2017 | ANNUAL REPORT

THE FIRST EPFI IN CHINA

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

29
1988—2017


THE FIRST EQUATOR PRINCIPLES FINANCIAL INSTITUTION (EPFI) IN CHINA

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 2017 annual report and its abstract were reviewed and approved at the 8th meeting of the 9th session of the Board of Directors on April 24, 2018.

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, and the monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's 2017 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 2017 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 RMB6.50 (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 2017 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 2017 are RMB702 million with an annual dividend yield of 5.40%.

Investors are advised to read the full content of this annual report carefully. Prospective 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.

CONTENTS

Chairman's Statement

The year 2017 marks a year of high importance to the development of China's financial industry. During the year, the 19th National Congress of the Communist Party of China (CPC) and the national financial work conference were held, at which the government confirmed a series of important deployments for China's financial work. "Finance was determined as a core competency of China", and to build a moderately prosperous society, China needs to "prevent and eliminate major risks, particularly prevent and control financial risks". The primary objectives of China's financial work for the moment and over a certain period of time ahead include "serving the real economy, preventing and controlling financial risks, and deepening the financial reform". The positioning and priority of China's financial industry became increasingly clear, which facilitated the long-term sustainable development of the industry. During the year, we endeavored to thoroughly understand and implemented the central government's spirits in our operation and management, steadily moved forward, and achieved better than expected developments.

Industrial Bank was founded amid China's reform, and it has constantly pursued the governance model that fits itself through reform. During the year, we have kept abreast of the times, and further deepened the reform of corporate governance system and mechanism. We incorporated the CPC's leadership into every process of the Company's corporate governance in terms of articles of association, ensuring that the CPC committee can play a key political role in the Company's decision making over major issues. In addition, functions of the Board of Directors, the Board of Supervisors, senior management and other governance organs were brought into play efficiently, and the corporate governance structure with clear division of labor and sound coordination was further enhanced. Through non-public issuance of A shares, the Group's capital strength was boosted and shareholding structure was further stabilized. The top three shareholders jointly control over 40% stake of the Company, reflecting that the Company is solidly controlled by state-owned enterprises, and a corporate governance basis that facilitates sustainable development has been laid down. We aligned ourselves with China's financial reform process, further reformed our mechanism, enhanced our expertise and efficiency, reduced number of management layers, streamlined our organizations and established a differentiated authorization mechanism, thereby making employees' authorities better match their accountabilities, improving the soundness of business procedures and enhancing the Company's efficiency.

Industrial Bank has been developing in a market-oriented environment and growing rapidly by adapting to the market conditions. We have always considered delivering solid returns and creating value as our ultimate business goals. During the year, the market entered a new normal with tight balance. Financial regulation was tightened across the board. We followed the market trends and adapted to other changes, and proactively slowed down our asset expansion after pragmatically assessing the implementation of our strategic plans. By the end of the year, total assets amounted to RMB6.42 trillion, up 5.44% from the year-beginning level; net profit attributable to the parent company reached RMB57.2 billion, representing a year-on-year growth of 6.22%. Our strategy reiterated the basic function of financial services, and we enhanced our capabilities in serving the real economy, particularly the new-economy sectors. We further pushed forward the operational transformation, and optimized the structure of assets and liabilities. By the end of the year, our deposits and loans increased by RMB392.1 billion and RMB350.9 billion respectively, representing a year-on-year increase of 14.55% and 16.87% respectively. Such growths are better than most of similar banks. We insisted on our strategy of differentiation. In addition to solidifying our primary corporate finance business, we also looked to build a cornerstone retail finance business. We continued to differentiate our investment banking and financial market businesses, with the brand awareness of our green finance, investment banking, Bank-to-Bank Platform, and inclusive finance businesses being further strengthened. We also established the concept of "compliance creates value", and further strengthened the internal risk management. We have comprehensively reviewed credit status of assets both on and off the balance sheet, made adequate provisions and disposed the non-performing assets in a market-oriented manner. By the end of the year, the non-performing loan (NPL) ratio, provision-to-loan ratio, and provision coverage ratio were at the best level among major banks, which provided a safety cushion for the sustainable and innovation-driven development of the Company, and further boosted our growth momentum of superior quality.

