,252
The Central Bank bills and policy financial bonds	**414**	436	**414**	436
Bonds issued by banks and other financial institutions	**9,055**	3,951	**9,055**	3,951
Non-negotiable certificates of deposit	**7,095**	7,818	**7,095**	7,818
Corporate bonds	**23,171**	24,375	**23,171**	24,375
Subtotal	**249,967**	206,932	**249,967**	206,832
Less: Allowance for impairment losses	**(139)**	(130)	**(139)**	(130)
Net value	**249,828**	**206,802**	**249,828**	**206,702**

11. Investments classified as receivables

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Government bonds	**302,475**	167,028	**302,475**	167,028
Bonds issued by banks and other financial institutions	**8,306**	10,083	**8,306**	10,083
Corporate bonds	**42,333**	56,618	**43,092**	56,108
Wealth management products (Note 1)	**460,003**	429,400	**460,003**	429,400
Trust fund plans and others (Note 2)	**1,303,087**	1,182,050	**1,295,120**	1,176,825
Subtotal	**2,116,204**	1,845,179	**2,108,996**	1,839,444
Less: Allowance for impairment losses	**(13,403)**	(10,273)	**(13,403)**	(10,273)
Net value	**2,102,801**	**1,834,906**	**2,095,593**	**1,829,171**

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

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

12. Finance lease receivables

Set out by nature:

UNIT: RMB Million

	The Group	
	31/12/2016	31/12/2015
Finance lease receivables	**103,464**	85,188
Less: Unrealized financing income	**(10,665)**	(9,032)
Subtotal	**92,799**	76,156
Less: Allowance for impairment losses	**(2,960)**	(2,010)
- Individually assessed	**(344)**	(227)
- Collectively assessed	**(2,616)**	(1,783)
Net value	**89,839**	74,146

Listed as follows:

UNIT: RMB Million

	31/12/2016	31/12/2015
1st year subsequent to the balance sheet date	**33,862**	25,437
2nd year subsequent to the balance sheet date	**26,375**	21,697
3rd year subsequent to the balance sheet date	**18,657**	16,600
Subsequent periods	**24,570**	21,454
Subtotal	**103,464**	85,188
Unrealized financing income	**(10,665)**	(9,032)
Subtotal	**92,799**	76,156
Less: Allowance for impairment losses	**(2,960)**	(2,010)
- Individually assessed	**(344)**	(227)
- Collectively assessed	**(2,616)**	(1,783)
Net value	**89,839**	74,146
- Finance lease receivables due less than 1 year	**29,403**	22,140
- Finance lease receivables due more than 1 year	**60,436**	52,006

13. Long-term equity investments

Breakdown of long-term equity investments:

UNIT: RMB Million

			The Group							
Investee	Accounting method	Initial investment	01/01/2016	Additions	31/12/2016	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. [1]	Equity method	561	1,720	211	1,931	14.72	14.72	not applicable	-	27
Chongqing Machinery and Electronics Holding Group Finance Company Limited [2]	Equity method	114	147	7	154	19.00	19.00	not applicable	-	-
Others	Equity method	332	51	282	333			not applicable	-	-
Total			**1,918**	**500**	**2,418**				**-**	**27**

UNIT: RMB Million

			The Bank							
Investee	Accounting method	Initial investment	01/01/2016	Additions	31/12/2016	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. [(1)]	Equity method	561	1,720	211	1,931	14.72	14.72	not applicable	-	27
Industrial Bank Financial Leasing Co., Ltd. (Note VII)	Cost method	5,000	5,000	-	5,000	100.00	100.00	not applicable	-	-
China Industrial International Trust Limited (Note VII)	Cost method	6,395	6,395	-	6,395	73.00	73.00	not applicable	-	-
CIB Fund Management Co., Ltd. (Note VII)	Cost method	450	450	-	450	90.00	90.00	not applicable	-	-
Industrial Consumer Finance Co., Ltd. (Note VII)	Cost method	198	198	132	330	66.00	66.00	not applicable	-	-
Total			**13,763**	**343**	**14,106**				**-**	**27**

(1)In accordance with the YJF [2008] No.449, approved by the CBRC on 4 November, 2008, the Bank has acquired 102.2 million shares of Bank of Jiujiang Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB2.9 Yuan per share. As the result, the Bank holds 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. In 2009, Bank of Jiujiang increases 4 shares for every 10 shares to all recorded shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Bank currently holds 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increases its registered capital RMB400.66 million, offered privately and subscribed in cash for the price of RMB3.3 Yuan per share. The Bank has acquired 80.12 million shares. After the acquisition, the Bank holds 223.20 million shares and the proportion of equity interest remains 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. On 14 December 2011, Bank of Jiujiang increased its registered capital by RMB400 million, none of which was subscribed by the Bank, and the proportion of equity interest of the Bank was diluted to 14.72% after the capital increase. In 2016, Bank of Jiujiang issued 484 million shares through private placement. The Bank subscribed 71.2 million shares at the price of RMB6.87 Yuan per share. After the capital increase, the proportion of shares held by the Bank remained unchanged. As at 31 December 2016, events relating to such capital increase had not yet been approved by regulatory authorities, therefore, the Bank's payment for subscription were temporarily included in other receivables. As of this report presented to the external, events relating to such capital increase have been approved by regulatory authorities and the bank’s proportion remains unchanged. The equity investment is accounted for using the equity method for the Bank sent a director to the Bank of Jiujiang and has significant influence over the Bank of Jiujiang.

(2)Chongqing Machinery and Electronics Holding Group Finance Company Limited are the investees of China Industrial International Trust Limited's long-term investments. As China Industrial International Trust Limited holds 19% of the total shares and sends directors to the investee, China Industrial International Trust Limited has significant influence over Chongqing Machinery and Electronics Holding Group Finance Company Limited, therefore the equity investment is accounted by the equity method.

(3)There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December 2016.

14. Fixed assets

UNIT: RMB Million

	The Group				
	Buildings	Fixed assets improvement	Office equipment	Transportation vehicles	Total
Cost					
1/1/2016	9,481	891	6,121	1,072	**17,565**
Purchase	8	120	3,042	2,339	**5,509**
Transfers from constructions in progress	591	65	50	-	**706**
Sales/disposals	(227)	(17)	(337)	(348)	**(929)**
31/12/2016	9,853	1,059	8,876	3,063	**22,851**
Accumulated depreciation					
1/1/2016	1,977	371	3,596	250	**6,194**
Depreciation for the year	326	59	942	95	**1,422**
Eliminated on sales/disposals	(39)	(16)	(249)	(45)	**(349)**
31/12/2016	2,264	414	4,289	300	**7,267**
Net value					
1/1/2016	7,504	520	2,525	822	**11,371**
31/12/2016	7,589	645	4,587	2,763	**15,584**
Allowance for impairment losses					
1/1/2016	(3)	-	-	-	**(3)**
Charged for the year	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
31/12/2016	(3)	-	-	-	**(3)**
Net carrying amount					
1/1/2016	7,501	520	2,525	822	**11,368**
31/12/2016	**7,586**	**645**	**4,587**	**2,763**	**15,581**

Buildings cost RMB 1,256 million are in use but the legal ownership registrations were still in process as at 31 December, 2016 (31 December 2015: RMB 512 million).

UNIT: RMB Million

	The Bank				
	Buildings	Fixed assets improvement	Office equipment	Transportation vehicles	Total
Cost					
1/1/2016	9,448	891	6,063	416	**16,818**
Purchase	8	119	711	61	**899**
Transfers from constructions in progress	591	65	41	-	**697**
Sales/disposals	(227)	(17)	(337)	(53)	**(634)**
31/12/2016	9,820	1,058	6,478	424	**17,780**
Accumulated depreciation					
1/1/2016	1,971	371	3,570	202	**6,114**
Depreciation for the year	325	59	880	49	**1,313**
Eliminated on sales/disposals	(39)	(16)	(249)	(19)	**(323)**
31/12/2016	2,257	414	4,201	232	**7,104**
Net value					
1/1/2016	7,477	520	2,493	214	**10,704**
31/12/2016	7,563	644	2,277	192	**10,676**
Allowance for impairment losses					
1/1/2016	(3)	-	-	-	**(3)**
Charge for the year	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
31/12/2016	(3)	-	-	-	**(3)**
Net carrying amount					
1/1/2016	7,474	520	2,493	214	**10,701**
31/12/2016	**7,560**	**644**	**2,277**	**192**	**10,673**

Buildings cost RMB 1,256 million are in use but the legal ownership registrations were still in process as at 31 December, 2016 (31 December 2015: RMB 512 million).

15.Construction in progress

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

UNIT: RMB Million

	The Group					
	31/12/2016			31/12/2015		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**3,683**	**-**	**3,683**	3,492	-	3,492
Operating building, Tianjin	**724**	**-**	**724**	699	-	699
Operating building, Head office	**431**	**-**	**431**	264	-	264
Operating building, Ji'nan	**407**	**-**	**407**	407	-	407
Operating building, Qingdao	**390**	**-**	**390**	343	-	343
Operating building, Nanjing	**222**	**-**	**222**	213	-	213
Others	**533**	**-**	**533**	1,043	-	1,043
Total	**6,390**	**-**	**6,390**	**6,461**	**-**	**6,461**

UNIT: RMB Million

	The Bank					
	31/12/2016			31/12/2015		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**3,683**	**-**	**3,683**	3,492	-	**3,492**
Operating building, Tianjin	**724**	**-**	**724**	699	-	**699**
Operating building, Head office	**431**	**-**	**431**	264	-	**264**
Operating building, Ji'nan	**407**	**-**	**407**	407	-	**407**
Operating building, Qingdao	**390**	**-**	**390**	343	-	**343**
Operating building, Nanjing	**222**	**-**	**222**	213	-	**213**
Others	**531**	**-**	**531**	1,035	-	**1,035**
Total	**6,388**	**-**	**6,388**	**6,453**	**-**	**6,453**

(2) Significant changes in construction in progress are as follows:

UNIT: RMB Million

	The Group				
	2016				
	1/1/2016	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31/12/2016
Operating building, Lujiazui Shanghai	3,492	191	-	-	**3,683**
Operating building, Tianjin	699	25	-	-	**724**
Operating building, Head office	264	167	-	-	**431**
Operating building, Ji'nan	407	-	-	-	**407**
Operating building, Qingdao	343	47	-	-	**390**
Operating building, Nanjing	213	9	-	-	**222**
Others	1,043	538	706	342	**533**
Total	**6,461**	**977**	**706**	**342**	**6,390**

UNIT: RMB Million

	The Bank				
	2016				
	1/1/2016	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31/12/2016
Operating building, Lujiazui Shanghai	3,492	191	-	-	**3,683**
Operating building, Tianjin	699	25	-	-	**724**
Operating building, Head office	264	167	-	-	**431**
Operating building, Ji'nan	407	-	-	-	**407**
Operating building, Qingdao	343	47	-	-	**390**
Operating building, Nanjing	213	9	-	-	**222**
Others	1,035	531	697	338	**531**
Total	**6,453**	**970**	**697**	**338**	**6,388**

16. Goodwill

UNIT: RMB Million

	The Group				
Investee	1/1/2016	Additions	Deductions	31/12/2016	31/12/2016 Provision
China Industrial International Trust Limited	532	-	-	**532**	**-**

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Futures Limited by China Industrial International Trust Limited in March, 2015.

At the end of the year, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, applying appropriate discount rate, reflecting current time value of money and the risk of specific assets. No evidence shows that the recoverable amount of goodwill is less than the carrying amount as at December 2016, therefore no impairment is recognised.

17.Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities

UNIT: RMB Million

	The Group				The Bank			
	31/12/2016		31/12/2015		31/12/2016		31/12/2015	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets								
Impairment losses on assets	81,995	20,499	57,420	14,355	79,544	19,886	55,664	13,916
Fair value changes of financial assets at fair value through profit or loss	412	103	256	64	412	103	240	60
Accrued but not paid employee benefits	11,757	2,940	9,504	2,376	10,951	2,738	8,860	2,215
Fair value changes of available-for-sale financial assets	46	11	-	-	-	-	-	-
Fair value changes of derivative financial instruments	287	71	-	-	287	71	-	-
Fair value changes of precious metals	695	174	1,290	323	695	174	1,290	323
Others	517	130	824	206	280	70	780	195
Deferred tax assets before offset	95,709	23,928	69,294	17,324	92,169	23,042	66,834	16,709
Deferred tax liabilities								
Fair value changes of derivative financial instruments	-	-	(3,436)	(859)	-	-	(3,436)	(859)
Difference of fixed asset impairment tax	(346)	(87)	(1)	-	(346)	(87)	(1)	-
Fair value changes of available-for-sale financial assets	(1,538)	(384)	(7,699)	(1,924)	(1,518)	(379)	(7,576)	(1,894)
Fair value changes of financial assets at fair value through profit or loss	(2)	(1)	(37)	(9)	-	-	(17)	(4)
Deferred tax liabilities before offset	(1,886)	(472)	(11,173)	(2,792)	(1,864)	(466)	(11,030)	(2,757)
Net amount after offset	93,823	23,456	58,121	14,532	90,305	22,576	55,804	13,952

The tax payment of various domestic branches of Bank can be aggregated, and the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; the overseas branches being individual taxable entity, the deferred tax assets and deferred tax liabilities of the respective entity can be presented at the net amount after offset. When there is net deferred tax/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank being individual taxable entity, the deferred tax assets and deferred tax liabilities of the respective entity can be presented at the net amount after offset.

UNIT: RMB Million

	The Group	The Bank
	2016	2016
Opening balance of net value	**14,532**	**13,952**
- Deferred tax assets	**17,324**	**16,709**
- Deferred tax liabilities	**(2,792)**	**(2,757)**
Net changes of deferred tax recognised in income tax expenses	**7,373**	**7,109**
Net changes of deferred tax recognised in other comprehensive income	**1,551**	**1,515**
Closing balance of net value	**23,456**	**22,576**
- Deferred tax assets	**23,928**	**23,042**
- Deferred tax liabilities	**(472)**	**(466)**

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

18. Other assets

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Other receivables(1)	**10,686**	10,540	**6,505**	5,302
Prepaid purchase cost of finance lease assets	**16,872**	28,201	**-**	-
Foreclosed assets(2)	**424**	586	**424**	586
Items in the process of clearance and settlement	**1,224**	5,770	**1,224**	5,769
Long term prepaid expenses(3)	**1,689**	1,898	**1,646**	1,872
Net assets of defined benefit plan (Note VIII, 49.2)	**673**	356	**673**	356
Total	**31,568**	**47,351**	**10,472**	**13,885**

(1) Other receivables

Listed by aging:

UNIT: RMB Million

Account age	The Group				The Bank			
	31/12/2016		31/12/2015		31/12/2016		31/12/2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	**9,047**	**76.16**	10,822	94.21	**4,877**	**63.35**	5,595	89.54
1-2years	**2,351**	**19.79**	345	3.00	**2,340**	**30.40**	334	5.34
2-3years	**185**	**1.56**	100	0.87	**185**	**2.40**	100	1.60
Over 3 years	**296**	**2.49**	220	1.92	**296**	**3.85**	220	3.52
Subtotal	**11,879**	**100.00**	11,487	100.00	**7,698**	**100.00**	6,249	100.00
Less: Allowance for impairment losses	**(1,193)**		(947)		**(1,193)**		(947)	
Net value	**10,686**		**10,540**		**6,505**		**5,302**	

(2) Foreclosed assets

Analysed by category of the foreclosed assets

UNIT: RMB Million

	The Group and the Bank	
	31/12/2016	31/12/2015
Buildings	**396**	298
Land use rights	**48**	73
Others	**3**	224
Subtotal	**447**	595
Less: Allowance for impairment losses	**(23)**	(9)
Net value	**424**	586

(3) Long term prepaid expenses

UNIT: RMB Million

	The Group				
	1/1/2016	Additions	Transferred from construction in progress	Amortization	31/12/2016
Leasehold improvements	1,814	95	324	(664)	**1,569**
Others	84	73	18	(55)	**120**
Total	**1,898**	**168**	**342**	**(719)**	**1,689**

UNIT: RMB Million

	The Bank				
	1/1/2016	Additions	Transferred from construction in progress	Amortization	31/12/2016
Leasehold improvements	1,788	43	320	(625)	**1,526**
Others	84	73	18	(55)	**120**
Total	**1,872**	**116**	**338**	**(680)**	**1,646**

19. Allowance for impairment losses on assets

UNIT: RMB Million

	The Group					
	2016					
	1/1/2016	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	31/12/2016
Allowance for impairment losses on deposits with banks and other financial institutions	21	-	-	-	-	**21**
Allowance for impairment losses on placements with banks and other financial institutions	68	(4)	-	-	-	**64**
Allowance for impairment losses on loans and advances to customers	54,586	46,376	281	(28,847)	52	**72,448**
Allowance for impairment losses on held-to-maturity investments	130	-	-	-	9	**139**
Allowance for impairment losses on for available-for-sale financial assets	2,330	443	-	-	-	**2,773**
Allowance for impairment losses on investments classified as receivables	10,273	3,130	-	-	-	**13,403**
Allowance for impairment losses on finance lease receivables	2,010	950	-	-	-	**2,960**
Allowance for impairment losses on fixed assets	3	-	-	-	-	**3**
Allowance for impairment losses on foreclosed assets	9	14	-	-	-	**23**
Allowance for impairment losses on prepaid purchase cost of finance lease assets	742	(304)	-	-	-	**438**
Allowance for impairment losses on other assets	947	671	40	(465)	-	**1,193**
Total	**71,119**	**51,276**	**321**	**(29,312)**	**61**	**93,465**