Industrial Bank has always served customers with sincere attitudes and grown together with customers. During the process, the Company continuously improved itself. We actively responded to the changes in customer demand and expanded our service coverage. We have formed ourselves into a comprehensive financial service group with banking business as the core. We continued to strengthen the collaborative linkage between different group members and enhance related mechanism, so as to unswervingly combine different business units into an integrated one that can meet various customer needs. We have followed the footprints of customers. We expanded our geographical coverage to position us in line with the national "One Belt, One Road" strategy. The planning and building of our branch in Lhasa, which is our last branch in autonomous regions, has been approved, which marks completion of our direct branch layout across domestic market. The Hong Kong branch is growing with good momentum, and has accumulated experiences and talent reserves for expanding overseas services and implementing our internationalization strategies. We pay close attention to customer experience improvement and the trend in customer need personalization. In our strategy, we have given priority to the role of financial technology in guiding, facilitating and safeguarding business development, and we have modestly learnt the operational concepts and modes of IT giants. We firmly promoted the building of process bank. These efforts made our bank more smart, energetic, open and efficient.

The year 2018 will mark the 40th anniversary of China's reform and opening, and the 30th anniversary of Industrial Bank. Looking back, we have gone through many difficulties as well as up and downs. Nevertheless, our strategies have always been set in a continuous manner. When we started, we looked to "build ourselves into a real commercial bank". When we grew rapidly, we pursued the goal of "building a nationwide and modern commercial bank". Later, we came up with the visions of "building a first-class bank that can last for at least one hundred years" as well as "building a first-class banking group with the best abilities in financial innovation and the most characteristic services". What never changed is Industrial Bank's culture that advocates sincerity, teamwork, simplicity and harmony, as well as the Company's principles of adapting to market conditions, being customer-oriented and pursuing self-improvement through innovation. We have persisted in differentiating our operations and enhancing our business characters. We do not easily succumb to outside noises or temptations. Our core management team's confidence and inheritance have never changed. Though the personnel in each governance organs have been changed for many times, the CPC committee of the Company that has played the key role and fulfilled our ultimate commitment has been stable. Under the committee's strong leadership, we seized the opportunities presented by the great era, effectively avoided major operational risks, earned a reputation for our hard work, and obtained great achievements together with customers, employees, shareholders and the public.

We shall never become complacent and shall always have sense of crisis despite our achievements. In 2018, China's social and economic development is still subject to lots of complex and changing factors. The development of financial industry is still uneven and immature. We will implement the CPC central committee's decisions and deployments regarding financial developments and pay close attention to the changes in major social conflicts. We will adhere to our mission of "exploring for the financial reform and contributing to economic development", carry forward our excellent traditions, promote the mutual enhancement between reform deepening and business transformation, further improve the quality in our financial services and build ourselves into a reliable and promising first-class financial service group!

Chairman:

President's Report

As we enter a new era, we face the questions of how to maintain our competitiveness and how to create new value. Our practices in 2017 have told the answer: Industrial Bank will adapt to the ever-changing environments while at the same time adhering to its excellent traditions.

We have diligently implemented the customer-oriented concept and the principle of serving real economy. Based on the business logic of "customers-business-economic benefits", we built new organizational structure, fully promoted the building of process bank, and gradually realized standardized customer service attitude across the Company and unified customer profile for the entire Company, thereby significantly improving the comprehensiveness of financial services, convenience in our services as well as our risk controls. In 2017, the number of our corporate customers increased by 95.7 thousand as compared with a year ago, representing a year-on-year growth of 18.22%. The number of our retail banking customers (including credit cards) increased by 10.7671 million, representing a year-on-year growth of 24.06%. The coverage ratio of legal person financial institutions reached 94%, and the number of core customers hit 660, both at record high level.

We firmly implemented the strategy of "commercial banking + investment banking", in order to comprehensively boost the quality and efficiency in our services for the real economy.

——Our commercial bank business further strengthened and we became even more specialized in this area. In 2017, our deposits and loans increased 14.55% and 16.87% respectively, better than most similar banks. Our structure of assets and liabilities was significantly optimized. We solidified our leading position in green finance and achieved the target of accumulating 10,000 customers 3 years ahead of schedule. By the end of the year, total financing balance exceeded RMB680 billion, and we built strategic partnership with four national green finance reform and innovation pilot regions, which represented our first step in providing professional technologies to industrial peers. Our transaction banking system was further enhanced, which boosted customers' efficiency and experiences in use of resources and facilitated the rapid development of supply-chain finance, cash management, cross-border settlement, Internet payment businesses, among others. Our inclusive finance business performed well. We are the first joint-stock bank that established the inclusive finance business division, and have established 981 community branches. The number of our direct banking customers reached 2.48 million, while customer number of "QianDa Money Manager" hit 9.42 million. Elderly customers of pension finance exceeded 13 million. 10.22 million new credit cards were issued. In addition, the Company took the lead to launch lending products with forest rights as well as the contracted land operating rights and house property rights in countryside as collaterals, which effectively helped boost the countryside economy. We proactively adjusted the interbank business, and aligned the proportion of interbank liabilities with regulatory requirements. The proportion of standardized assets increased and we vigorously provided integrated and systematic financial solutions to various financial institutions, which cover clearance and settlement, agent consignment business, third-party custody, and technological output. These efforts helped us shift our business focus to the very basic nature of financial services and widened the moat around our businesses.

——The investment banking business made sound progress and breakthroughs. Along with the rapid transformation and upgrade of our economy, we are witnessing booming financial activities spanning debts issuance, asset securitization, direct financing as well as mergers & acquisitions, and they provide good development opportunities for investment, linkage of investment and loan, asset management, asset custody, FICC and other businesses. We followed the trends and utilized our advantages to achieve outstanding results. The total size of non-financial corporate debt instrument issuances underwritten by us increased to the second highest in the banking industry, and ranked No.2 among joint-stock banks for 6 consecutive years. We maintained a leading position in the asset securitization business. We underwrote issuance of the first poverty-alleviation bond, the first "One Belt, One Road" bond, and the first PPP asset securitization project, as well as issuance of the first REITs in interbank market and the first consumer finance ABN. In addition, we made breakthroughs in linkage of investment and loan, debt-to-equity swap, mixed ownership reform in state-owned enterprises, equity investment, mergers and acquisitions as well as restructuring. Our reputation as a "Bond Bank" and "FICC Bank" was enhanced, and assets under our custody exceeded RMB11 trillion, among one of the highest in Chinese banking industry. The scale and returns of our wealth management business remained stable, and ranked No.2 across the market and No.1 among joint-stock banks in terms of integrated abilities as announced by China Banking Wealth Management Registration and Custody System. The solid development of the investment banking business smoothed the way for the marketing and service activities that target corporate and retail customers, and provided strong impetus for the Company's transformation and growth.

We continued to explore financial technology and actively built a bank facing the future. We repositioned information technology from support and guarantee for traditional banking to a guiding and driving factor. The Fintech Cloud, Internet bills transfer platform, Industrial Steward, Industrial E-Payment, Industrial Smart Payment, Golden Eye and many other products were introduced and delivered solid effect. We are not satisfied with product innovation. We also enhanced our abilities in eight major fields including information security, user experience, cloud service, big data, artificial intelligence, blockchain, process robot and open interface. We managed to provide systematic solutions in these fields and steadily moved toward the four major goals of "safe bank, process bank, open bank and smart bank".