UNIT: RMB Million

	The Bank					
	2016					
	1/1/2016	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	31/12/2016
Allowance for impairment losses on deposits with banks and other financial institutions	21	-	-	-	-	**21**
Allowance for impairment losses on placements with banks and other financial institutions	68	(4)	-	-	-	**64**
Allowance for impairment losses on loans and advances to customers	54,505	46,272	281	(28,847)	52	**72,263**
Allowance for impairment losses on held-to-maturity investments	130	-	-	-	9	**139**
Allowance for impairment losses on available-for-sale financial assets	2,325	427	-	-	-	**2,752**
Allowance for impairment losses on investments classified as receivables	10,273	3,130	-	-	-	**13,403**
Allowance for impairment losses on fixed assets	3	-	-	-	-	**3**
Allowance for impairment losses on foreclosed assets	9	14	-	-	-	**23**
Allowance for impairment losses on other assets	947	671	40	(465)	-	**1,193**
Total	**68,281**	**50,510**	**321**	**(29,312)**	**61**	**89,861**

20. Deposits from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Deposits from banks:				
Domestic banks	**689,202**	511,741	**689,202**	511,741
Foreign banks	**53,199**	35,993	**53,199**	35,993
Deposits from other financial institutions:				
Other domestic financial institutions	**978,607**	1,217,979	**986,298**	1,220,857
Total	**1,721,008**	**1,765,713**	**1,728,699**	**1,768,591**

21. Placements from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Domestic banks	**99,999**	90,365	**13,776**	8,760
Other domestic financial institutions	**4,571**	-	**4,571**	-
Overseas banks	**25,434**	13,307	**24,250**	11,508
Total	**130,004**	**103,672**	**42,597**	**20,268**

22. Financial liabilities at fair value through profit or loss

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Trading financial liabilities:				
Sold financing bonds	**459**	-	**459**	-
Financial liabilities assigned as at fair value through profit or loss	**35**	1	**-**	-
Total	**494**	**1**	**459**	**-**

23. Financial assets sold under repurchase agreements

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Bonds	**143,440**	39,980	**141,654**	39,980
Bills	**24,037**	8,036	**24,037**	8,036
Total	**167,477**	**48,016**	**165,691**	**48,016**

24. Due to customers

UNIT: RMB Million

	The Group	
	31/12/2016	31/12/2015
Demand deposits		
Corporate	**969,658**	868,426
Personal	**215,305**	194,817
Subtotal	**1,184,963**	1,063,243
Term deposits (including call deposits)		
Corporate	**1,176,856**	973,107
Personal	**135,561**	175,994
Subtotal	**1,312,417**	1,149,101
Guaranteed and margin deposits	**194,657**	268,879
Others	**2,714**	2,700
Total	**2,694,751**	**2,483,923**

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

UNIT: RMB Million

	31/12/2016	31/12/2015
Bank acceptances	**106,059**	157,023
Letter of credit	**16,328**	19,799
Guarantee	**11,004**	13,551
Others	**61,266**	78,506
Total	**194,657**	**268,879**

UNIT: RMB Million

	The Bank	
	31/12/2016	31/12/2015
Demand deposits		
Corporate	**969,750**	868,426
Personal	**215,305**	194,817
Subtotal	**1,185,055**	1,063,243
Term deposits (including call deposits)		
Corporate	**1,176,856**	973,107
Personal	**135,561**	175,994
Subtotal	**1,312,417**	1,149,101
Guaranteed and margin deposits	**194,657**	268,879
Others	**2,714**	2,700
Total	**2,694,843**	**2,483,923**

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

UNIT: RMB Million

	31/12/2016	31/12/2015
Bank acceptances	**106,059**	157,023
Letter of credit	**16,328**	19,799
Guarantee	**11,004**	13,551
Others	**61,266**	78,506
Total	**194,657**	**268,879**

25. Employee benefits payable

UNIT: RMB Million

	The Group				The Bank			
	1/1/2016	Increase	Decrease	31/12/2016	1/1/2016	Increase	Decrease	31/12/2016
Salaries and bonus	9,994	17,370	(15,136)	**12,228**	9,253	16,233	(14,366)	**11,120**
Labor union expenditure and staff educational funds	1,084	702	(441)	**1,345**	1,066	670	(425)	**1,311**
Social insurance	57	1,557	(1,447)	**167**	45	1,435	(1,332)	**148**
Housing funds	43	877	(875)	**45**	38	838	(835)	**41**
Defined contribution plans	84	2,011	(1,964)	**131**	82	1,958	(1,928)	**112**
Total	**11,262**	**22,517**	**(19,863)**	**13,916**	**10,484**	**21,134**	**(18,886)**	**12,732**

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VIII, 49.1.

26. Tax payable

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Income tax	**11,077**	7,116	**10,413**	6,516
Value added tax	**132**	2	**136**	2
Business tax	**-**	3,071	**-**	2,978
City maintenance and construction tax	**22**	216	**18**	209
Others	**257**	397	**242**	365
Total	**11,488**	**10,802**	**10,809**	**10,070**

27. Interest payable

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Interest borrowing from Central Bank	**1,565**	604	**1,565**	604
Interest deposits from banks and other financial institutions	**6,087**	7,035	**6,092**	7,048
Interest of placements from banks and other financial institutions	**732**	637	**200**	49
Interest of debt securities issued	**4,309**	2,775	**4,233**	2,704
Interest of financial assets sold under repurchase agreements	**200**	63	**200**	63
Interest due to customers	**22,679**	25,207	**22,679**	25,207
Others	**328**	122	**326**	121
Total	**35,900**	**36,443**	**35,295**	**35,796**

28. Debt securities issued

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Long term subordinated bonds	**20,951**	20,952	**20,951**	20,952
Financial bonds	**91,704**	72,908	**86,816**	67,927
Secondary capital bonds	**49,925**	19,969	**49,925**	19,969
Hybrid capital bonds	**-**	4,000	**-**	4,000
Non-negotiable certificates of deposit	**536,722**	293,996	**536,722**	293,996
Certificates of deposit	**13,810**	3,009	**13,810**	3,009
Asset-backed securities	**854**	-	**-**	-
Total	**713,966**	**414,834**	**708,224**	**409,853**

Debt securities issued by the Group include long-term subordinated bonds, financial bonds, secondary capital bonds, hybrid capital bonds and certificates of deposit. The hybrid capital bonds are issued to meet the requirement of hybrid capital instrument (debt, equity) according to the Basel Capital Accord, whose liquidation sequence is behind subordinated debts; Secondary capital bonds are issued by commercial banks to supply the secondary capital. The secondary capital bonds and the long term subordinated bonds are in the same liquidation sequence; sequence of hybrid capital bonds is behind them.

Detailed information for debt securities issued as follows:

UNIT: RMB Million

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	31/12/2016	31/12/2016
Long-term subordinate bonds				
09 CIB 02[1]	09/09/2009	Yearly	**7,995**	**7,995**
10 CIB debt[2]	29/03/2010	Yearly	**3,000**	**3,000**
11 CIB subordinated debt[3]	28/06/2011	Yearly	**10,000**	**10,000**
Less: Unamortized issuance cost			**(44)**	**(44)**
Subtotal			**20,951**	**20,951**
Financial bonds				
15 CIB 01[4]	19/01/2015	Yearly	**30,000**	**30,000**
15 CIB leasing debt 01[5]	08/06/2015	Yearly	**1,900**	**-**
15 CIB leasing debt 02[5]	20/10/2015	Yearly	**3,000**	**-**
16 CIB green financial bond 01[6]	28/01/2016	Yearly	**10,000**	**10,000**
16 CIB green financial bond 02[6]	14/07/2016	Yearly	**20,000**	**20,000**
USD medium-term notes[7]	21/09/2016	Half-year	**4,856**	**4,856**
USD medium-term notes[7]	21/09/2016	Half-year	**2,081**	**2,081**
16 CIB green financial bond 03[6]	15/11/2016	Yearly	**20,000**	**20,000**
Less: Unamortized issuance cost			**(133)**	**(121)**
Subtotal			**91,704**	**86,816**
Secondary capital bonds				
14 CIB secondary[8]	18/06/2014	Yearly	**20,000**	**20,000**
16 CIB secondary[9]	11/04/2016	Yearly	**30,000**	**30,000**
Less: Unamortized issuance cost			**(75)**	**(75)**
Subtotal			**49,925**	**49,925**

(Continued)

	The Group	The Bank
Category of bonds	31/12/2016	31/12/2016
Non-negotiable certificates of deposit		
Carrying value of Non-negotiable certificate of deposit[10]	**542,551**	**542,551**
Less: Unamortized issuance cost	**(5,829)**	**(5,829)**
Subtotal	**536,722**	**536,722**
Certificate of deposit		
Carrying value of certificate of deposit[11]	**13,778**	**13,778**
Accrued interest	**58**	**58**
Less: Unamortized issuance cost	**(26)**	**(26)**
Subtotal	**13,810**	**13,810**
Asset-backed securities		
Jinxin 2016 Series 1 leasing asset-backed security [12]	**501**	**-**
CIB trust•Xingxin series 1 asset-backed special plan[13]	**353**	**-**
Subtotal	**854**	**-**
Total	**713,966**	**708,224**

(1) In September 2009, the Group issued RMB 7,995 million subordinated bonds with a 15-year maturity, a fixed interest rate and a redemption option in the end of the tenth year. The annual coupon rate in first ten interest-bearing years is 5.17%, and the rate in late five years is 8.17% if the issuer does not exercise the option of redemption.

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

(3) In June 2011, the Group issued RMB 10,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate is 5.75% consistently.

(4) The Group issued RMB 30 billion of 3-year fixed interest rate RMB financial bonds in January 2015. The annual interest rate is 4.95%.

(5) The subsidiary China Industrial Finance Leasing Limited issued RMB 2 billion of 3-year fixed interest rate RMB financial bonds in June 2015 and RMB3 billion in October 2015. The annual interest rate is 4.2% and 3.75% respectively. As at 31 December 2016, the Bank held the "15 CIB leasing debt 01" amounting RMB 100 million issued by Industrial Bank Financial Leasing Co., Ltd.

(6) In January 2016, July 2016 and November 2016, the Group respectively issued green financial bonds of 3-year bonds amounting RMB 10,000 million, 3-year bonds amounting RMB 20,000 million and 5-year bonds amounting RMB 20 billion with fixed rate of 2.95%, 3.20% and 3.40%.

(7) In September 2016, the Group set the medium-term notes issuing plan with limit of USD 5 billion at The Stock Exchange of Hong Kong Ltd.. According to the plan, the Hong Kong branch of the Bank initially issued 3-year medium-term notes amounting USD 700 million and 5-year medium-term notes amounting USD 300 million at fixed annual rate of 2.00% and 2.375% respectively. The annual rate kept constant during the existence of bonds.

(8) In June 2014, the Group issued RMB 20,000 million subordinated bond with a 10-year maturity, a fixed interest rate and a redemption right in the end of the fifth year. The annual coupon rate is 6.15% consistently.

(9) In April 2016, the Group issued RMB 30,000 million subordinated bond with a 10-year maturity, a fixed interest rate and a redemption right at the end of the fifth year. The annual coupon rate is 3.74% consistently.

(10) As at 31 December 2016, the Bank had 374 unpaid Non-negotiable deposits with total amount of RMB 542,551 million, including 3 USD Non-negotiable deposits, of which the issued par value was USD 140 million (RMB 971 million) and the terms are less than 3 months; 371 RMB Non-negotiable deposits, of which the issued par value is RMB 541,580 million, with RMB 524,280 million due within 1 year and the rest due in 2 to 3 years. The annual rate is 2.73% to 4.80%. Except for interest of 50 interest-bearing debts being paid quarterly, the interest of rest is paid upon maturity.

(11) As at 31 December 2016, Hong Kong branch owned 34 unpaid Non-negotiable certificates of deposit, of which the amount was RMB 13,778 million and terms are all less than 1 year. The amount of 14 HKD certificates was HKD 3,770 million (RMB 3,372 million); the amount of 19 USD certificates was USD 1,428 million (RMB 9,906 million). 1 RMB certificate with issued par value of RMB500 million. The annual interest rate was between 0.90% and 4%. The interest of all certificates is paid upon maturity.

(12) The Group's subsidiary, Industrial Bank Financial Leasing Co., Ltd. issued "Jin Xin 2016 Series 1 leasing asset-backed security" amounting RMB 2,156 million in September 2016. As at 31 December 2016, the existing amount of "Jin Xin 2016 Series 1 leasing asset-backed security" is RMB1, 197 million, including RMB 239 million held by the initiator, Industrial Bank Financial Leasing Co., Ltd. and RMB 457 million held by the Bank. The amount held by the initiator and the bank has been offset in the consolidated financial statements.

(13) In December 2016, the Group's subsidiary, China Industrial International Trust Limited issued "CIB Trust• Xingxin Series 1 Asset-backed Special Plan" amounting RMB 1,424 million, including RMB71 million held by the initiator, China Industrial International Trust Limited and RMB 1,000 million held by the Bank. The amount held by the initiator and the bank has been offset in the consolidated financial statements.

29. Other liabilities

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Bank promissory notes	**1,021**	3,207	**1,021**	3,207
Items in the process of clearance and settlement	**1,980**	2,739	**1,980**	2,739
Dividend payables	**1**	9	**1**	9
Wealth management and entrusted investment fund	**138**	733	**138**	733
Deferred income	**3,175**	2,973	**1,125**	806
Other payables	**21,687**	18,913	**7,467**	6,496
Total	**28,002**	**28,574**	**11,732**	**13,990**

30. Share capital

UNIT: RMB Million

	The Group and the Bank		
	1/1/2016	Change for the year	31/12/2016
Shares without limited sales restrictions RMB ordinary shares (A shares)	16,179	2,873	**19,052**
Shares with limited sales restrictions RMB ordinary shares (A shares)	2,873	(2,873)	**-**
Total shares	**19,052**	**-**	**19,052**

As at 31 December 2016, the share capital of the Bank is RMB19,052 million (31 December 2015: RMB19,052 million) with par value of RMB1 Yuan per share.

31. Other equity instruments

The Bank are approved by CSRC to non-publicly issue domestic preference shares no further than RMB 26 billion on 24/11/2014, in which RMB 13 billion is initially issued with face value of RMB 100 per share and completed in December 2014,which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP. In June 2015, the Bank issued the second term of non-publicly domestic preference shares for RMB 13 billion, with face value of RMB 100 per share, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The Bank completed the issue of RMB 26 billion domestic preference shares, approved in November 2014, successfully in June 2015.

Outstanding preference shares in the end of the year are as follows:

				The Group and the Bank					
Outstanding financial Instrument	Time	Classification	Rate	Price RMB/ Share	Quantity RMB Million Share	Amount RMB million	Maturity Date	Conversion requirement	Condition
Preference shares	12/2014	Equity instrument	Note1	100	130	13,000	N/A	Note 3	N/A
Preference shares	06/2015	Equity instrument	Note2	100	130	13,000	N/A	Note 3	N/A

Note 1: For the first issue of the preference shares, every five year is an interest-bearing cycle from the payment deadline 8 December 2014, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 6.00% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of preference shares of this issue is not higher than annual weighted average ROE of ordinary shareholders in the last two fiscal years. The dividend rate of preference shares of this issue is the sum of benchmark interest rate and basic interest rate, the benchmark interest rate of the first interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (i.e. 3.45%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 8 December 2014 which's the date of the deadline for payment of preference shares issued (excluding the day). The benchmark interest rate adjusts every 5 years from the deadline for payment of preference shares issued. The basic interest rate is the dividend rate of first cycle deducting the benchmark interest rate, which is 2.55%. The basic interest rate will no longer be adjusted since the issue of determining. The coupon interest rate of follow-up period is current dividend benchmark interest rate plus an interest margin, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years)YTM's arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM of 5-year treasury bonds with 5-year maturity is not available on the benchmark interest adjustment day, the benchmark interest rate or determination principal will be determined under negotiations between the Bank and investors required by regulator.

Note 2: For the second issue of preference shares, every five year is an interest-bearing cycle from the payment deadline 24 June 2015, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 5.40% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of preference shares of this issue is not higher than annual weighted average ROE of ordinary shareholders in the last two fiscal years. The dividend rate of preference shares of this issue is the sum of benchmark interest rate and basic interest rate, the benchmark interest rate of the first interest-bearing cycle is national debt (which period before payment is for 5 years)YTM's arithmetic mean (i.e. 3.25%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 24 June 2015 which's the date of the deadline for payment of preference shares issued (excluding the day). The benchmark interest rate adjusts every 5 years from the deadline for payment of preference shares issued. The basic interest rate is the dividend rate of first cycle deducting the benchmark interest rate, which is 2.15%. The basic interest rate will no longer be adjusted since the issue of determining. The coupon interest rate of follow-up period is current dividend benchmark interest rate plus an interest margin, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years)YTM's arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM of 5-year national debt with 5-year maturity is not available on the benchmark interest adjustment day, the benchmark interest rate or determination principal will be determined under negotiations between the Bank and investors required by regulator.

Note 3: (1) When the Bank's core tier one capital adequacy ratio fell to 5.125%, the preference shares of this issue will be examined and decided by the CBRC in accordance with the relevant requirements of, in accordance with the full mandatory conversion price into ordinary shares of the Bank, when the preference shares converted into A shares of ordinary share, under any conditions no longer be restored to preference shares.

(2) When triggered event of the secondary capital instruments issued by the Bank occurs, the preference shares of this issue will be examined and decided by the CBRC in accordance with the relevant requirements of, in accordance with the full mandatory conversion price into ordinary shares of the Bank, when the preference shares converted into A shares of ordinary share, under any conditions no longer be restored to preference shares. Among them, the secondary capital instruments triggering event is the earlier of the following two situations: ① the CBRC identifies if it was not conversion or written down, the Bank will be unable to survive; ② Relevant departments identify if the public sectors don't inject or offer the same effect support, the Bank will not survive.