We strictly prevented and controlled risks, and strived to lay down a solid foundation for the Company's development. We have actively promoted the concept of "Winning by Compliance" to enhance the risk compliance awareness of all our employees. We proactively implemented the "Three, Three, Four and Ten" special rectification program of China Banking Regulatory Commission (CBRC), and launched sweeping risk check to effectively management risks. In addition, we continued with the principle of "Rigidly Classifying and Solidifying Asset Quality", which translated into an evident decline in new non-performing loans. Our abilities of disposing non-performing assets also strengthened significantly, with the special-mention loan ratio, the ratio of the four sub-normal loan categories, the provision-to-loan ratio and the provision coverage ratio all staying at the best level among Chinese banks. In addition, the liquidity risk, interest rate risk, and foreign exchange risk were all under control. We also renovated our business model to help customers deleverage and control risks, thereby contributing to regional financial stability and fulfilling our social responsibilities.

In 2017, we achieved a balanced development of scale, quality and efficiency. By the end of the year, our total assets amounted to RMB6.42 trillion, up 5.44% from the beginning of the period. The non-performing loan ratio stood at 1.59%, down by 0.06 percentage point from the beginning of the period. Net profit attributable to the parent company hit RMB57.2 billion, representing a year-on-year growth of 6.22%. Weighted average ROE reached 15.35%, reflecting our industry-leading profitability. On the back of our solid business development, we have ranked among the top 30 banks globally, and earned titles such as The Best Joint-Stock Commercial Bank of the Year and The Financial Institution Performing the Most Social Responsibility of the Year.

The year 2017 witnessed our efforts as well as the Company's strategic foresight and strong execution. In the future, providing the best services to customers will continue to be the fundamental starting point and goal of our work. We will continue with the "Commercial Banking + Investment Banking" strategy, adopt solid financial technology to enhance our operation and management, continuously boost our expertise and operating efficiency, and vigorously prevent and control financial risks, thereby creating more value for customers and steadily advancing toward the goal of "building a first-class bank that can last for at least one hundred years".

President:

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/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBRC	China Banking Regulatory Commission (currently China Banking and Insurance 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.
Industrial Futures	Industrial Futures Co., Ltd.
IERCC	Industrial Economic Research and Consulting Co., Ltd.
CIB FINTECH	CIB FINTECH (Shanghai) Co., Ltd.
Industrial Asset Management	China Industrial Asset Management Co., Ltd.
Yuan	RMB Yuan

Honors and Awards in 2017

At the "2016-2017 Most Respected Enterprise Annual Conference" hosted by the *Economic Observer*, won the award of "2016-2017 Most Respected Enterprise in China".

According to the "Top 100 Chinese Banks" released by the British magazine The Banker, the Company ranked 28th in terms of tier 1 capital and 30th in terms of total assets, and ranked 1st among global top 50 banks in terms of cost-income ratio.

At the Twelfth People Corporate Social Responsibility Award sponsored by people.cn, won the "Annual People Corporate Social Responsibility Award".

According to the "List of Best Chinese Brands in 2017" released by the world-leading brand consulting institute Interbrand, the Company ranked 19th among Chinese brands with a brand value of RMB14.146 billion, up by 11%.

At the tenth "China CSR Commonweal Ceremony" jointly sponsored by Xinhuanet.com, Research Center for Corporate Social Responsibility of Chinese Academy of Social Sciences and other institutions, the Company won the "Corporate Social Responsibility Award".

Won the "2017 Excellent Transaction Bank" award in the eighth "Golden Tripod Award" organized by National Business Daily.

According to the list of "2018 Top 500 Financial Brands" released by the British magazine *The Banker* and the world-renowned brand value research institution Brand Finance, the Company ranked 20th with a brand value of USD11.972 billion.

Won the "Excellent Joint-Stock Commercial Bank of the Year" award in the sixth "China Finance Excellence Awards" granted by the *Economic Observer*, and Mr. Gao Jianping, Chairman of the Company, was named "Banker of the Year".

At the 2017 "Trusted Cloud Computing Summit" jointly organized by China Academy of Information and Communications Technology and China Communications Standards Association, "Fintech Cloud" cloud host and block storage service of CIB Fintech Company, a member of the Group, successfully passed the appraisal for trusted cloud and won the "Financial Cloud Service" award.

At the "Thirteenth Selection of New Fortune Gold Medal Secretary to the Board", became the only bank to be included in the "Top 10 Companies with Outstanding Investor Relations Management".

Mr. Gao Jianping, Chairman of the Company, was selected as one of the Top 100 Excellent CEOs in China for 2017 by *Harvard Business Review*.

At the First China Financial Brand Summit Forum jointly held by *Financial Times, China Financialyst*, etc., the Company was named "Outstanding Social Responsibility Financial Brand of the Year in China" and Mr. Gao Jianping, Chairman of the Company, was honoured as "Outstanding Person of Financial Brand in China".

Won the "Best Listed Bank" in the 2017 Chinese Financial Institution Gold Medal List published by *Financial Times*.

Won "Excellent Banking Investment Banks", "Excellent Financial Advisor in China", and "Excellent Cross-border Financing Bank in China" awards granted by *Securities Times*.

In the 2017 appraisal of "Excellent Board of Directors" in Chinese listed companies organized by the *21st Century Business Herald*, the Company retained the award of "Excellent Board of Directors in Strategic Listed Companies".

Won for the third consecutive year the title of "Outstanding Clearing Member" granted by Interbank Clearing Company Limited, and won six grand awards including "Outstanding Settlement Member" and "Excellent Award of Independent Operation and Clearing of Net Bond".

At the Twelfth Asian 21st Century Annual Finance Summit and Award Ceremony for Asian Financial Competitiveness, the Company retained the award of "Excellent Commercial Bank in Asia".

In the sixth appraisal of "Outstanding Corporate Social Responsibility Award" covering the four regions across the Strait organized by the Hong Kong newspaper *The Mirror*, the Company became the only banking group from Mainland China to retain the "Outstanding Corporate Social Responsibility Award".

At the award ceremony of 21st Century Best Innovation of Business Model in China, the Company's Bank-to-Bank Platform won the award of "Best Business Model for Inclusive Finance in China".

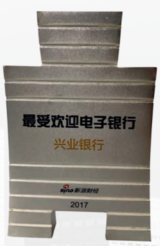
Won the "Joint-Stock Commercial Bank of the Year", "Excellent Custody Service Bank" and "Best Online Diverse Financial Innovation Bank" awards in 2017 First Financial Value List appraisal; members of the Group CIB Research and Industrial Trust were recognized as the "Best Green Trust Institute" and "Best Financial Innovation Service Institute", respectively.

At the "2017 Sci-Tech Finance Development Forum" organized by *21st Century Business Herald*, won "Financial Technology Innovation Enterprise" award, and the subsidiary Industrial Consumer Finance Co., Ltd. won "Excellent Consumer Financial Brand Award".

At the Thirteenth China Corporate Social Responsibility International Forum organized by China News Service and *China Newsweek*, the Company won the "2017 Responsible Corporate" award.

At the 2017 Chinese Innovation Forum of Internet Finance and Banking Industry organized by The Banker, the Company's "Money E-pay" and "IB Butler" won "Top Ten Internet Banking Innovations" and "Top Ten Financial Product Innovations (Corporate Business)" awards, respectively, and Private Banking Family Trust won the "Top Ten Family Trust Management Innovations" award.

Won the "Green Bond Award - Largest Green Financial Bond Issuer" granted by the professional environmental protection website Environmental-Finance.



At the 2017 (9th) Financial Summit of Excellence & Competition organized by *China Business Journal*, retained the title of "Excellent and Competitive Financial Holding Group".

According to the 2017 ranking of Fortune Global 500 companies, the Company ranked 230th with an operating income of USD42.622 billion and a profit of USD8.106 billion. The Company ranked 39th among the 2017 Fortune Top 500 Chinese Companies.

Won the "Annual Best Corporate Social Responsibility Financial Institution Award" granted by China Banking Association, becoming the only joint-stock commercial bank to win the award for seven consecutive times.