The principal terms of disclosure (applicable to first and second issue of domestic preference shares):

The Bank will pay preferred dividends in cash. The preference shares of this issue use a non-cumulative dividend payment, which means dividend that is not paid in full to preference shareholders do not accrue interest to next year. After the preference shareholders of this issue obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of profits remaining.

Under the premise of ensuring the capital adequacy ratio from the regulatory requirements, after the Bank covers losses, extracts mandatory reserve and other reserve, under the case of there still is retained earnings in the Bank's financial statements caliber, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders dividends is higher than ordinary shareholders, payment of preference shares dividends is neither linked to ratings of banks, nor adjusted with the rating changes. The Bank could cancel payment of dividend in any case, and it does not constitute an event of default. The Bank can freely cancel the dividends distribution without constituting a breach of contract. The Bank is entitled to arrange cancelled income as payment to other debts with maturity. Canceling paying dividend shall not constitute any further restrictions on the Bank except income distribution of ordinary shares. When the Bank exercises these rights, it will take full account into the interests of preference shareholders. If payment of dividend for preference shareholders is all or part canceled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issue belongs to the Bank, the Bank exercised the right of conditional redemption is under the premise of the CBRC's approval, the Bank's preference shareholders do not have the right to request redemption of preference shares and should not form expectations that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issue is the Bank A shares of ordinary share trading price on the date of 20 days before consideration by the Board of Directors of this preference shares issued, which means that mandatory initial conversion price of preference shares of this issue is RMB9.86 / share. Since the day that the issuance of preference shares program is passed by the Bank's Board of Directors, when the Bank shares change with the delivery of the stock dividend, share capital, issuance of new shares (not including any increasing share capital from conversion of financing instruments with terms that could be converted to ordinary shares) or the allotment of shares, the preference shares will be cumulatively adjusted in turn the forced conversion price in accordance with the established formula , and disclose relevant information in accordance with the provisions.

The Bank's preference shareholders are entitled with priority to ordinary shareholders of the remaining property dividing, the amount paid off is the sum of the neither canceled nor distributed dividends and the total nominal amount of the held preference shares; if it could not cover, then assign by the preference shareholders in proportion to their shareholding.

As of 30 June 2015, the Bank's net proceeds of RMB 25,905 million dollars have been all used to supplement the first level capital.

Changes of outstanding preference shares are as follows:

UNIT: RMB Million

	The Group and the Bank							
	1/1/2016		Addition		Less		31/12/2016	
	Quantity Million	Carrying value	Quantity Million	Carrying value	Quantity Million	Carrying value	Quantity Million	Carrying value
Preference shares	260	26,000	-	-	-	-	260	**26,000**
Fees		(95)		-		-		**(95)**
Total	260	25,905	-	-	-	-	260	**25,905**

Attributing to holders of equity instrument:

UNIT: RMB Million

	The Group	
	31/12/2016	31/12/2015
Equities attributable to equity holders of parent company		
Equities attributable to ordinary shareholders of parent company	**324,224**	287,743
Equities attributable to other equity holders of parent company	**25,905**	25,905
Net profit	**1,147**	51
Total comprehensive income	**1,147**	51
Distributed dividend of the period	**(1,147)**	(51)
Accumulated retained dividend	**-**	-
Equities attributable to non-controlling interests in equity	**4,281**	3,729

32. Capital reserve

UNIT: RMB Million

	The Group				The Bank			
	1/1/2016	Increase	Decrease	31/12/2016	1/1/2016	Increase	Decrease	31/12/2016
Share premium	50,828	-	-	**50,828**	51,048	-	-	**51,048**
Others	33	-	-	**33**	33	-	-	**33**
Total	**50,861**	**-**	**-**	**50,861**	**51,081**	**-**	**-**	**51,081**

33. Surplus reserve

UNIT: RMB Million

	The Group and the Bank	
	12/31/206	31/12/2015
Statutory surplus reserve	**9,527**	9,527
Discretionary surplus reserve	**297**	297
Total	**9,824**	**9,824**

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December, 2016, the Bank ceases to make appropriations as the statutory surplus reserves have reached 50% of the share capital of the Bank.

34. General and regulation reserve

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
General and regulatory reserve	**69,878**	60,665	**67,744**	59,217

Pursuant to (CJ[2012] No. 20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general and regulatory reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets, include loans and advances to customers, available-for-sale financial assets, held-to-maturity investments, investments classified as receivables, long-term equity investments, deposits with banks and other financial institutions, placements with banks and other financial institutions, foreclosed assets and other receivables and so forth. As at 31 December, 2016, the balance of the provision of general risk is 1.5% of the balance of risk-bearing assets at the end of the year. The subsidiaries of the Bank determine the general and regulatory reserve according to the regulation.

35. Retained earnings

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Opening balance	**141,656**	119,607	**135,478**	115,683
Net profit for the year	**53,850**	50,207	**50,974**	47,880
Appropriations to general and regulatory reserve	**(9,213)**	(17,247)	**(8,527)**	(17,174)
Dividends distribution of ordinary shares	**(11,622)**	(10,860)	**(11,622)**	(10,860)
Dividends distribution of preference shares	**(1,147)**	(51)	**(1,147)**	(51)
Closing balance	**173,524**	**141,656**	**165,156**	**135,478**

(1) "2016 Profit Distribution Proposal of the Bank" was approved by the Board of Directors on 27 April 2017 and submitted for approval by the annual general meeting:

(i) Appropriate of RMB 8,527 million to general and regulation reserve. As at 31 December 2016, the general and regulation reserve recommended to transfer has been included in the general and regulation reserve.

(ii) Distribute a cash dividend of RMB6.1 Yuan, per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank when this report is presented.

(iii) The interest period of preference shares issued in 2014 is from 1 January 2016 to 31 December 2016 (the annual dividend rate is 6%), the interest period of preference shares issued in 2015 is from 1 January 2016 to 31 December 2016 (the annual dividend rate is 5.4%), the preferred dividends payable is RMB1,482 million in total.

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

(2) "2015 Profit Distribution Proposal of the Bank" was approved on 23 May 2016 on the Annual General Meeting of the Bank and by the Board of directors meeting on 27 April 2016, the detailed plan are as follows:

(i) Appropriate of RMB17,174 million to general and regulation reserve. As at 31 December 2015, the general and regulation reserve recommended to transfer has been included in the general and regulation reserve.

(ii) Distribute a cash dividend of RMB6.10 Yuan per 10 shares (tax inclusive) on the basis of 19,052,336,751 ordinary shares of the Bank at the end of 2015.

(iii) The interest period of preference shares issued in 2014 is from 1 January 2015 to 31 December 2015 (the annual dividend rate is 6%), the interest period of preference shares issued in 2015 is from 24 June 2015 to 31 December 2015(the annual dividend rate is 5.4%), the preferred dividends payable is RMB 1,147 million in total.

As at 31 December 2016, the above-mentioned dividend distribution scheme has been done.

(3) Surplus reserves appropriated by subsidiaries

As at 31 December 2016, the balance of the Group's retained earnings contained surplus reserves appropriated by subsidiaries: RMB 1,074 million (31 December 2015: RMB 801 million).

36. Net interest income

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Interest income				
Balances with Central Bank	**5,898**	6,497	**5,898**	6,496
Deposits with banks and other financial institutions	**2,052**	3,894	**1,577**	3,852
Placements with banks and other financial institutions	**1,132**	2,095	**1,363**	2,170
Financial assets held under resale agreements	**4,511**	27,382	**4,450**	27,380
Loans and advances to customers	**95,505**	101,750	**94,845**	101,568
Including: Corporate	**63,544**	74,198	**63,558**	74,192
Personal	**29,346**	25,599	**28,672**	25,423
Discounted bills	**2,615**	1,953	**2,615**	1,953
Bonds and other investment	**121,147**	108,019	**119,355**	107,315
Finance lease	**4,923**	5,367	**-**	-
Others	**1,111**	968	**894**	968
Total	**236,279**	255,972	**228,382**	249,749
Interest expense				
Borrowing from Central Bank	**(3,972)**	(1,801)	**(3,972)**	(1,801)
Deposits from banks and other financial institutions	**(49,291)**	(57,897)	**(49,360)**	(57,978)
Placements from banks and other financial institutions	**(3,605)**	(3,785)	**(641)**	(243)
Financial assets sold under repurchase agreements	**(2,058)**	(2,427)	**(2,022)**	(2,420)
Due to customers	**(42,313)**	(57,422)	**(42,313)**	(57,422)
Debt securities issued	**(22,569)**	(12,673)	**(22,362)**	(12,602)
Others	**(152)**	(133)	**(41)**	(42)
Total	**(123,960)**	(136,138)	**(120,711)**	(132,508)
Net interest income	**112,319**	119,834	**107,671**	117,241
Including: Interest income accrued on impaired financial assets	**1,133**	907	**1,133**	907

37. Net fee and commission income

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Fee and commission income				
Settlement and clearing fee	**814**	658	**814**	658
Bank card fee	**7,947**	6,376	**7,947**	6,376
Agency fee	**4,537**	3,394	**4,517**	3,394
Credit commitment fee	**1,551**	1,787	**1,551**	1,787
Transactional service fee	**290**	198	**290**	198
Custodian fee	**4,345**	4,316	**4,345**	4,316
Consultancy and advisory fee	**15,243**	13,242	**14,346**	12,443
Trust service fee	**1,847**	1,631	**-**	-
Lease service fee	**1,086**	931	**-**	-
Others	**1,022**	1,059	**965**	1,028
Subtotal	**38,682**	33,592	**34,775**	30,200
Fee and commission expense				
Settlement and clearing expenses	**(427)**	(90)	**(427)**	(89)
Bank card expenses	**(1,200)**	(736)	**(1,200)**	(735)
Inter-bank expenses	**(26)**	(57)	**(26)**	(57)
Others	**(477)**	(519)	**(583)**	(533)
Subtotal	**(2,130)**	(1,402)	**(2,236)**	(1,414)
Net fee and commission income	**36,552**	32,190	**32,539**	28,786

38. Investment income

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Precious metals	**8,361**	(1,589)	**8,361**	(1,589)
Financial assets at fair value through profit of loss	**4,162**	736	**4,641**	474
Derivative financial instruments	**(4,449)**	1,757	**(4,449)**	1,757
Available-for-sale financial assets	**3,496**	2,323	**3,808**	2,131
Long-term equity investments (equity method)	**246**	275	**238**	263
Long-term equity investment (cost method)	**-**	-	**-**	219
Financial liabilities at fair value through profit of loss	**20**	(20)	**20**	(20)
Total	**11,836**	**3,482**	**12,619**	**3,235**

39. Gains (losses) from changes in fair value

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Precious metals	**595**	(1,311)	**595**	(1,311)
Financial assets at fair value through profit of loss	**(627)**	(109)	**(172)**	(93)
Derivative financial instruments	**(3,723)**	2,781	**(3,723)**	2,781
Financial liabilities at fair value through profit of loss	**(1)**	17	**(1)**	17
Total	**(3,756)**	**1,378**	**(3,301)**	**1,394**

40. Business taxes and surcharges

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Business tax	**4,132**	11,516	**3,943**	11,230
City maintenance and construction tax	**697**	813	**658**	784
Education surcharge	**471**	517	**443**	496
Others	**367**	109	**356**	107
Total	**5,667**	**12,955**	**5,400**	**12,617**

41. General and administrative expenses

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Employee benefits	**22,517**	19,784	**21,134**	18,789
Depreciation and amortization	**2,230**	1,937	**2,074**	1,890
Lease expenses	**2,741**	2,608	**2,631**	2,525
Others	**8,913**	8,520	**8,514**	8,234
Total	**36,401**	**32,849**	**34,353**	**31,438**

42. Impairment losses on assets

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Loans and advances to customers	**46,376**	37,093	**46,272**	37,013
Investments classified as receivables	**3,130**	5,039	**3,130**	5,039
Available-for-sale financial assets	**443**	1,095	**427**	1,097
Finance lease receivables	**950**	425	**-**	-
Others	**377**	1,608	**681**	1,084
Total	**51,276**	**45,260**	**50,510**	**44,233**

43. Non-operating income

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Gains from disposal of non-current assets	**39**	9	**38**	9
Including: Gains from disposal of fixed assets	**39**	1	**38**	1
Gains from disposal of foreclosed assets	**-**	8	**-**	8
Penalties and fines received	**42**	27	**42**	27
Gains from dormant accounts	**13**	6	**13**	6
Government grants	**340**	334	**109**	57
Others	**235**	185	**212**	179
Total	**669**	**561**	**414**	**278**

44. Non-operating expenses

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Losses on disposal of non-current assets	**12**	-	**12**	-
Including: Losses on disposal of fixed assets	**1**	-	**1**	-
Losses on disposal of foreclosed assets	**11**	-	**11**	-
Donation expenses	**32**	40	**30**	39
Penalties and fines paid	**35**	26	**35**	26
Others	**47**	61	**44**	57
Total	**126**	**127**	**121**	**122**

45. Income tax expenses

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Current income tax	**17,175**	16,911	**15,830**	15,730
Deferred income tax	**(7,373)**	(4,423)	**(7,109)**	(4,215)
Adjustment in respect of income tax of prior year	**(204)**	106	**(203)**	106
Total	**9,598**	**12,594**	**8,518**	**11,621**

The tax charges can be reconciled to the profit as follows:

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Accounting profit	**63,925**	63,244	**59,492**	59,501
Tax calculated at applicable statutory tax rate of 25%	**15,981**	15,811	**14,873**	14,875
Adjustments:				
Income not subject to tax	**(6,341)**	(3,549)	**(6,302)**	(3,579)
Items not deductible for tax purposes	**162**	226	**150**	219
Adjustment in respect of income tax of prior year	**(204)**	106	**(203)**	106
Total	**9,598**	**12,594**	**8,518**	**11,621**

46. Earnings per share

	The Group	
	2016	2015
Current net profit attributable to ordinary shareholders of the Bank (RMB million)	**52,703**	50,156
Weighted average ordinary shares issued by the Bank (shares in million)	**19,052**	19,052
Basic and diluted earnings per share (RMB)	**2.77**	2.63

The RMB 26,000 million preference shares of the Bank approved in November 2014 were successfully issued in June 2015. When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends announced of insurance. In addition, it had no influence on basic earnings per share and diluted earnings per share in 2016 and 2015.

47. Other comprehensive income

UNIT: RMB Million

	The Group						
	2016						
	31/12/2015	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Belong to shareholders of the bank after tax	Belong to non-controlling interests after tax	31/12/2016
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial profits/losses on defined benefit plans	(57)	27	-	-	27	-	**(30)**
Subtotal	(57)	27	-	-	27	-	**(30)**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Profit and loss arising from changes in fair value of available-for-sale financial assets	5,746	(4,618)	(1,588)	1,551	(4,627)	(28)	**1,119**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	-	-	-	-	**(4)**
Subtotal	5,742	(4,618)	(1,588)	1,551	(4,627)	(28)	**1,115**
Total	**5,685**	**(4,591)**	**(1,588)**	**1,551**	**(4,600)**	**(28)**	**1,085**

UNIT: RMB Million

	The Bank				
	2016				
	12/31/2015	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31/12/2016
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial profits/losses on defined benefit plans	(57)	27	-	-	**(30)**
Subtotal	(57)	27	-	-	**(30)**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Profit and loss arising from changes in fair value of available-for-sale financial assets	5,684	(4,545)	(1,515)	1,515	**1,139**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	-	-	**(4)**
Subtotal	5,680	(4,545)	(1,515)	1,515	**1,135**
Total	**5,623**	**(4,518)**	**(1,515)**	**1,515**	**1,105**

48. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	**54,327**	50,650	**50,974**	47,880
Add: Impairment losses on assets	**51,276**	45,260	**50,510**	44,233
Depreciation of fixed assets	**1,422**	1,260	**1,313**	1,207
Amortization of intangible assets	**89**	75	**81**	71
Amortization of long-term prepaid expenses	**719**	622	**680**	612
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(27)**	(9)	**(26)**	(9)
Interest income of bonds and other investments	**(121,147)**	(108,019)	**(119,355)**	(107,315)
Interest income of impairment financial assets	**(1,133)**	(907)	**(1,133)**	(907)
Gains (losses) from changes in fair value	**3,756**	(1,378)	**3,301**	(1,394)
Investment income	**(11,836)**	(3,482)	**(12,619)**	(3,235)
Interest expense for debt securities issued	**22,569**	12,673	**22,362**	12,602
Increase in deferred tax assets	**(6,593)**	(5,047)	**(6,333)**	(4,839)
Increase (decrease) in deferred tax liabilities	**(780)**	624	**(776)**	624
(Increase) decrease in receivables of operating activities	**(203,515)**	255,601	**(201,006)**	256,383
Increase in payables of operating activities	**413,890**	570,770	**422,916**	574,866
Net cash flow from operating activities	**203,017**	818,693	**210,889**	820,779
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**433,063**	312,352	**465,783**	310,026
Less: opening balance of cash and cash equivalents	**312,352**	357,128	**310,026**	355,278
Net increase (decrease) of cash and cash equivalents	**120,711**	(44,776)	**155,757**	(45,252)

(2) Composition of cash and cash equivalents

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Cash on hand	**5,806**	5,622	**5,806**	5,622
Balances with Central Bank that can be withdrawn on demand	**66,508**	57,994	**66,497**	57,982
Deposits with banks and other financial institutions with original maturity less than three months	**43,428**	23,431	**36,966**	21,117
Placements with banks and other financial institutions with original maturity less than three months	**5,783**	22,874	**5,783**	22,874
Financial assets held under resale agreements with original maturity less than three months	**15,517**	97,402	**13,010**	97,402
Investment with original maturity less than three months	**296,021**	105,029	**337,721**	105,029
Closing balance of cash and cash equivalents	**433,063**	**312,352**	**465,783**	**310,026**

49. Post-employment compensation

49.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except the expenses above, the Group shoulders no further payment duties. Certain expenses are charged in profit and loss of the period.