In the serial awarding activities for China's banking industry organized by *AsiaMoney* for 2017, won "Best Bank of Corporate Social Responsibility", "Best Bank of the Year in Green Finance" and "Most Innovative Bank of Green Finance" awards.

Won the awards of "Outstanding Private Bank of the Year", "Outstanding Asset Custody Bank of the Year", and "Outstanding Asset Management Bank of the Year" in the "2017 Financial Champions Award" organized by Wallstreetcn, and CIB Research, a member of the Group, was named "Most Influential Financial Research Institute of the Year".

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, PRC

Tel: (86) 591-87824863

Fax: (86) 591-87842633

Email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Address: 154 Hudong Road, Fuzhou, PRC

Postal Code: 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 P1	360005
Preferred shares	Shanghai Stock Exchange	Industrial 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: Hu Xiaojun, Zhang Hua

Sponsor performing continuous monitoring: 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 April 7, 2017 to December 31, 2018

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	2017	2016 (Restated)	Increase/decrease in 2017 compared with 2016 (%)	2015
Operating income	**139,975**	157,087	(10.89)	154,348
Profit before tax	**64,753**	63,925	1.30	63,244
Net profit attributable to the shareholders of the parent company	**57,200**	53,850	6.22	50,207
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**54,464**	52,399	3.94	49,493
Basic EPS (RMB)	**2.74**	2.77	(1.08)	2.63
Diluted EPS (RMB)	**2.74**	2.77	(1.08)	2.63
Basic EPS, after deduction of non-recurring gains and losses (RMB)	**2.60**	2.69	(3.35)	2.60
ROA (%)	**0.92**	0.95	Down 0.03 percentage point	1.04
Weighted average ROE (%)	**15.35**	17.28	Down 1.93 percentage point	18.89
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**14.59**	16.80	Down 2.21 percentage point	18.63
Cost-to-income ratio (%)	**27.63**	23.39	Up 4.24 percentage points	21.59
Cash flows from operating activities	**(162,642)**	203,017	(180.11)	818,693
Net cash flow per share from operating activities (RMB)	**(7.83)**	10.66	(173.45)	42.97

Item	December 31, 2017	December 31, 2016	Increase/decrease at the end of 2017 compared with the end of 2016 (%)	December 31, 2015
Total assets	**6,416,842**	6,085,895	5.44	5,298,880
Shareholders' equity attributable to the shareholders of the parent company	**416,895**	350,129	19.07	313,648
Shareholders' equity attributable to the ordinary shareholders of the parent company	**390,990**	324,224	20.59	287,743
Net assets per share attributable to the shareholders of the parent company (RMB)	**18.82**	17.02	10.58	15.10
NPL ratio (%)	**1.59**	1.65	Down 0.06 percentage point	1.46
Provision coverage ratio (%)	**211.78**	210.51	Up 1.27 percentage points	210.08
Provision-to-loan ratio (%)	**3.37**	3.48	Down 0.11 percentage point	3.07

Notes: 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 the reporting period, the Company issued an aggregate of RMB26 billion preferred shares (Industrial P1 and Industrial P2) with non-cumulative dividends. The dividends of the preferred shares for 2017 have not yet been distributed, which will be distributed after approval by the general shareholders’ meeting.

3. During the year, the Company has added the item of “gain from disposal of asset” into the income statement pursuant to Cai Kuai (2017) No.30 Notice on Amending, Printing and Distributing Ordinary Corporate Financial Statement Format released by the Ministry of Finance in 2017. In respect of the matters involving such accounting policy change, the Company has adopted retrospective application to the comparable financial data in the previous year. Among the major accounting data and financial indicators for the year 2016, the restated number was the operating income for 2016, which was RMB157,060 million before restatement and RMB157,087 million after restatement.