Expense recognised in profit or loss for the period:

UNIT: RMB Million

	The Group		The Bank	
	2016	2015	2016	2015
Defined contribution plans	**2,011**	1,774	**1,958**	1,757

Amount of payable in the year-end:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Defined contribution plans	**131**	84	**112**	82

49.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007. The Group invited Tower Watson Consulting Group (Shanghai) to estimate the present value. The project estimates the future cash flow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the national debt market income rate in which the period of defined benefit plans and currency on balance sheet date. Past service costs will be charged in profit and loss in the period of revising the plans. The net interest is recognized by the net liabilities or assets of defined benefit plans timing appropriate discount rate.

The profit and loss charged by related influence from defined benefit plans are RMB 290 million. Actuary profit and loss charging to other comprehensive income are RMB 27 million. Net assets of defined benefit plans are RMB 673 million at the end of the year, which is the net value of fair value of defined benefit plans duties and defined benefit plans assets, and should be charged to other assets. (Note VIII, 18).

As of 31 December 2016, the Group benefit plans set was in the period of the average benefit obligation for about 11 years (31 December 2015:11 years).

Defined benefit plan makes the Group face the actuarial risks that include interest rate risk and longevity risk. Government bond yielding down will lead to a defined benefit plan duty value added. The present value of defined benefit plan duty is calculated based on the best estimate of employees participating in the scheme of the mortality rate, and the increase in life expectancy will lead to an increase in plan liabilities.

In determining the set of major actuarial present value using the benefit plan obligations assumed discount rate, mortality rate. The discount rate is 3.25% as at 31 December 2016 (2015: 3.00%). Mortality assumptions are based on the men and women pension service table released by Chinese Insurance Regulatory Commission (China experience life table of life insurance "2000-2003"). The men and women workers retire at the age of 60 and retired at the age of 55 on average expected residual life for 22.20 years and 29.52 years respectively.

The following sensitivity analysis is based on the reasonably possible changes of corresponding hypothesis that occurring at the end of the reporting period (all other assumptions unchanged):

If the discount rate increase (decrease) by 25 basis points, then the present value of defined benefit plan duty will be reduced by RMB56 million (an increase of RMB58 million).

As part of hypothesis may have relevance, a hypothesis cannot be isolated to change, so the sensitivity analysis cannot reflect the actual changes in benefit obligations set value.

In the sensitivity analysis, the net debt of defined benefit plan and the related debt recognized in the statement of financial position share the same calculation method.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn’t change.

50. Structured entities

50.1 Consolidated structured entities

The consolidated structured entities of the Group are funds, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determine whether the consolidation is necessary based on the decision scope of asset manager, power of trust holder, reward from offering management service and the risk exposure of variable return. In 2016 and 2015, the Group didn't offer financial support to the consolidated structured entities.

50.2 Unconsolidated structured entities

50.2.1 Structured entities without the scope managed by the Group

The Group initiates and establishes structured entities which offer specific investment opportunities. Such structured entities conduct financing and investing through issuing products. The Group enjoys no control over such structured entities. Therefore, such structured entities are unconsolidated. Up to 31/12/2016 and 31/12/2015, the consolidated entities issued by the Group mainly include wealth management products, funds, asset-backed securities, trust plans and asset management plans. And the Group earns commission income mainly from offering management service to the investors of these structured entities.

In 2016 and 2015, the Group did not offer financial support to other structured entities excluded from the consolidation scope.

Up to 31 December 2016 and 31 December 2015, the information of unconsolidated structured entities initiated by the Group is listed below:

UNIT: RMB Million

	The Group		
	Scale 31/12/2016	Scale 31/12/2015	Type
Wealth management products	**1,056,671**	1,045,052	Commission income
Funds	**139,157**	73,481	Commission income
Asset-backed securities	**27,453**	29,987	Commission income
Trust plans	**935,136**	908,482	Commission income
Asset management plans	**369,786**	338,864	Commission income
Total	**2,528,203**	**2,395,866**	

In 2016, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB 14,958 million (2015: RMB12,066 million).

50.2.2 Equity enjoyed by the Group in structured entities without the scope

To utilize the capital better, the equity enjoyed by the Group in structured entities without the scope in 31 December 2016 mainly includes wealth management products, funds, asset-backed securities, trust plans and asset management plans issued or managed by the Group or individual third parties. The Group earns interest income and investment income mainly through holding these structured entities equities. The Group does not consolidate these structured entities because the Group does not control them.

The Group did not offer financial support to the structured entities above in 2016.

Up to 31 December 2016 and 31 December 2015, the information of unconsolidated structured entities in which the Group enjoys equity is listed below:

UNIT: RMB Million

	The Group							
	31/12/2016							
	Financial assets held under resale agreement	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity investments	Investments classified as receivables	Carrying value	Max risk exposure (Note 1)	Type
Funds	-	265,889	46,332	-	-	312,221	312,221	Investment income
Wealth management products	-	-	386	-	459,778	460,164	460,164	Investment income、Interest income
Trust plans	8,004	280	63,844	-	717,680	789,808	789,808	Investment income、Interest income
Asset management plans	3,302	321	95,055	-	448,617	547,295	547,295	Investment income、Interest income
Asset-backed securities	-	1,632	30,842	29	152,484	184,987	184,987	Investment income、Interest income
Total	**11,306**	**268,122**	**236,459**	**29**	**1,778,559**	**2,294,475**	**2,294,475**	

Note 1: Max loss exposure to funds, wealth management products, trust plans, asset management plans and asset-backed securities is the amortized cost or fair value recognized statement of financial position at balance sheet date.

UNIT: RMB Million

	The Group							
	31/12/2015							
	Financial assets held under resale agreement	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity investments	Investments classified as receivables	Carrying value	Max risk exposure (Note 1)	Type
Funds	-	98,692	23,069	-	-	121,761	121,761	Investment income
Wealth management products	-	500	-	-	429,185	429,685	429,685	Investment income、Interest income
Trust plans	66,898	134	79,648	-	691,274	837,954	837,954	Investment income、Interest income
Asset management plans	9,637	837	126,831	-	452,766	590,071	590,071	Investment income、Interest income
Asset-backed securities	-	-	-	592	72,992	73,584	73,584	Investment income、Interest income
Total	**76,535**	**100,163**	**229,548**	**592**	**1,646,217**	**2,053,055**	**2,053,055**	

Note 1: Max loss exposure to funds, wealth management products, trust plans, asset management plans and asset-backed securities is the amortized cost or fair value recognized in the statement of financial position at balance sheet date.

IX. SEGMENT REPORT

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

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

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

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

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch and Xining branch;

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

UNIT: RMB Million

	The Group											
	2016											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other region	Western region	Central region	Eliminations	Total
Operating income	76,272	14,255	3,895	5,041	6,770	5,129	6,274	14,744	11,431	13,249	-	**157,060**
Net interest income	52,476	9,804	2,507	2,658	5,164	3,673	5,025	10,509	9,457	11,046	-	**112,319**
Including: Net inter-segment interest income	(42,896)	2,755	3,163	4,737	5,297	2,136	3,038	6,930	8,940	5,900	-	**-**
Net fee and commission income	16,516	3,972	1,273	2,292	1,574	1,439	1,221	4,186	1,924	2,155	-	**36,552**
Other income	7,280	479	115	91	32	17	28	49	50	48	-	**8,189**
Operating expenses	(31,709)	(11,903)	(2,067)	(2,354)	(5,086)	(4,501)	(3,587)	(10,380)	(10,799)	(11,292)	-	**(93,678)**
Operating profit	44,563	2,352	1,828	2,687	1,684	628	2,687	4,364	632	1,957	-	**63,382**
Add: Non-operating income	102	64	12	28	23	17	35	250	43	95	-	**669**
Less: Non-operating expenses	(15)	(31)	(6)	(7)	(4)	(15)	(3)	(6)	(27)	(12)	-	**(126)**
Total profit	44,650	2,385	1,834	2,708	1,703	630	2,719	4,608	648	2,040	-	**63,925**
Less: Income tax expenses												**(9,598)**
Net profit												**54,327**
Segment assets	3,773,106	472,319	432,553	398,822	560,091	249,755	345,584	787,102	622,039	624,710	(2,203,642)	**6,062,439**
Including: Investment in an associate												**2,418**
Undistributed assets												**23,456**
Total assets												**6,085,895**
Segment liabilities	3,485,905	454,906	430,314	395,335	558,398	249,097	344,665	772,510	621,370	622,627	(2,203,642)	**5,731,485**
Undistributed liabilities												**-**
Total liabilities												**5,731,485**
Supplemental information												
Credit commitments	140,375	46,203	7,361	12,665	37,040	26,895	59,687	145,477	112,912	141,619	-	**730,234**
Depreciation and amortization	362	322	100	67	170	89	147	335	260	378	-	**2,230**
Capital expenditures	516	279	117	232	156	54	140	4,833	275	236	-	**6,838**

UNIT: RMB Million

The Group - continued												
2015												
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other region	Western region	Central region	Eliminations	Total
Operating income	55,861	16,229	7,465	8,226	9,184	5,811	6,930	15,017	15,146	14,479	-	**154,348**
Net interest income	41,393	11,928	5,726	6,360	7,489	4,609	5,885	11,490	12,680	12,274	-	**119,834**
Including : Net inter-segment interest income	(48,862)	2,778	5,626	7,121	6,718	2,085	3,078	6,708	7,261	7,487	-	**-**
Net fee and commission income	13,573	3,740	1,388	1,803	1,634	1,175	999	3,335	2,404	2,139	-	**32,190**
Other income	895	561	351	63	61	27	46	192	62	66	-	**2,324**
Operating expenses	(23,990)	(14,241)	(4,684)	(2,568)	(9,724)	(4,552)	(3,672)	(9,345)	(9,215)	(9,547)	-	**(91,538)**
Operating profit	31,871	1,988	2,781	5,658	(540)	1,259	3,258	5,672	5,931	4,932	-	**62,810**
Add: Non-operating income	75	39	12	17	27	13	8	306	27	37	-	**561**
Less: Non-operating expenses	(7)	(45)	(3)	(1)	(2)	(18)	(11)	(11)	(14)	(15)	-	**(127)**
Total profit	31,939	1,982	2,790	5,674	(515)	1,254	3,255	5,967	5,944	4,954	-	**63,244**
Less: Income tax expenses												**(12,594)**
Net profit												**50,650**
Segment assets	3,112,158	416,386	373,423	397,780	506,037	243,903	319,477	776,976	704,480	603,565	(2,169,837)	**5,284,348**
Including: Investment in an associate												**1,918**
Undistributed assets												**14,532**
Total assets												**5,298,880**
Segment liabilities	2,859,931	403,202	370,499	391,461	506,240	242,649	316,222	763,975	698,549	598,612	(2,169,837)	**4,981,503**
Undistributed liabilities												**-**
Total liabilities												**4,981,503**
Supplemental information												
Credit commitments	92,358	56,230	14,735	25,070	48,353	32,825	74,691	169,673	144,396	176,292	-	**834,623**
Depreciation and amortization	317	234	98	58	162	83	129	310	219	347	-	**1,957**
Capital expenditures	614	302	44	1,762	146	70	244	2,072	378	389	-	**6,021**

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related party relationship

The Group

Related parties with no controlling interest

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

Name	Economic nature	Place of registration	Registered capital RMB 100 Million	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Wang Yongli
People's Insurance Company of China[1]	Incorporated Company	Beijing	148.29	Insurance services	Wu Yan
China Life Insurance Company[1]	Incorporated Company	Beijing	257.61	Insurance services	Wu Yan
China National Tobacco Corporation[1]	Owned by the whole people	Beijing	570	Production, and sales of tobacco products	Ling Chengxing
Haisheng Investment Management Company of Fujian Tobacco[1]	Limited Company	Xiamen	26.47	Investment management	Luo Wanda
China Tobacco Hunan Investment Management Company[1]	Limited Company	Changsha	2	Investment management	Chen Guolian
The People's Insurance Company (Group) of China Limited[1]	Incorporated Company	Beijing	424.24	Investment management and insurance services	Wu Yan

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

Name of shareholders	31/12/2016		31/12/2015	
	Shares	Proportion	Shares	Proportion
	Million Shares	(%)	Million Shares	(%)
The Finance Bureau of Fujian Province	3,472	18.22	3,402	17.86
People's Insurance Company of China[(1)]	1,229	6.45	1,229	6.45
China Life Insurance Company[(1)]	1,276	6.70	1,276	6.70
China National Tobacco Corporation[(1)]	614	3.22	614	3.22
Haisheng Investment Management Company of Fujian Tobacco[(1)]	441	2.32	441	2.32
China Tobacco Hunan Investment Management Company[(1)]	226	1.19	226	1.19
The people's Insurance Company (Group) of China Limited[(1)]	174	0.91	174	0.91
Total	**7,432**	**39.01**	**7,362**	**38.65**

Notes: (1) Relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 14.06%. Both Haisheng Investment Management Company of Fujian Tobacco and China Tobacco Hunan Investment Management Company are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 6.73%.

(2) Associates

Name of related party	Economic nature	Place of Registration	Registered Capital RMB100 million	Principal activities	Legal Representative
Bank of Juijiang Co., Ltd.	Incorporated Company	Jiujiang	15.16	Financial Service	Liu Xianting
Chongqing Machinery and Electronics Holding Group Finance Company Limited	Limited Company	Chongqing	6	Financial and financing consulting service	Wang Yuxiang

(3)Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or significant influence.

2. Related party transactions

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

2.1 Interest income

UNIT: RMB Million

Related party	2016	2015
The People's Insurance Company and its subsidiaries	**133**	122
China National Tobacco Corporation and its subsidiaries	**58**	8
Bank of Jiujiang Co., Ltd.	**3**	19
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**-**	14
Other related parties	**1**	-
Total	**195**	163

2.2 Interest expense

UNIT: RMB Million

Related party	2016	2015
The Finance Bureau of Fujian Province and its subsidiaries	**551**	209
The People's Insurance Company and its subsidiaries	**80**	50
China National Tobacco Corporation and its subsidiaries	**1,545**	1,029
Bank of Jiujiang Co., Ltd.	**-**	7
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**6**	8
Other related parties	**34**	10
Total	**2,216**	**1,313**

2.3 Fee and commission income

UNIT: RMB Million

Related party	2016	2015
The Finance Bureau of Fujian Province and its subsidiaries	**10**	-
The People's Insurance Company and its subsidiaries	**7**	-
Bank of Jiujiang Co., Ltd.	**2**	5
Total	**19**	**5**

2.4 General and administrative expenses-insurance

UNIT: RMB Million

Related party	2016	2015
The People's Insurance Company and its subsidiaries	**11**	**143**

In 2016, the Bank was paid RMB 82 million in compensation from the People's Insurance Company of China (2015: RMB13 Million).

2.5 General and administrative expenses-rental expense

UNIT: RMB Million

Related party	2016	2015
China National Tobacco Corporation and its subsidiaries	**22**	**-**

3. Unsettled amount of related party transactions

3.1 Deposits with banks

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
Other related parties	**29**	**-**

3.2 Derivative financial instruments

UNIT: RMB Million

Related party	Transaction Type	31/12/2016		31/12/2015	
		Nominal amount	Assets/Liabilities	Nominal amount	Assets/Liabilities
The People's Insurance Company and its subsidiaries	Interest Rate Derivative	**730**	**(1)**	730	(5)
Other related parties	Exchange Rate Derivative	**16,734**	**(168)**	-	-
Total		**17,464**	**(169)**	**730**	**(5)**

3.3 Interest receivable

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
The People's Insurance Company and its subsidiaries	**52**	48
China National Tobacco Corporation and its subsidiaries	**2**	8
Total	**54**	**56**

3.4 Available-for-sale financial assets

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
Other related parties	**99**	-

3.5 Investments classified as receivables

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
The People's Insurance Company and its subsidiaries	**2,400**	**2,250**

All the investments classified as receivables are the bonds issued by the above-mentioned related parties.

3.6 Loans and advances to customers

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
China National Tobacco Corporation and its subsidiaries	**1,600**	7,600
Other related parties	**313**	12
Total	**1,913**	**7,612**

3.7 Deposits from banks and other financial institutions

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
Bank of Jiujiang Co., Ltd.	**20**	22
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**403**	225
Other related parties	**3,751**	645
Total	**4,174**	**892**

3.8 Due to customers

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
The Finance Bureau of Fujian Province and its subsidiaries	**13,347**	9,321
The People's Insurance Company and its subsidiaries	**10,990**	877
China National Tobacco Corporation and its subsidiaries	**45,043**	35,452
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**-**	107
Other related parties	**263**	9
Total	**69,643**	**45,766**

3.9 Interest payable

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
The Finance Bureau of Fujian Province and its subsidiaries	**203**	1
The People's Insurance Company and its subsidiaries	**43**	53
China National Tobacco Corporation and its subsidiaries	**928**	729
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**1**	1
Other related parties	**3**	-
Total	**1,178**	**784**

3.10 Credit facility

UNIT: RMB Million

Related party	31/12/2016	31/12/2015
The People's Insurance Company and its subsidiaries	**54,000**	5,000
China National Tobacco Corporation and its subsidiaries	**15,000**	8,500
Total	**69,000**	**13,500**

3.11 Off-balance sheet items

At the end of the year, the amount of letter of credit and Bank acceptance held by the subsidiaries of China National Tobacco Corporation is RMB 1,500 million and RMB 1,622 million respectively; the amount of letter of guarantee held by other related parties is RMB 1,500 million.

4. Key management personnel remuneration

UNIT: RMB Million

	2016	2015
Salary and welfare	**15**	17

XI.CONTINGENCIES AND COMMITMENTS

1. Pending Litigations

As of the balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements that needs to be disclosed.