(II) 2017 quarterly financial data

Unit: RMB million

Item	The first quarter (January-March) (Restated)	The second quarter (April-June) (Restated)	The third quarter (July-September) (Restated)	The fourth quarter (October-December)
Operating income	34,587	33,780	34,937	36,671
Net profit attributable to the shareholders of the listed company	16,824	14,777	15,548	10,051
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	16,489	14,177	15,304	8,494
Cash flows from operating activities	(46,749)	4,706	(120,351)	(248)

(III) Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2017	2016	2015
Gains and losses on the disposal of non-current assets	**70**	27	9
Government grants recognized in profit or loss	**362**	340	334
Write-back of assets written-off in previous years	**3,544**	1,414	531
Net non-operating income and expense in addition to the above	**(166)**	176	91
Impact on income tax	**(1,053)**	(501)	(252)
Total	**2,757**	**1,456**	**713**
Non-recurring gains and losses attributable to the shareholders of the parent company	**2,736**	1,451	714
Non-recurring gains and losses attributable to minority shareholders	**21**	5	(1)

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2017	December 31, 2016	December 31, 2015
Total liabilities	**5,994,090**	5,731,485	4,981,503
Placements from banks and other financial institutions	**187,929**	130,004	103,672
Total deposits	**3,086,893**	2,694,751	2,483,923
Incl: Demand deposits	**1,310,639**	1,184,963	1,063,243
Time deposits	**1,567,574**	1,312,417	1,149,101
Other deposits	**208,680**	197,371	271,579
Total loans	**2,430,695**	2,079,814	1,779,408
Incl: Corporate loans	**1,482,362**	1,271,347	1,197,627
Personal loans	**910,824**	750,538	511,906
Discounted bills	**37,509**	57,929	69,875
Loan loss provisions	**81,864**	72,448	54,586

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2017	December 31, 2016	December 31, 2015
Net capital	**526,117**	456,958	383,504
Incl: Core Tier 1 capital	**392,199**	325,945	289,769
Other Tier 1 capital	**25,935**	25,919	25,909
Tier 2 capital	**109,057**	106,469	69,420
Deductions	**1,074**	1,376	1,594
Total risk weighted assets	**4,317,263**	3,802,734	3,427,649
Capital adequacy ratio (%)	**12.19**	12.02	11.19
Tier 1 capital adequacy ratio (%)	**9.67**	9.23	9.19
Core Tier 1 capital adequacy ratio (%)	**9.07**	8.55	8.43

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, 2017	December 31, 2016	December 31, 2015
Loan-to-deposit ratio (converted to RMB)	-	**74.80**	72.50	67.80
Liquidity ratio (converted to RMB)	≥25	**60.83**	59.35	56.80
Proportion of loans to the largest single borrower	≤10	**2.84**	1.82	2.11
Proportion of loans to the top ten borrowers	≤50	**14.66**	11.38	12.62
Migration ratio of normal loans	-	**2.17**	3.62	3.69
Migration ratio of special mention loans	-	**26.65**	63.69	52.96
Migration ratio of substandard loans	-	**74.46**	86.99	87.33
Migration ratio of doubtful loans	-	**41.98**	16.61	35.92

Note: 1. Data in this table is before consolidation, and data of subsidiaries is 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 in the reporting period	Decrease during the period	Closing balance
Share capital	19,052	1,722	-	**20,774**
Preferred shares	25,905	-	-	**25,905**
Capital reserve	50,861	24,179	(29)	**75,011**
Other comprehensive income	1,085	-	(2,152)	**(1,067)**
General reserve	69,878	733	-	**70,611**
Surplus reserve	9,824	860	-	**10,684**
Undistributed earnings	173,524	57,200	(15,747)	**214,977**
Shareholders' equity attributable to the shareholders of the parent company	350,129	84,694	(17,928)	**416,895**

(VIII) Items measured at fair value

Unit: RMB million

Item	December 31, 2016	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, 2017
Financial assets at fair value through profit or loss	354,595	(763)	-	-	**362,072**
Precious metals	17,261	1,153	-	-	**29,906**
Derivative financial assets	16,137	(990)	-	-	**28,396**
Derivative financial liabilities	16,479		-	-	**29,514**
Available-for-sale financial assets	583,983	-	(2,531)	(598)	**502,381**
Financial liabilities at fair value through profit or loss	494	(22)	-	-	**6,563**

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 increased its spot position of precious metals during the reporting period, and its balance at fair value in domestic precious metals spot trading at the end of the reporting period increased by RMB12.645 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 structured liabilities linked to dollar bonds.