2. Off-balance sheet items

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	31/12/2016	31/12/2015
Credit card commitments	**140,375**	92,357
Letter of credit	**79,402**	111,547
Letter of guarantee	**119,303**	132,130
Bank acceptances	**391,154**	498,589
Total	**730,234**	**834,623**

In addition, the Group also provides credit facilities to specific customers. According to the management's opinion, since such credit facilities are conditional and can be canceled, the Group is not committed to these customers for the credit risk of the unused facilities.

3. Capital commitments

UNIT: RMB Million

	Contractual amount of the Group		Contractual amount of the Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Authorized but not contracted for	-	-	-	-
Contracted but not paid for	**2,082**	2,402	**2,064**	2,381
Total	**2,082**	**2,402**	**2,064**	**2,381**

4. Operating lease commitments

As a tenant, according to the non-cancellable lease contracts, the required minimum lease payments by the Group and the Bank are as follows:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Within one year	**1,815**	2,312	**1,718**	2,247
One to five years	**3,868**	5,744	**3,737**	5,630
Over five years	**975**	536	**950**	536
Total	**6,658**	**8,592**	**6,405**	**8,413**

5. Collateral

5.1 Assets pledged

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

UNIT: RMB Million

	The Group		The Bank	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Bonds	**149,137**	43,657	**147,351**	43,657
Bills	**24,037**	8,036	**24,037**	8,036
Total	**173,174**	**51,693**	**171,388**	**51,693**

As at 31 December 2016, included in the Group's and the Bank's notes purchased under resale agreement, there was no note used for carrying out business of sale under repurchase agreement (31 December 2015: RMB 3,656 million).

(ii) On 31 December 2016, the Group and the Bank pledged RMB 1,706 million bonds to credit derivative transaction (31 December 2015: RMB 853 million).

5.2 Collateral accepted

In the resale agreement, if the counterparty of the transaction has not violated the contractual terms, the Group can sell some of the pledged assets or transfer the pledged assets in other transactions. The fair value of the pledged assets available for sale and available for pledge on 31 December 2016 is RMB3,956 million. (31 December 2015: RMB97,839 million).

6. Redemption commitment of certificate treasury bonds and saving treasury bonds

(1) The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2016 and 31 December 2015, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	31/12/2016	31/12/2015
Certificate treasury bonds and saving treasury bonds	**3,046**	2,989

The Group believes the Group's redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

(2) The Group has no announced but unissued bonds underwriting amount on 31 December 2016 and 31 December 2015.

7. Fiduciary Business

UNIT: RMB Million

	The Group and the Bank	
	31/12/2016	31/12/2015
Fiduciary deposits and loans	**618,082**	640,795
Fiduciary wealth management products	**1,056,671**	1,045,052
Fiduciary investments	**23,640**	49,717

Fiduciary deposits and loans are deposits and loans that depositor designated specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management products refer to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustee.

Fiduciary investments refers to a kind of service that the entrusted Group engaged in capital operation, investment management, investment advisory and other investment services based on the principal-agent relationship. The investment risk of fiduciary investment is borne by the trustee.

XII.OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

UNIT: RMB Million

	The Group				
	2016				
	Opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing balance
Financial assets at fair value through profit or loss	128,685	(627)	-	-	**354,595**
Derivative financial assets	13,933	2,204	-	-	**16,137**
Available-for-sale financial assets	426,304	-	1,492	443	**583,983**
Total financial assets	**568,922**	**1,577**	**1,492**	**443**	**954,715**
Financial liabilities(1)	**(10,564)**	**(5,928)**	**-**	**-**	**(16,973)**

UNIT: RMB Million

	The Bank				
	2016				
	Opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing balance
Financial assets at fair value through profit or loss	126,324	(172)	-	-	**357,893**
Derivative financial assets	13,933	2,204	-	-	**16,137**
Available-for-sale financial assets	419,501	-	1,518	427	**589,968**
Total financial assets	**559,758**	**2,032**	**1,518**	**427**	**963,998**
Financial liabilities(1)	**(10,563)**	**(5,928)**	**-**	**-**	**(16,938)**

(1)Financial liabilities include financial liabilities at fair value through profit or loss and derivative financial liabilities.

(2)The movement of assets and liabilities listed above has no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

UNIT: RMB Million

	The Group				
	2016				
	Opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing balance
Cash and balances with Central Bank	12,572	-	-	-	**17,005**
Deposits with banks and other financial institutions	19,231	-	-	-	**26,360**
Placements with banks and other financial institutions	11,071	-	-	-	**9,426**
Financial assets at fair value through profit or loss	4,149	(19)	-	-	**9,555**
Derivative financial assets	7,240	2,489	-	-	**9,729**
Financial assets purchased under resale agreement	-	-	-	-	**4,522**
Loans and advances to customers	71,438	-	-	109	**95,204**
Available-for-sale financial assets	20,696	-	(125)	-	**93,705**
Investments classified as receivables	-	-	-	-	**8,788**
Held-to-maturity investments	7,375	-	-	-	**7,482**
Finance lease receivable	1,547	-	-	-	**1,478**
Other financial assets	1,003	-	-	-	**1,960**
Total of financial assets	**156,322**	**2,470**	**(125)**	**109**	**285,214**
Financial liabilities[(1)]	**(192,002)**	**(1,607)**	**-**	**-**	**(306,259)**

UNIT: RMB Million

	The Bank				
	2016				
	Opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing balance
Cash and balances with Central Bank	12,572	-	-	-	**17,005**
Deposits with from banks and other financial institutions	19,231	-	-	-	**26,360**
Placements with banks and other financial institutions	11,474	-	-	-	**9,426**
Financial assets at fair value through profit or loss	4,149	(19)	-	-	**9,555**
Derivative financial assets	7,240	2,489	-	-	**9,729**
Financial assets purchased under resale agreement	-	-	-	-	**4,522**
Loans and advances to customers	71,438	-	-	109	**95,204**
Available-for-sale financial assets	20,696	-	(125)	-	**93,705**
Investments classified as receivables	-	-	-	-	**8,788**
Held-to-maturity investments	7,375	-	-	-	**7,482**
Other financial assets	1,002	-	-	-	**1,960**
Total of financial assets	**155,177**	**2,470**	**(125)**	**109**	**283,736**
Financial liabilities [(1)]	**(192,002)**	**(1,607)**	**-**	**-**	**(306,259)**

(1) Financial liabilities include borrowing from Central Bank, deposits from banks and other financial institutions, placement from banks and other financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, due to customers and debt securities issued, etc.

(2) The movement of assets and liabilities listed above has no inevitable relationship.

3. Transfer of Financial Assets

3.1 Asset-Backed Securities

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trusts established by the Group as an originating institution and then the special purpose trusts issues asset-backed securities to investors. The Group determines whether it combines the special purpose trusts based on whether it has power over such special purpose trusts and whether it is involved in related activities of the special purpose trusts to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

In the course of the transfer of financial assets under asset-backed securities transactions, the Group loses the use right of such financial assets. Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. According to the relevant transaction documents, the trust property is not a liquidation property when the Group dissolves or is liquidated according to law, or is declared bankrupt.

In the course of the transfer of the aforesaid financial assets, the Group has not recognized the gains or losses since the issuance consideration is same as the carrying value of the transferred financial assets. Subsequently, the Group as a financial asset service institution will charge a certain service fee.

When the Group transfers substantially all the risks (including credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognizes the aforesaid transferred financial assets. The total carrying amount of the Group's securitized financial assets at the date of transfer for the year of 2016 was RMB 76,788 million (2015: RMB 32,659 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2016, the above asset-backed securities held by the Group amounted to RMB 13,111 million (31 December 2015: RMB 5,863 million)

In addition to the aforesaid asset-backed securities transactions, the Group transferred the financial assets with a carrying amount of RMB 3,580 million (31 December 2015: Nil) in 2016. The Group did not transfer substantially all the risks (including credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors, the Group therefore did not derecognize of the aforesaid transferred financial assets. As at 31 December 2016, the aforesaid non-derecognized finance lease receivables held by the Group are RMB 1,197 million (31 December 2015: Nil), the aforesaid non-derecognized investments classified as receivables held by the Group are RMB 1,424 million (31 December 2015: Nil), and the consideration received from the transfer of financial assets amounting to RMB 854 million (31 December 2015: Nil) is presented as "debt securities issued".

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group with the counter-parities that financial assets (or financial assets that share the same substance) are settled a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group takes almost all the credit and market risks and benefit of the assets. The sold financial assets (cannot be used within the period) should not be derecognized in the financial statements of the Group, but should be regarded as guarantees because the Group retains all the risks and benefits. Besides, the Group recognizes the financial liabilities by the price received. In these trading, the counter-parties' right to the Group is not limited within the transferred financial assets.

At 31 December 2016 and 31 December 2015, the Group conducted trading of the bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VIII, 23).

Included in the repurchase agreement, the carrying value of the financial assets which had been transferred but continued to be recognized by the Group and relevant liabilities are as follows:

UNIT: RMB Million

	The Group			
	31/12/2016		31/12/2015	
	Bond	Bill	Bond	Bill
Assets carrying value	**149,137**	**24,037**	43,657	8,036
Liabilities carrying value	**143,440**	**24,037**	39,980	8,036

3.3 Transfer of non-performing loans

In 2016, the Group disposed non-performing loans of the carrying amount amounting to RMB 11,108 million (2015: RMB 26,299 million) by way of transfer to third parties. The Group has transferred substantially all the risks and rewards of ownership of the above non-performing loans, and the loans are therefore derecognized.

XIII. FINANCIAL RISK MANAGEMENT

1. Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operational risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focusing on business operation as well as risk management, established the advance, in-process and subsequent risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; taking credit risk, market risk, liquidity risk, operational risk and other risks undertaken in or by various business and customers into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the "three defences"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business line management sector form the first line of defences to conduct risk management. Operation institutions take precautions against all the business and operating risk, while business line management sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defences, which is responsible for constituting the Group's risk management regulation and policy, analysing overall risk management situation, inspecting, evaluating and supervising the compliance and effectiveness of risk management conducted by all the sectors and departments, conducting overall risk reporting, continuously improving risk management modules and instruments and strengthening independency. The internal audit department is the third line of defences. It is responsible for all process audits, continuously providing independent and prospective audit and supervision with emphasis.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including creditors' investment) and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post- lending loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the Group, it is also responsible for making basic rules for the Group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The Group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail banking line and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post lending monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

The Group set up credit granting policy under the principle of “controllable risks, aggregated resources and sustainable development” to promote reasonable layout and balanced development in respect of credit resources in industries, regions, clients and products etc. In line with the access conditions and effective control of risks, the Group has intensified its support to green financial business and accelerate the pace of development of small and medium-sized enterprises and small and medium-sized industries; and to support credit financing demands from advanced manufacturing, domestic consumption and livelihood areas in line with national industrial policies. Meanwhile, the Group cut down and exit projects with outdated production capacity so as to further promote structure optimization and adjustment of credit asset.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers’ credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and relevant guides of the CBRC, the Group developed and established customer internal rating system and had been continuously optimizing the model and system and had successfully completed the first comprehensive verification of internal rating in 2016. The internal rating model system optimization will start in 2017. Since January 2014 when the credit risk weighted assets ("CRWA") measurement system was completed and launched, the Group had the capacity to measure CRWA using internal rating junior method. The related results of internal rating had continuously entered into various risk management areas including credit management, industry entrance, limit management, loan pricing etc. As the new capital accords related projects were completed successively, the Group got promoted in capacity of identification, measurement and control of credit risk.

The Group developed risk warning system (Stage I), applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generating by level of warning indicator can be achieved and the timeliness and accuracy of risk warning can be improved effectively. The risk warning system (Stage I) realized the online posting of warning information and carried out system hard control over processes including warning adjustment, cancellation etc. and provided basic guarantee for credit management.

The Group properly handled the relations between risk management and business development, fully took advantages of internal credit rating results to formulate limitations on credit facility amount and strengthen the restriction function of those limitations and took them into practice to reconcile customer structure adjustment. Setting limitations on credit facility amount to ensure effective allocation of credit resources and prevent excessive concentration of credit loans.

The Group accurately identified risks conditions of credit asset, reasonably reflected the income after risk adjustment to guide capital allocation optimization in operation institutions and allocation of credit resources to strengthen risk awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation Method and Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by the CBRC, the Group has classified its credit asset risks into nine levels as level one(normal), level 2(normal), level 3(normal), level 4 (attention), level 5(attention), level 6(attention), sublevel, doubtful and loss. The Group has various management policies to each level.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-lending management and pledge and guarantees are the same with those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy in nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VIII 8.

3.2 Maximum exposure to credit risk

Despite any usable guarantee or pledge, and other credit enhancement measures, the max credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instrument and deducted equity instrument) plus the amount of off-balance sheet carrying value in Note XI 2. Up to 31 December 2016, the max credit risk exposure: the Group: RMB6,427,123 million (31 December 2015: RMB5,920,510 million), the Bank: RMB6,252,698 million (31 December 2015: RMB5,803,461 million).

3.3 Analysis of exposure to credit risk of the Group and the Bank about loans and advances to customers, inter-bank placements, investments and finance lease receivables

UNIT: RMB Million

	The Group				
	31/12/2016				
	Loans and advances to customers	Inter-bank placements[1]	Investments[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	27,412	85	15,528	1,177	**44,202**
Allowance for impairment losses	(12,669)	(85)	(6,700)	(344)	**(19,798)**
Net value of assets	14,743	-	8,828	833	**24,404**
Collective assessment					
Total assets	7,004	-	-	-	**7,004**
Allowance for impairment losses	(3,940)	-	-	-	**(3,940)**
Net value of assets	3,064	-	-	-	**3,064**
Past due but not impaired:					
Total assets	14,059	5,661	5,962	1,921	**27,603**
Including:					
Within 90 days	13,201	-	2,285	-	**15,486**
90 to 360 days	682	30	3,677	1,162	**5,551**
360 days to 3 years	176	5,631	-	759	**6,566**
Allowance for impairment losses	(2,161)	-	(84)	(193)	**(2,438)**
Net value of assets	11,898	5,661	5,878	1,728	**25,165**
Neither past due nor impaired:					
Total assets	2,031,339	95,333	2,972,173	89,701	**5,188,546**
Allowance for impairment losses	(53,678)	-	(9,528)	(2,423)	**(65,629)**
Net value of assets	1,977,661	95,333	2,962,645	87,278	**5,122,917**
Total of net value of assets	**2,007,366**	**100,994**	**2,977,351**	**89,839**	**5,175,550**

UNIT: RMB Million

	The Group				
	31/12/2015				
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	21,579	89	4,794	845	**27,307**
Allowance for impairment losses	(11,297)	(89)	(1,561)	(227)	**(13,174)**
Net value of assets	10,282	-	3,233	618	**14,133**
Collective assessment					
Total assets	4,404	-	-	-	**4,404**
Allowance for impairment losses	(2,090)	-	-	-	**(2,090)**
Net value of assets	2,314	-	-	-	**2,314**
Past due but not impaired:					
Total assets	23,036	9,117	2,428	897	**35,478**
Including:					
Within 90 days	20,703	2,139	2,428	-	**25,270**
90 to 360 days	2,133	6,978	-	897	**10,008**
360 days to 3 years	200	-	-	-	**200**
Allowance for impairment losses	(3,674)	-	-	(108)	**(3,782)**
Net value of assets	19,362	9,117	2,428	789	**31,696**
Neither past due nor impaired:					
Total assets	1,730,389	315,490	2,474,985	74,414	**4,595,278**
Allowance for impairment losses	(37,525)	-	(11,166)	(1,675)	**(50,366)**
Net value of assets	1,692,864	315,490	2,463,819	72,739	**4,544,912**
Total of net value of assets	**1,724,822**	**324,607**	**2,469,480**	**74,146**	**4,593,055**

UNIT: RMB Million

	The Bank			
	31/12/2016			
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Total
Impaired:				
Individual assessment				
Total assets	27,412	85	15,498	**42,995**
Allowance for impairment losses	(12,669)	(85)	(6,682)	**(19,436)**
Net value of assets	14,743	-	8,816	**23,559**
Collective assessment				
Total assets	6,898	-	-	**6,898**
Allowance for impairment losses	(3,872)	-	-	**(3,872)**
Net value of assets	3,026	-	-	**3,026**
Past due but not impaired:				
Total assets	14,001	5,661	5,962	**25,624**
Including:				
Within 90 days	13,143	-	2,285	**15,428**
90 to 360 days	682	30	3,677	**4,389**
360 days to 3 years	176	5,631	-	**5,807**
Allowance for impairment losses	(2,155)	-	(84)	**(2,239)**
Net value of assets	11,846	5,661	5,878	**23,385**
Neither past due nor impaired:				
Total assets	2,025,989	85,051	2,925,038	**5,036,078**
Allowance for impairment losses	(53,567)	-	(9,528)	**(63,095)**
Net value of assets	1,972,422	85,051	2,915,510	**4,972,983**
Total of net value of assets	**2,002,037**	**90,712**	**2,930,204**	**5,022,953**

UNIT: RMB Million

	The Bank			
	31/12/2015			
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Total
Impaired:				
Individual assessment				
Total assets	21,579	89	4,794	**26,462**
Allowance for impairment losses	(11,297)	(89)	(1,561)	**(12,947)**
Net value of assets	10,282	-	3,233	**13,515**
Collective assessment				
Total assets	4,379	-	-	**4,379**
Allowance for impairment losses	(2,082)	-	-	**(2,082)**
Net value of assets	2,297	-	-	**2,297**
Past due but not impaired:				
Total assets	23,012	9,117	2,428	**34,557**
Including:				
Within 90 days	20,678	2,139	2,428	**25,245**
90 to 360 days	2,134	3,979	-	**6,113**
360 days to 3 years	200	2,999	-	**3,199**
Allowance for impairment losses	(3,672)	-	-	**(3,672)**
Net value of assets	19,340	9,117	2,428	**30,885**
Neither past due nor impaired:				
Total assets	1,728,202	317,391	2,466,146	**4,511,739**
Allowance for impairment losses	(37,454)	-	(11,166)	**(48,620)**
Net value of assets	1,690,748	317,391	2,454,980	**4,463,119**
Total of net value of assets	**1,722,667**	**326,508**	**2,460,641**	**4,509,816**

(1) Inter-bank placements includes deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements.

(2) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt investments of investments classified as receivables.

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

- For reverse repurchase agreements, collateral mainly includes bills, loans and securities;
- For commercial loans, collateral mainly includes land, properties, equipment and shares, etc;
- For retail loans, collateral mainly includes properties.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the change in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Analysis of collateral value

3.5.1 The Group evaluates the fair value of collateral periodically

(1) As at 31 December 2016, the fair value of collateral that related to loans past due but not impaired amounted to RMB 17,776 million (31 December 2015: RMB 26,394 million). The collateral includes land, properties, equipment and shares assets etc.

(2) As at 31 December 2016, the fair value of collateral that related to loans individually assessed to be impaired amounted to RMB 23,540 million (31 December 2015: RMB 14,923 million). The collateral includes land, properties, equipment and shares assets.

3.5.2 The carrying value of foreclosed assets the Group obtained during 2016 amounted to RMB102 million (2015: RMB475 million).

3.6 Rescheduled loans

Reschedule including the extension of payment time, approval of external management plans and modification and extension of payment. After rescheduling, the customers who were overdue are now back to normal and managed with other similar customers. Rescheduled policies are made under the criteria of local management's judgement that the payment is highly possible to continue. These policies' appliance should be checked constantly. As at 31 December 2016, the carrying amount of rescheduled loans and advances to customers amounted to RMB38,954 million (31 December 2015: RMB17,808 million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB1,987 million (31 December 2015: RMB1,729 million).

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability and interest rate management policy, analyzing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate day) and the repricing date (floating interest rate) of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of the statement of financial position through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of the statement of financial position through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual reprising date or maturity date, whichever is earlier, of the financial assets and liabilities are as follows:

UNIT: RMB Million

	The Group					
	31/12/2016					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	436,078	-	-	-	21,576	**457,654**
Deposits with banks and other financial institutions	48,928	5,328	1,950	-	-	**56,206**
Placements with banks and other financial institutions	10,190	6,661	-	-	-	**16,851**
Financial assets at fair value through profit or loss	16,501	31,666	32,016	8,353	266,059	**354,595**
Derivative financial assets	-	-	-	-	16,137	**16,137**
Financial assets held under resale agreements	17,660	4,298	5,979	-	-	**27,937**
Loans and advances to customers	1,299,536	643,847	56,945	7,038	-	**2,007,366**
Available-for-sale financial assets	128,499	174,310	185,411	47,966	48,664	**584,850**
Investments classified as receivables	458,186	823,908	572,388	248,319	-	**2,102,801**
Finance lease receivables	86,419	2,962	458	-	-	**89,839**
Held-to-maturity investments	7,963	22,931	106,657	112,277	-	**249,828**
Other assets	15,869	1,710	150	290	35,335	**53,354**
Total financial assets	**2,525,829**	**1,717,621**	**961,954**	**424,243**	**387,771**	**6,017,418**
Financial liabilities:						
Borrowing from Central Bank	36,000	162,000	-	-	-	**198,000**
Deposits from banks and other financial institutions	1,470,818	247,010	2,730	450	-	**1,721,008**
Placements from banks and other financial institutions	61,021	66,268	2,715	-	-	**130,004**
Financial liabilities at fair value through profit or loss	459	8	-	-	27	**494**
Derivative financial liabilities	-	-	-	-	16,479	**16,479**
Financial assets sold under repurchase agreements	166,805	672	-	-	-	**167,477**
Due to customers	1,773,379	433,322	459,567	26,196	2,287	**2,694,751**
Debt securities issued	277,824	273,209	92,057	70,876	-	**713,966**
Other liabilities	-	-	279	308	60,140	**60,727**
Total financial liabilities	**3,786,306**	**1,182,489**	**557,348**	**97,830**	**78,933**	**5,702,906**
Net position	(1,260,477)	535,132	404,606	326,413	308,838	**314,512**

UNIT: RMB Million

	The Group					
	31/12/2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	401,804	-	-	-	16,107	**417,911**
Deposits with banks and other financial institutions	29,243	11,546	1,558	-	-	**42,347**
Placements with banks and other financial institutions	29,670	26,166	500	-	-	**56,336**
Financial assets at fair value through profit or loss	4,887	14,523	8,089	1,850	99,336	**128,685**
Derivative financial assets	-	-	-	-	13,933	**13,933**
Financial assets held under resale agreements	169,762	40,145	16,017	-	-	**225,924**
Loans and advances to customers	892,259	747,322	78,319	6,922	-	**1,724,822**
Available-for-sale financial assets	55,907	93,212	185,423	63,881	28,211	**426,634**
Investments classified as receivables	496,706	605,846	576,445	155,909	-	**1,834,906**
Finance lease receivables	71,842	1,923	381	-	-	**74,146**
Held-to-maturity investments	1,803	11,650	70,046	123,303	-	**206,802**
Other assets	28,470	18	-	-	38,122	**66,610**
Total financial assets	**2,182,353**	**1,552,351**	**936,778**	**351,865**	**195,709**	**5,219,056**
Financial liabilities:						
Borrowing from Central Bank	31,800	35,900	-	-	-	**67,700**
Deposits from banks and other financial institutions	1,286,059	471,438	7,766	450	-	**1,765,713**
Placements from banks and other financial institutions	51,817	50,370	1,485	-	-	**103,672**
Financial liabilities at fair value through profit or loss	-	-	-	-	1	**1**
Derivative financial liabilities	-	-	-	-	10,563	**10,563**
Financial assets sold under repurchase agreements	47,718	298	-	-	-	**48,016**
Due to customers	1,725,931	552,915	200,743	2,174	2,160	**2,483,923**
Debt securities issued	135,468	200,325	38,120	40,921	-	**414,834**
Other liabilities	-	30	10	-	62,004	**62,044**
Total financial liabilities	**3,278,793**	**1,311,276**	**248,124**	**43,545**	**74,728**	**4,956,466**
Net position	(1,096,440)	241,075	688,654	308,320	120,981	**262,590**

UNIT: RMB Million

	The Bank					
	31/12/2016					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	436,050	-	-	-	21,576	**457,626**
Deposits with banks and other financial institutions	41,835	1,438	-	-	-	**43,273**
Placements with banks and other financial institutions	12,098	10,011	-	-	-	**22,109**
Financial assets at fair value through profit or loss	5,945	21,527	15,893	6,282	308,246	**357,893**
Derivative financial assets	-	-	-	-	16,137	**16,137**
Financial assets held under resale agreements	15,053	4,298	5,979	-	-	**25,330**
Loans and advances to customers	1,299,324	643,379	52,296	7,038	-	**2,002,037**
Available-for-sale financial assets	128,587	174,343	184,240	47,966	55,141	**590,277**
Investments classified as receivables	455,097	822,254	569,973	248,269	-	**2,095,593**
Held-to-maturity investments	7,963	22,931	106,657	112,277	-	**249,828**
Other assets	-	-	-	-	31,554	**31,554**
Total financial assets	**2,401,952**	**1,700,181**	**935,038**	**421,832**	**432,654**	**5,891,657**
Financial liabilities:						
Borrowing from Central Bank	36,000	162,000	-	-	-	**198,000**
Deposits from banks and other financial institutions	1,478,309	247,210	2,730	450	-	**1,728,699**
Placements from banks other financial institutions	24,180	18,417	-	-	-	**42,597**
Financial liabilities at fair value through profit or loss	459	-	-	-	-	**459**
Derivative financial liabilities	-	-	-	-	16,479	**16,479**
Financial assets sold under repurchase agreements	165,021	670	-	-	-	**165,691**
Due to customers	1,773,471	433,322	459,567	26,196	2,287	**2,694,843**
Debt securities issued	277,323	273,209	86,816	70,876	-	**708,224**
Other liabilities	-	-	-	-	45,902	**45,902**
Total financial liabilities	**3,754,763**	**1,134,828**	**549,113**	**97,522**	**64,668**	**5,600,894**
Net position	(1,352,811)	565,353	385,925	324,310	367,986	**290,763**

UNIT: RMB Million

	The Bank					
	31/12/2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	401,747	-	-	-	16,107	**417,854**
Deposits with banks and other financial institutions	26,928	11,546	1,558	-	-	**40,032**
Placements with banks and other financial institutions	31,673	28,379	500	-	-	**60,552**
Financial assets at fair value through profit or loss	4,387	14,243	7,832	1,850	98,012	**126,324**
Derivative financial assets	-	-	-	-	13,933	**13,933**
Financial assets held under resale agreements	169,762	40,145	16,017	-	-	**225,924**
Loans and advances to customers	892,105	746,619	77,021	6,922	-	**1,722,667**
Available-for-sale financial assets	55,895	93,019	183,987	63,555	23,126	**419,582**
Investments classified as receivables	495,015	605,183	575,114	153,859	-	**1,829,171**
Held-to-maturity investments	1,703	11,650	70,046	123,303	-	**206,702**
Other assets	-	-	-	-	32,857	**32,857**
Total financial assets	**2,079,215**	**1,550,784**	**932,075**	**349,489**	**184,035**	**5,095,598**
Financial liabilities:						
Borrowing from Central Bank	31,800	35,900	-	-	-	**67,700**
Deposits from banks and other financial institutions	1,290,747	469,628	7,766	450	-	**1,768,591**
Placements from banks other financial institutions	15,927	4,341	-	-	-	**20,268**
Derivative financial liabilities	-	-	-	-	10,563	**10,563**
Financial assets sold under repurchase agreements	47,718	298	-	-	-	**48,016**
Due to customers	1,725,931	552,915	200,743	2,174	2,160	**2,483,923**
Debt securities issued	135,468	200,325	33,139	40,921	-	**409,853**
Other liabilities	-	-	-	-	48,980	**48,980**
Total financial liabilities	**3,247,591**	**1,263,407**	**241,648**	**43,545**	**61,703**	**4,857,894**
Net position	(1,168,376)	287,377	690,427	305,944	122,332	**237,704**

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the net interest income and other comprehensive income, based on the positions of financial assets and liabilities at the balance sheet date.

UNIT: RMB Million

	The Group			
	31/12/2016		31/12/2015	
	Net interest income increase (decrease)	Other comprehensive income increase (decrease)	Net interest income increase (decrease)	Other comprehensive income increase (decrease)
+100 basis points	**1,346**	**(5,446)**	(1,880)	(4,070)
- 100 basis points	**(1,346)**	**5,742**	1,880	4,321

UNIT: RMB Million

	The Bank			
	31/12/2016		31/12/2015	
	Net interest income increase (decrease)	Other comprehensive income increase (decrease)	Net interest income increase (decrease)	Other comprehensive income increase (decrease)
+100 basis points	**652**	**(5,437)**	(2,337)	(4,047)
- 100 basis points	**(652)**	**5,732**	2,337	4,297

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate available-for-sale financial assets at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallel. Therefore it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation. And such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD and other currencies. RMB is the functional currency. The foreign exchange rate is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The Financial Markets Department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “day time self-trading positions”. The positions are centralized to the Financial Markets Department in a timely way and managed centrally. This kind of position is relatively small compared to the Group’s asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and liabilities by currency.

UNIT: RMB Million

	The Group			
	31/12/2016			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	440,649	15,683	1,322	**457,654**
Deposits with banks and other financial institutions	29,846	21,908	4,452	**56,206**
Placements with banks and other financial institutions	7,425	8,979	447	**16,851**
Financial assets at fair value through profit or loss	345,040	9,555	-	**354,595**
Derivative financial assets	6,408	9,352	377	**16,137**
Financial assets held under resale agreements	23,415	54	4,468	**27,937**
Loans and advances to customers	1,912,162	64,743	30,461	**2,007,366**
Available-for-sale financial assets	491,145	92,030	1,675	**584,850**
Investments classified as receivables	2,094,013	7,939	849	**2,102,801**
Finance lease receivables	88,361	1,478	-	**89,839**
Held-to-maturity investments	242,346	5,226	2,256	**249,828**
Other assets	51,394	1,823	137	**53,354**
Total financial assets	**5,732,204**	**238,770**	**46,444**	**6,017,418**
Financial liabilities:				
Borrowing from Central Bank	198,000	-	-	**198,000**
Deposits from banks and other financial institutions	1,650,483	69,308	1,217	**1,721,008**
Placements from banks and other financial institutions	97,825	23,669	8,510	**130,004**
Financial liabilities at fair value through profit or loss	494	-	-	**494**
Derivative financial liabilities	13,307	825	2,347	**16,479**
Financial assets sold under repurchase agreements	161,228	5,902	347	**167,477**
Due to customers	2,524,261	127,304	43,186	**2,694,751**
Debt securities issued	692,762	17,827	3,377	**713,966**
Other liabilities	58,287	2,284	156	**60,727**
Total financial liabilities	**5,396,647**	**247,119**	**59,140**	**5,702,906**
Net position	335,557	(8,349)	(12,696)	**314,512**

UNIT: RMB Million

	31/12/2015			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	405,339	11,255	1,317	**417,911**
Deposits with banks and other financial institutions	23,116	16,796	2,435	**42,347**
Placements with banks and other financial institutions	45,265	11,071	-	**56,336**
Financial assets at fair value through profit or loss	124,536	4,105	44	**128,685**
Derivative financial assets	6,693	6,654	586	**13,933**
Financial assets held under resale agreements	225,924	-	-	**225,924**
Loans and advances to customers	1,653,384	43,615	27,823	**1,724,822**
Available-for-sale financial assets	405,938	19,586	1,110	**426,634**
Investments classified as receivables	1,834,906	-	-	**1,834,906**
Finance lease receivables	72,599	1,547	-	**74,146**
Held-to-maturity investments	199,427	6,622	753	**206,802**
Other assets	65,607	755	248	**66,610**
Total financial assets	**5,062,734**	**122,006**	**34,316**	**5,219,056**
Financial liabilities:				
Borrowing from Central Bank	67,700	-	-	**67,700**
Deposits from banks and other financial institutions	1,759,129	6,515	69	**1,765,713**
Placements from banks and other financial institutions	87,999	11,849	3,824	**103,672**
Financial liabilities at fair value through profit or loss	1	-	-	**1**
Derivative financial liabilities	8,998	732	833	**10,563**
Financial assets sold under repurchase agreements	47,998	18	-	**48,016**
Due to customers	2,322,026	119,611	42,286	**2,483,923**
Debt securities issued	411,825	1,811	1,198	**414,834**
Other liabilities	58,788	2,883	373	**62,044**
Total financial liabilities	**4,764,464**	**143,419**	**48,583**	**4,956,466**
Net position	298,270	(21,413)	(14,267)	**262,590**

UNIT: RMB Million

	The Bank			
	31/12/2016			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	440,621	15,683	1,322	**457,626**
Deposits with banks and other financial institutions	16,913	21,908	4,452	**43,273**
Placements with banks and other financial institutions	12,683	8,979	447	**22,109**
Financial assets at fair value through profit or loss	348,338	9,555	-	**357,893**
Derivative financial assets	6,408	9,352	377	**16,137**
Financial assets held under resale agreements	20,808	54	4,468	**25,330**
Loans and advances to customers	1,906,833	64,743	30,461	**2,002,037**
Available-for-sale financial assets	496,572	92,030	1,675	**590,277**
Investments classified as receivables	2,086,805	7,939	849	**2,095,593**
Held-to-maturity investments	242,346	5,226	2,256	**249,828**
Other assets	29,594	1,823	137	**31,554**
Total financial assets	**5,607,921**	**237,292**	**46,444**	**5,891,657**
Financial liabilities:				
Borrowing from Central Bank	198,000	-	-	**198,000**
Deposits from banks and other financial institutions	1,658,174	69,308	1,217	**1,728,699**
Placements from banks and other financial institutions	10,418	23,669	8,510	**42,597**
Financial liabilities at fair value through profit or loss	459	-	-	**459**
Derivative financial liabilities	13,307	825	2,347	**16,479**
Financial assets sold under repurchase agreements	159,442	5,902	347	**165,691**
Due to customers	2,524,353	127,304	43,186	**2,694,843**
Debt securities issued	687,020	17,827	3,377	**708,224**
Other liabilities	43,462	2,284	156	**45,902**
Total financial liabilities	**5,294,635**	**247,119**	**59,140**	**5,600,894**
Net position	313,286	(9,827)	(12,696)	**290,763**

UNIT: RMB Million

	31/12/2015			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	405,282	11,255	1,317	**417,854**
Deposits with banks and other financial institutions	20,801	16,796	2,435	**40,032**
Placements with banks and other financial institutions	49,078	11,474	-	**60,552**
Financial assets at fair value through profit or loss	122,175	4,105	44	**126,324**
Derivative financial assets	6,693	6,654	586	**13,933**
Financial assets held under resale agreements	225,924	-	-	**225,924**
Loans and advances to customers	1,651,229	43,615	27,823	**1,722,667**
Available-for-sale financial assets	398,886	19,586	1,110	**419,582**
Investments classified as receivables	1,829,171	-	-	**1,829,171**
Held-to-maturity investments	199,327	6,622	753	**206,702**
Other assets	31,855	755	247	**32,857**
Total financial assets	**4,940,421**	**120,862**	**34,315**	**5,095,598**
Financial liabilities:				
Borrowing from Central Bank	67,700	-	-	**67,700**
Deposits from banks and other financial institutions	1,762,007	6,515	69	**1,768,591**
Placements from banks and other financial institutions	4,595	11,849	3,824	**20,268**
Derivative financial liabilities	8,998	732	833	**10,563**
Financial assets sold under repurchase agreements	47,998	18	-	**48,016**
Due to customers	2,322,026	119,611	42,286	**2,483,923**
Debt securities issued	406,844	1,811	1,198	**409,853**
Other liabilities	45,724	2,883	373	**48,980**
Total financial liabilities	**4,665,892**	**143,419**	**48,583**	**4,857,894**
Net position	274,529	(22,557)	(14,268)	**237,704**

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses.

UNIT: RMB Million

	The Group	
	2016	2015
	Foreign exchange increase/ (decrease)	Foreign exchange increase/ (decrease)
5% appreciation	**(2,435)**	(287)
5% depreciation	**2,435**	287

UNIT: RMB Million

	The Bank	
	2016	2015
	Foreign exchange increase/ (decrease)	Foreign exchange increase/ (decrease)
5% appreciation	**(2,362)**	(230)
5% depreciation	**2,362**	230

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investments, held-for-trading precious metals investments and other bonds and derivatives linked to commodity price.

The Group believes that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The planning and financial department is responsible for: (1) drafting liquidity risk management policies and measures; (2) monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets' and liabilities' structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly; (3) analysing the liquidity risk and reporting to the assets and liability management committee regularly; and (4) daily operation of liquidity management, establishment of a cash position forecast system at the Group level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, loan-to-deposit ratio and sets alarming and security limits for each ratio. The Group also prepares general and comprehensive liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, interest rate risk and operation risk to the risk management committee of the Board of Directors for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 A maturity analysis of financial assets and liabilities of the Group as follows

The following tables are the structure analysis of non-derivative financial assets and liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group							
	31/12/2016							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	72,843	-	-	-	-	-	385,005	**457,848**
Deposits with banks and other financial institutions	30,559	13,676	8,343	3,756	-	-	21	**56,355**
Placements with banks and other financial institutions	-	7,901	2,410	6,827	-	-	64	**17,202**
Financial assets at fair value through profit or loss	265,802	6,600	8,634	34,742	39,128	15,801	702	**371,409**
Financial assets held under resale agreements	-	10,920	5,441	162	6,120	-	5,661	**28,304**
Loans and advances to customers	-	187,986	157,130	733,734	549,889	639,007	33,758	**2,301,504**
Available-for-sale financial assets	46,397	10,508	83,664	194,345	230,043	73,035	6,075	**644,067**
Investments classified as receivables	-	159,752	173,202	803,109	862,103	517,877	16,026	**2,532,069**
Financial lease receivables	-	2,880	5,240	23,954	65,251	4,350	1,789	**103,464**
Held-to-maturity investments	-	2,560	7,037	30,647	135,267	152,357	139	**328,007**
Other non-derivative financial assets	3,027	2,921	1,496	5,086	15,661	3,994	460	**32,645**
Total non-derivative financial assets	**418,628**	**405,704**	**452,597**	**1,836,362**	**1,903,462**	**1,406,421**	**449,700**	**6,872,874**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	10,312	26,413	162,824	-	-	-	**199,549**
Deposits from banks and other financial institutions	491,813	474,313	512,516	253,407	3,054	550	-	**1,735,653**
Placements from banks and other financial institutions	-	18,275	43,963	65,185	5,223	-	-	**132,646**
Financial liabilities at fair value through profit or loss	26	-	460	-	9	-	-	**495**
Financial assets sold under repurchase agreements	-	149,986	17,158	678	-	-	-	**167,822**
Due to customers	1,308,657	186,730	212,655	525,804	502,066	27,012	-	**2,762,924**
Debt securities issued	-	91,932	152,345	309,582	128,229	85,809	-	**767,897**
Other non-derivative financial liabilities	9,715	1,675	1,000	3,792	7,145	1,490	10	**24,827**
Total non-derivative financial liabilities	**1,810,211**	**933,223**	**966,510**	**1,321,272**	**645,726**	**114,861**	**10**	**5,791,813**
Net position	(1,391,583)	(527,519)	(513,913)	515,090	1,257,736	1,291,560	449,690	**1,081,061**

UNIT: RMB Million

	31/12/2015							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	64,289	-	-	-	-	-	353,802	**418,091**
Deposi0ts with banks and other financial institutions	21,311	4,285	3,687	11,773	1,558	-	21	**42,635**
Placements with banks and other financial institutions	-	17,485	12,624	26,805	514	-	68	**57,496**
Financial assets at fair value through profit or loss	99,182	2,225	2,633	13,142	12,594	5,780	209	**135,765**
Financial assets held under resale agreements	-	118,221	47,997	43,249	16,596	-	4,819	**230,882**
Loans and advances to customers	-	202,204	139,950	691,924	551,681	427,199	35,311	**2,048,269**
Available-for-sale financial assets	26,308	9,296	44,034	95,114	236,736	70,892	1,392	**483,772**
Investments classified as receivables	-	264,884	204,287	673,126	712,454	217,412	5,795	**2,077,958**
Financial lease receivables	-	2,185	4,193	18,470	56,273	3,477	589	**85,187**
Held-to-maturity investments	-	1,455	1,803	18,506	97,926	167,290	130	**287,110**
Other non-derivative financial assets	1,851	6,039	5,091	6,484	22,476	2,416	653	**45,010**
Total non-derivative financial assets	**212,941**	**628,279**	**466,299**	**1,598,593**	**1,708,808**	**894,466**	**402,789**	**5,912,175**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	20,337	11,947	36,021	-	-	-	**68,305**
Deposits from banks and other financial institutions	604,730	334,648	352,516	482,548	8,478	551	-	**1,783,471**
Placements from banks and other financial institutions	-	21,763	28,383	52,592	2,567	1,242	-	**106,547**
Financial liabilities at fair value through profit or loss	-	-	-	-	1	-	-	**1**
Financial assets sold under repurchase agreements	-	26,843	21,062	301	-	-	-	**48,206**
Due to customers	1,159,751	259,285	281,913	603,096	230,145	2,518	-	**2,536,708**
Debt securities issued	-	22,579	115,410	207,795	80,439	10,575	-	**436,798**
Other non-derivative financial liabilities	11,047	4,149	467	1,800	7,128	1,132	29	**25,752**
Total non-derivative financial liabilities	**1,775,528**	**689,604**	**811,698**	**1,384,153**	**328,758**	**16,018**	**29**	**5,005,788**
Net position	(1,562,587)	(61,325)	(345,399)	214,440	1,380,050	878,448	402,760	**906,387**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances with Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements and financial assets at fair

value through profit or loss, etc.. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition, the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

UNIT: RMB Million

	The Bank							
	31/12/2016							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	72,842	-	-	-	-	-	384,977	**457,819**
Deposits with banks and other financial institutions	27,046	10,091	4,731	1,469	-	-	21	**43,358**
Placements with banks and other financial institutions	-	8,687	3,603	10,274	-	-	64	**22,628**
Financial assets at fair value through profit or loss	308,246	2,224	2,903	22,795	18,948	12,249	600	**367,965**
Financial assets held under resale agreements	-	8,920	4,832	162	6,120	-	5,661	**25,695**
Loans and advances to customers	-	187,644	156,460	731,411	547,786	639,007	33,609	**2,295,917**
Available-for-sale financial assets	54,832	10,071	82,793	194,227	228,652	73,035	5,487	**649,097**
Investments classified as receivables	-	159,685	170,104	801,288	859,553	517,817	16,026	**2,524,473**
Held-to-maturity investments	-	2,560	7,037	30,647	135,267	152,357	139	**328,007**
Other non-derivative financial assets	1,302	2,277	1,117	863	2,577	266	-	**8,402**
Total non-derivative financial assets	**464,268**	**392,159**	**433,580**	**1,793,136**	**1,798,903**	**1,394,731**	**446,584**	**6,723,361**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	10,312	26,413	162,824	-	-	-	**199,549**
Deposits from banks and other financial institutions	495,055	478,215	512,872	253,617	3,054	550	-	**1,743,363**
Placements with banks and other financial institutions	-	7,328	17,315	18,434	-	-	-	**43,077**
Financial liabilities at fair value through profit or loss	-	-	460	-	-	-	-	**460**
Financial assets sold under repurchase agreements	-	148,205	17,154	677	-	-	-	**166,036**
Due to customers	1,308,749	186,730	212,655	525,804	502,066	27,012	-	**2,763,016**
Debt securities issued	-	91,932	152,228	308,710	122,868	85,809	-	**761,547**
Other non-derivative financial liabilities	6,875	1,490	877	833	456	76	-	**10,607**
Total non-derivative financial liabilities	**1,810,679**	**924,212**	**939,974**	**1,270,899**	**628,444**	**113,447**	**-**	**5,687,655**
Net position	(1,346,411)	(532,053)	(506,394)	522,237	1,170,459	1,281,284	446,584	**1,035,706**

UNIT: RMB Million

	31/12/2015							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	64,289	-	-	-	-	-	353,745	**418,034**
Deposits with banks and other financial institutions	18,996	4,285	3,687	11,773	1,558	-	21	**40,320**
Placements with banks and other financial institutions	-	18,549	13,603	29,048	514	-	68	**61,782**
Financial assets at fair value through profit or loss	98,012	2,180	2,128	13,025	12,102	5,780	100	**133,327**
Financial assets held under resale agreements	-	118,221	47,997	43,249	16,596	-	4,819	**230,882**
Loans and advances to customers	-	202,039	139,616	690,593	550,963	427,199	35,267	**2,045,677**
Available-for-sale financial assets	23,045	8,203	43,919	94,904	234,886	70,138	1,143	**476,238**
Investments classified as receivables	-	264,877	202,586	672,166	710,403	215,347	5,795	**2,071,174**
Held-to-maturity investments	-	1,355	1,803	18,506	97,926	167,290	130	**287,010**
Other non-derivative financial assets	420	6,210	3,028	782	485	83	419	**11,427**
Total non-derivative financial assets	**204,762**	**625,919**	**458,367**	**1,574,046**	**1,625,433**	**885,837**	**401,507**	**5,775,871**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	20,337	11,947	36,021	-	-	-	**68,305**
Deposits from banks and other financial institutions	611,379	333,638	351,566	480,738	8,478	551	-	**1,786,350**
Placements from banks and other financial institutions	-	9,861	6,098	4,393	-	-	-	**20,352**
Financial assets sold under repurchase agreements	-	26,843	21,062	301	-	-	-	**48,206**
Due to customers	1,159,751	259,285	281,913	603,096	230,145	2,518	-	**2,536,708**
Debt securities issued	-	22,579	115,410	207,598	75,046	10,575	-	**431,208**
Other non-derivative financial liabilities	7,953	4,108	238	488	358	39	-	**13,184**
Total non-derivative financial liabilities	**1,779,083**	**676,651**	**788,234**	**1,332,635**	**314,027**	**13,683**	**-**	**4,904,313**
Net position	(1,574,321)	(50,732)	(329,867)	241,411	1,311,406	872,154	401,507	**871,558**

5.2 Liquidity risk analysis of derivative instruments

(i) Derivative settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives and credit derivatives, etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	31/12/2016					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	13	4	56	315	-	**388**
Exchange rate derivatives	-	-	(8)	-	-	**(8)**
Other derivatives	-	-	69	16	-	**85**
Total	**13**	**4**	**117**	**331**	**-**	**465**

	31/12/2015					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	2	18	16	(38)	-	**(2)**
Other derivatives	-	-	15	9	-	**24**
Total	**2**	**18**	**31**	**(29)**	**-**	**22**

(ii) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives and precious metals derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	31/12/2016					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	369,626	311,882	407,056	10,609	-	**1,099,173**
- Cash outflow	(369,732)	(312,597)	(406,693)	(10,625)	-	**(1,099,647)**
Other derivatives						
- Cash inflow	7,403	15,890	13,313	5,224	-	**41,830**
- Cash outflow	(6,899)	(11,981)	3,655	(364)	-	**(15,589)**
Total	**398**	**3,194**	**17,331**	**4,844**	**-**	**25,767**

UNIT: RMB Million

	31/12/2015					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	343,170	211,488	360,267	3,667	-	**918,592**
- Cash outflow	(343,049)	(211,349)	(359,445)	(3,674)	-	**(917,517)**
Other derivatives						
- Cash inflow	2,221	7,282	37,168	2,699	-	**49,370**
- Cash outflow	(1,451)	(845)	(4,051)	-	-	**(6,347)**
Total	**891**	**6,576**	**33,939**	**2,692**	**-**	**44,098**

5.3 Off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitment, letter of credit, letter of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

UNIT: RMB Million

	The Group and the Bank							
	31/12/2016				31/12/2015			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	140,375	-	-	140,375	92,357	-	-	**92,357**
Letter of credit	79,091	311	-	79,402	111,072	475	-	**111,547**
Letter of guarantee	43,200	29,965	46,138	119,303	39,805	38,927	53,398	**132,130**
Bank acceptances	391,154	-	-	391,154	498,589	-	-	**498,589**
Total	**653,820**	**30,276**	**46,138**	**730,234**	**741,823**	**39,402**	**53,398**	**834,623**

6. Capital Management

During the year, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking Regulatory Commission Administrative Measures for the Capital of Commercial Banks (for Trial Implementation). As per "2011-2015 Development Strategy Plan" and "2014-2016 Capital Adequacy Standards Planning of Transition Period", the Group will achieve healthy and sustainable development as well as make sure capital adequacy ratio meet requirements by well performing capital management policies.

In 2016, on the basis of balance among assets growth, capital demand and capital supplementing channels, as well as fully demonstrated the necessity and feasibility of capital supplementing, the Group successfully issued tier 2 capital bonds amounting RMB 30,000 million for supplementing tier 2 capital. After the capital supplementing, the Group's capital structure was further optimized, with capital adequacy ratio promoted, and risk resistance capacity and capacity of serving real economy further enhanced.

The Group implemented capital intensive operation and management to continuously improve and optimize risk-weighted asset amount allocation and governing system. Oriented by risk-weighted asset yields, the Group makes overall arrangements of risk-weighted assets scale among all operation institutions and business lines to reasonably adjust industry structure and promote capital allocation and strengthen capital internalization capability.

According to related guidelines of the CBRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group monitors its capital adequacy and capital application in real time. As at 31 December 2016, the Group's net core tier one capital, net tier one capital and net capital are RMB 325,169 million, RMB 351,088 million and RMB 456,958 million, respectively.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair value are measured through appropriate method and parameters, and regularly reviewed by the board of directors to keep its applicability.

When recognizing the fair value of the financial instrument, to those financial instruments which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognizes the fair value and classifies it to level 1.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. The Group uses internal or external professionals to estimate the value with techniques including Black-Scholes option pricing model for option derivative financial instrument and discounted cash flow model for non-derivative financial instrument and part of the derivative financial instrument (including interest swaps, forward foreign exchange etc.) which cannot obtain prices in the active market. The main parameters used in the discounted cash flow model include the recent trading price, the relevant yield curve, exchange rates, prepayment rates and counterparty credit spreads, the main parameters of Black-Scholes option pricing model used include relevant yield curve, exchange rates, fluctuations level, and counterparty credit spreads, etc.

To loans and advances to customers and part of investments classified as receivables, their fair value is based on discounted cash flow model, and confirmed by unobservable discount rate which reflects credit risk. Such financial instruments are classified to level 3.

To unlisted equity (private equity) owned by the Group, the measure of fair value may adopt the unobservable input parameters which have significant influence over the estimation. Therefore, such financial instruments are classified to level 3. The management estimates the fair value of level 3 financial instruments by a series of method, including unobservable parameters such as discount rate which lacks market liquidity. If one or more unobservable parameters change based on reasonably possible alternative hypothesis, the fair value of such financial instruments will changed accordingly. The Group has established related internal control process in order to supervise the exposure of the financial instrument.

7.2 Financial assets and financial liabilities at fair value on recurring basis

For financial assets and financial liabilities at fair value on recurring basis, three levels of fair value measurement are analysed as follows:

UNIT: RMB Million

	The Group							
	31/12/2016				31/12/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Financial assets at fair value through profit or loss	265,802	88,793	-	354,595	99,182	29,503	-	**128,685**
Derivative financial assets	-	16,137	-	16,137	-	13,933	-	**13,933**
Available-for-sale financial assets	46,397	380,128	157,458	583,983	26,308	198,307	201,689	**426,304**
Total	**312,199**	**485,058**	**157,458**	**954,715**	**125,490**	**241,743**	**201,689**	**568,922**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	26	468	-	494	-	1	-	**1**
Derivative financial liabilities	-	16,479	-	16,479	-	10,563	-	**10,563**
Total	**26**	**16,947**	**-**	**16,973**	**-**	**10,564**	**-**	**10,564**

UNIT: RMB Million

	The Bank							
	31/12/2016				31/12/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Financial assets at fair value through profit or loss	308,246	49,647	-	357,893	98,012	28,312	-	**126,324**
Derivative financial assets	-	16,137	-	16,137	-	13,933	-	**13,933**
Available-for-sale financial assets	54,832	377,877	157,259	589,968	23,045	194,883	201,573	**419,501**
Total	**363,078**	**443,661**	**157,259**	**963,998**	**121,057**	**237,128**	**201,573**	**559,758**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	-	459	-	459	-	-	-	**-**
Derivative financial liabilities	-	16,479	-	16,479	-	10,563	-	**10,563**
Total	**-**	**16,938**	**-**	**16,938**	**-**	**10,563**	**-**	**10,563**

There are no transfers from Level 1 and Level 2 to Level 3, and no transfers between Level 1 and Level 2 for the fair value measurements of the Group's financial instruments in 2016 and in 2015.

Information of Level 2:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2016	Fair value in 31/12/2015	Valuation Tech	Inputs
Financial assets:				
Debt instrument investments	467,194	225,753	Discounted cash flow method	Yield rate of bonds
Equity instrument investments	1,727	2,057	Discounted cash flow method	Weighted average capital cost
Derivative financial instruments	16,137	13,933	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**485,058**	**241,743**		
Financial liabilities:				
Debt instrument investments	468	1	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	16,479	10,563	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**16,947**	**10,564**		

	The Bank			
	Fair value in 31/12/2016	Fair value in 31/12/2015	Valuation Tech	Inputs
Financial assets:				
Debt instrument investments	427,524	223,195	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	16,137	13,933	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**443,661**	**237,128**		
Financial liabilities:				
Debt instrument investments	459	-	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	16,479	10,563	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**16,938**	**10,563**		

Information of Level 3:

UNIT: RMB Million

	The Group		
	Fair value in 31/12/2016	Fair value in 31/12/2015	Value Tech
Debt instrument investment	**157,458**	201,689	Discounted cash flow method

UNIT: RMB Million

	The Bank		
	Fair value in 31/12/2016	Fair value in 31/12/2015	Value Tech
Debt instrument investment	**157,259**	201,573	Discounted cash flow method

As for these debt instruments, using the discounted cash flow model for evaluating, the main significant unobservable inputs is the discount rate, the weighted average of 5.24%(31 December 2015: 5.83%), and the significant unobservable inputs are inversely proportional to the fair value.

Adjustment of financial assets and liabilities in level 3 at fair value:

UNIT: RMB Million

Available-for-sale financial assets	The Group	
	31/12/2016	31/12/2015
Opening	**201,689**	146,179
Total profit and loss	**6,399**	12,280
Interest income	**6,399**	12,280
Bought/sold	**61,034**	181,935
Settle	**(105,265)**	(126,425)
Closing	**157,458**	**201,689**
Unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-

UNIT: RMB Million

Available-for-sale financial assets	The Bank	
	31/12/2016	31/12/2015
Opening	**201,573**	145,959
Total profit and loss	**6,287**	12,203
Interest income	**6,287**	12,203
Bought/sold	**60,871**	181,840
Settle	**(105,185)**	(126,226)
Closing	**157,259**	**201,573**
Unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**-**	**-**

7.3 Financial assets and liabilities measured not by fair value

The table below shows the carrying value of financial assets and financial liabilities at non-fair value and the corresponding fair value on the balance sheet date. The carrying value approximates the fair value of financial assets and financial liabilities, such as balance with the Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, borrowing from the Central Bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements not included in the table below.

UNIT: RMB Million

	The Group			
	31/12/2016		31/12/2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to customers	**2,007,366**	**2,008,311**	1,724,822	1,727,210
Held-to-maturity investments	**249,828**	**259,596**	206,802	216,130
Investments classified as receivables	**2,102,801**	**2,096,135**	1,834,906	1,836,671
Total	**4,359,995**	**4,364,042**	**3,766,530**	**3,780,011**
Financial liabilities:				
Due to customers	**2,694,751**	**2,698,569**	2,483,923	2,492,458
Debt securities issued	**713,966**	**712,117**	414,834	417,158
Total	**3,408,717**	**3,410,686**	**2,898,757**	**2,909,616**

UNIT: RMB Million

	The Bank			
	31/12/2016		31/12/2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to customers	**2,002,037**	**2,002,980**	1,722,667	1,725,037
Held-to-maturity investments	**249,828**	**259,596**	206,702	216,030
Investments classified as receivables	**2,095,593**	**2,088,927**	1,829,171	1,830,937
Total	**4,347,458**	**4,351,503**	**3,758,540**	**3,772,004**
Financial liabilities:				
Due to customers	**2,694,843**	**2,698,661**	2,483,923	2,492,458
Debt securities issued	**708,224**	**706,374**	409,853	412,121
Total	**3,403,067**	**3,405,035**	**2,893,776**	**2,904,579**

Level of financial assets and liabilities measured not by fair value on balance sheet date:

UNIT: RMB Million

	The Group			
	31/12/2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,008,311	2,008,311
Held-to-maturity investments	-	259,596	-	259,596
Investments classified as receivables	-	346,195	1,749,940	2,096,135
Total	**-**	**605,791**	**3,758,251**	**4,364,042**
Financial liabilities:				
Due to customers	-	2,698,569	-	2,698,569
Debt securities issued	-	712,117	-	712,117
Total	**-**	**3,410,686**	**-**	**3,410,686**

UNIT: RMB Million

	The Group			
	31/12/2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	1,727,210	**1,727,210**
Held-to-maturity investments	-	216,130	-	**216,130**
Investments classified as receivables	-	234,955	1,601,716	**1,836,671**
Total	**-**	**451,085**	**3,328,926**	**3,780,011**
Financial liabilities:				
Due to customers	-	2,492,458	-	**2,492,458**
Debt securities issued	-	417,158	-	**417,158**
Total	**-**	**2,909,616**	**-**	**2,909,616**

UNIT: RMB Million

	The Bank			
	31/12/2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,002,980	**2,002,980**
Held-to-maturity investments	-	259,596	-	**259,596**
Investments classified as receivables	-	346,954	1,741,973	**2,088,927**
Total	**-**	**606,550**	**3,744,953**	**4,351,503**
Financial liabilities:				
Due to customers	-	2,698,661	-	**2,698,661**
Debt securities issued	-	706,374	-	**706,374**
Total	**-**	**3,405,035**	**-**	**3,405,035**

UNIT: RMB Million

	The Bank			
	31/12/2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	1,725,037	**1,725,037**
Held-to-maturity investments	-	216,030	-	**216,030**
Investments classified as receivables	-	234,445	1,596,492	**1,830,937**
Total	**-**	**450,475**	**3,321,529**	**3,772,004**
Financial liabilities:				
Due to customers	-	2,492,458	-	**2,492,458**
Debt securities issued	-	412,121	-	**412,121**
Total	**-**	**2,904,579**	**-**	**2,904,579**

Quantitative information of level 2, 3 at fair value:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2016	Fair value in 31/12/2015	Valuation Tech	Inputs
Loans and advances to customers	**2,008,311**	1,727,210	Discounted cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	**259,596**	216,130	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**2,096,135**	1,836,671	Discounted cash flow method	Default rate, loss given default, discount rate
Due to customers	**2,698,569**	2,492,458	Discounted cash flow method	Market deposit rate
Debt securities issued	**712,117**	417,158	Discounted cash flow method	Yield rate of bonds
Total	**7,774,728**	**6,689,627**		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2016	Fair value in 31/12/2015	Valuation Tech	Inputs
Loans and advances to customers	**2,002,980**	1,725,037	Discounted cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	**259,596**	216,030	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**2,088,927**	1,830,937	Discounted cash flow method	Default rate, loss given default; discount rate
Due to customers	**2,698,661**	2,492,458	Discounted cash flow method	Market deposit rate
Debt securities issued	**706,374**	412,121	Discounted cash flow method	Yield rate of bonds
Total	**7,756,538**	**6,676,583**		

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XIV. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

On 31 March 2017, the Bank privately placed 1,721,854,000 A-shares to the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation, Yango Holdings Group and Fujian Investment and Development Group Co., Ltd., with the total raised funds amounting to RMB 25,999,995,400.00. After deducting the issuance expenses of RMB 105,748,295.15, the net funds raised from this private placement was RMB 25,894,247,104.85. The above mentioned new share capital has been verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP and a capital verification report De Shi Bao (Yan) Zi (17) No. 00187 has been issued. The shares of this private placement subscribed by Fujian Provincial Department of Finance, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation, are not allowed for transfer within 60 months from the completion date of issuance. The shares of this private placement subscribed by Yango Holdings Group and Fujian Investment and Development Group Co., Ltd. are not allowed for transfer within 36 months from the completion date of issuance.

XV. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 27 April 2017.

SUPPLEMENTARY INFORMATION

YEAR 2016

1. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss (2008) (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

UNIT: RMB Million

	The Group	
	2016	2015
Gains and losses on the disposal of non-current assets	**27**	9
Government grants recognised in profit or loss	**340**	334
Recovery of assets written-off in previous years	**1,414**	531
Net non-operating income and expenses in addition to the above	**176**	91
Subtotal	**1,957**	965
Impact on income tax expenses	**(501)**	(252)
Total	**1,456**	**713**
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**1,451**	714
Total non-recurring profit or loss attributable to non-controlling interests	**5**	(1)
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**51,252**	49,442

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") does not include "investment income from financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets" in non-recurring profit or loss.

2. Return on net assets and earnings per share ("EPS")

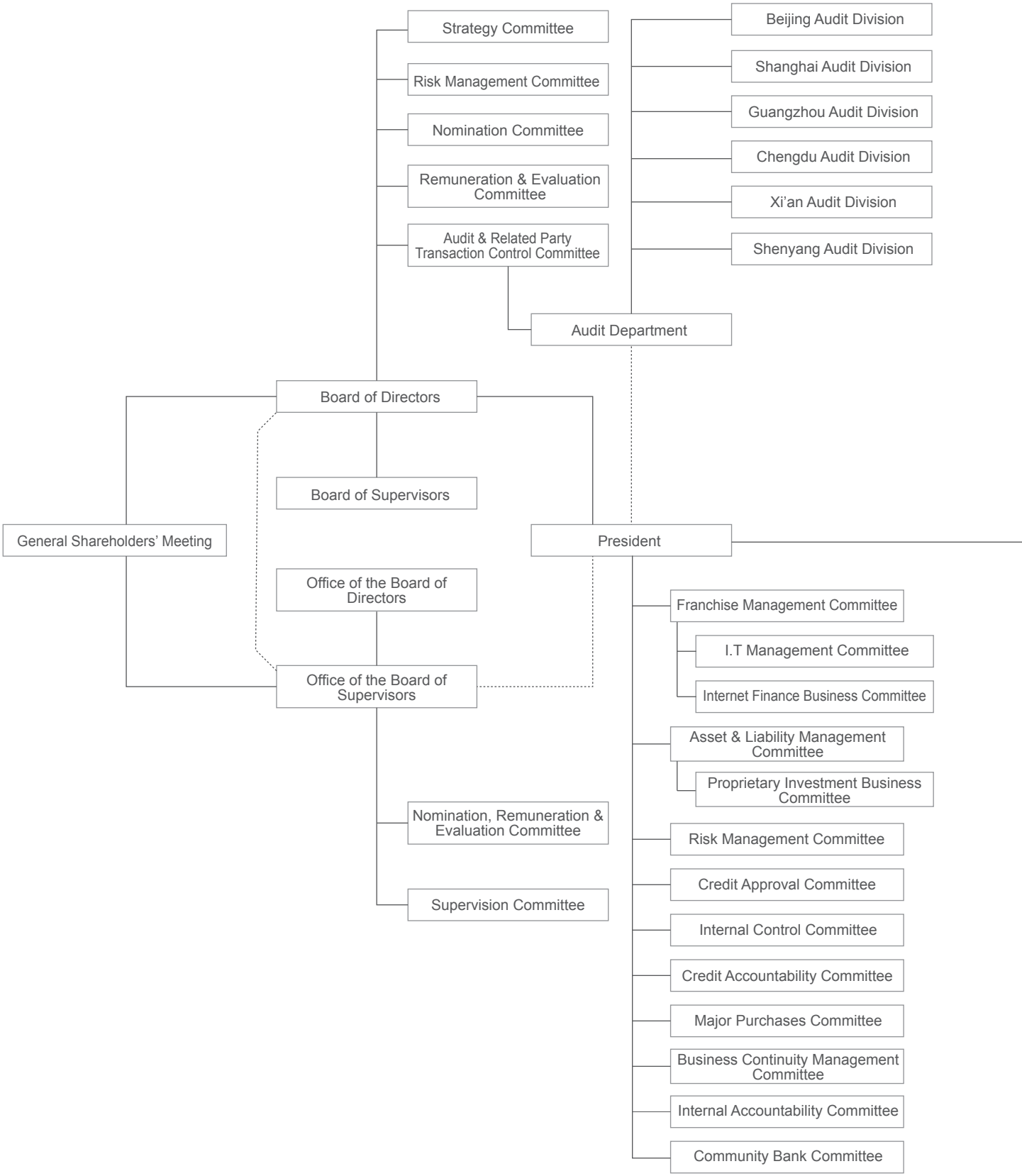
The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by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

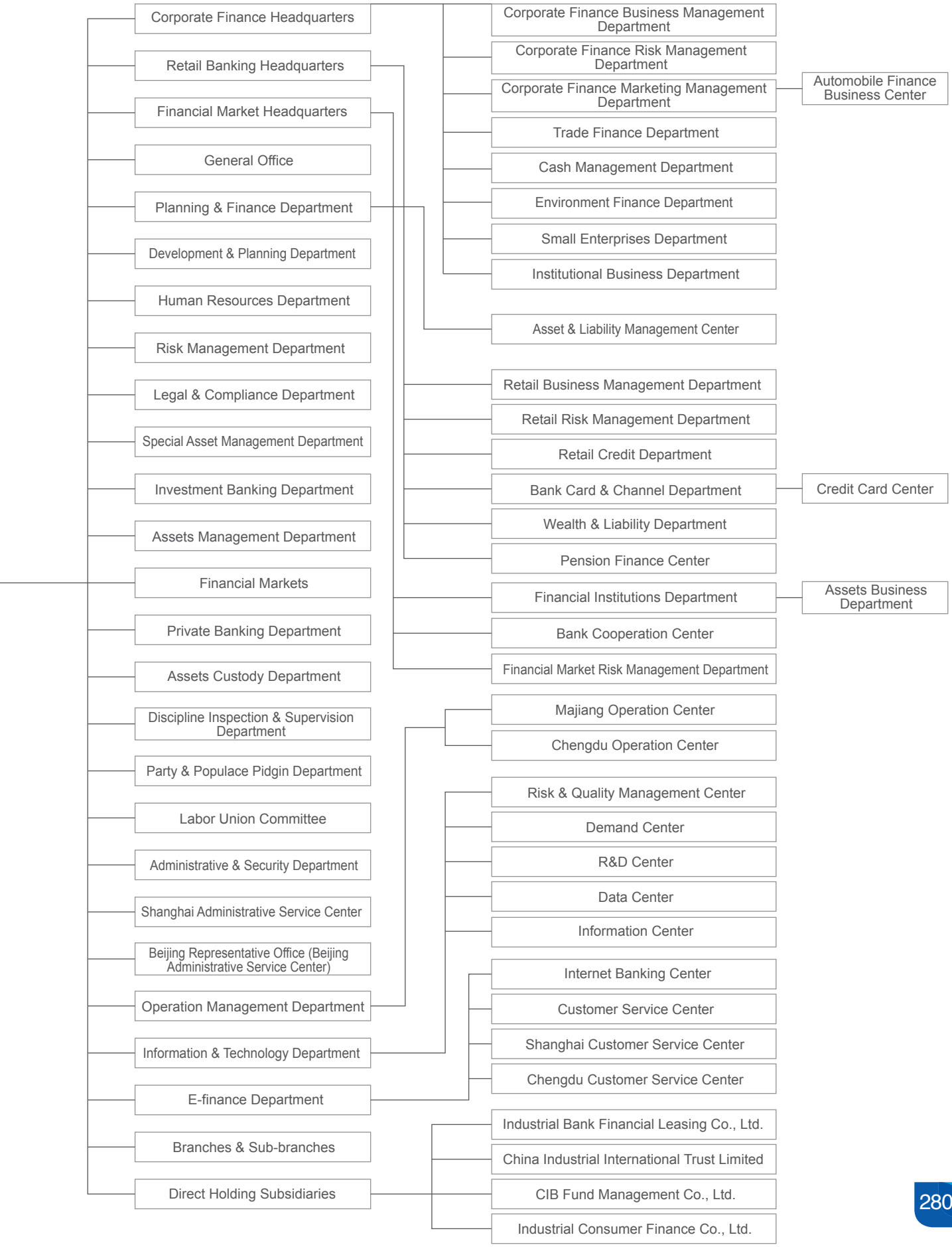
	The Group	
2016	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to ordinary shareholders of the Bank	17.28	2.77
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	16.80	2.69

2015	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to ordinary shareholders of the Bank	18.89	2.63
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	18.63	2.60

The RMB26,000 million preference shares of the Bank approved in November 2014 were successfully issued in June 2015. When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends announced of insurance. Besides, it had no further influence on basic earnings per share and diluted earnings per share in 2016 and 2015.

The Company's Organizational Structure




Corporate Finance Headquarters
Retail Banking Headquarters
Financial Market Headquarters
General Office
Planning & Finance Department
Development & Planning Department
Human Resources Department
Risk Management Department
Legal & Compliance Department
Special Asset Management Department
Investment Banking Department
Assets Management Department
Financial Markets
Private Banking Department
Assets Custody Department
Discipline Inspection & Supervision Department
Party & Populace Pidgin Department
Labor Union Committee
Administrative & Security Department
Shanghai Administrative Service Center
Beijing Representative Office (Beijing Administrative Service Center)
Operation Management Department
Information & Technology Department
E-finance Department
Branches & Sub-branches
Direct Holding Subsidiaries
Corporate Finance Business Management Department
Corporate Finance Risk Management Department
Corporate Finance Marketing Management Department
Automobile Finance Business Center
Trade Finance Department
Cash Management Department
Environment Finance Department
Small Enterprises Department
Institutional Business Department
Asset & Liability Management Center
Retail Business Management Department
Retail Risk Management Department
Retail Credit Department
Bank Card & Channel Department
Credit Card Center
Wealth & Liability Department
Pension Finance Center
Financial Institutions Department
Assets Business Department
Bank Cooperation Center
Financial Market Risk Management Department
Majiang Operation Center
Chengdu Operation Center
Risk & Quality Management Center
Demand Center
R&D Center
Data Center
Information Center
Internet Banking Center
Customer Service Center
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