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 the Shanghai Stock Exchange.

The Company is mainly engaged in commercial bank services, its 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 undertaking the mission of serving the real economy and endeavors to offer comprehensive, diversified, top-quality, and high-efficient financial services for customers. The Company has insisted on the basic keynote of progressing steadily. It developed business stably, fixed shortfalls, promoted reforms and pushed forward business transformation. In addition, the Company firmly adjusted its business structure, continued to optimize its mechanism, comprehensively strengthened risk management and laid a solid foundation, thus further boosting the efficiency in responsiveness to the market and decision making, and propelling sound and quality development in each business line.

(II) Conditions of the industry and development trend

In 2017, China's economy expanded steadily and maintained positive momentum, which created favorable operating environment for the banking industry. In the meanwhile, regulators stepped up efforts in rectifying the operational orders in financial industry, and enhancing the coordination in financial regulation. Chinese banks shifted back to their original missions and returned to the real economy at faster paces, which boosted the quality and efficiency in development of Chinese banks.

First, banks have comprehensively enhanced the quality and efficiency in serving real economy. Centering on China's important strategies, banks moved to satisfy the financial demands in key areas. Regarding the strategy of "reducing capacity, inventory and debt, cutting costs and fixing shortfall", banks have helped the supply side structural reform. Regarding the inclusive finance, banks have constantly expanded coverage of financial services. Financial service availability in under-served fields such as lending to small micro-enterprise and lending to farmers, agriculture and countryside was improved, and financial support for livelihood and poverty alleviation projects was strengthened.

Second, banks have comprehensively optimized their structure of assets and liabilities. Banking financial institutions have diligently implemented the "Three, Three, Four and Ten" programs launched and organized by regulators, and disorders in the market were preliminarily stemmed. Banks' asset and liability expansion slowed gradually and scale expansion of off-balance sheet operations also decelerated. In the meanwhile, banks increased investment in business areas in line with directions in economic and social developments as well as industrial and consumption upgrades. The credit growth rate stayed at a relatively high level.

Third, banks comprehensively strengthened risk management. Banks have rigidly complied with various regulatory requirements, and strengthened check on and prevention measures against various risks. Their business operations become even more standardized, and asset quality tended to stabilize and turn better. Banks collectively made adequate provision for loan losses, which strengthened banks' overall abilities to fend off risks.

Fourth, banks accelerated digital transformation. Banks actively promoted the application of big data, blockchain, cloud computing, artificial intelligence, biometric identification and other high techs in operation and management. Banks explored further combination between technology and operations in product initiation, customer service, process optimization and operational support, thus further enhancing customer experiences and management efficiency.

II. 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 RMB6,416.842 billion, up 5.44% from the figure at the beginning of the period, of which loans increased by 16.87% from the figure at the beginning of the period; and various net investments were down by 5.29% 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

The Company is committed to becoming an excellent integrated financial service group. It has inherited and promoted the excellent business gene of striving for innovation and fighting spirits. The Company consistently brought its business characters and professional advantages into play, and persisted in differentiating itself from peers. It continued to enhance employees' expertise, and rely on technology as the guidance, which laid a solid foundation for the Company's long-term and healthy development and enhanced the Company's competitiveness.

Promoting standardized operation by improving governance structure. Since its establishment, the Company has been constantly improving its corporate governance in accordance with market-oriented operation mechanism, improving the internal operation efficiency by standardized operation and scientific management, thereby forming a standardized corporate structure system with lean management and efficient specialization. On the strength of the mechanism-based advantages of the Head Office and branches, the Company insisted on the customer-oriented strategy, aligned its management and operation with market conditions and customer needs, and built matrix management mode. Based on the requirements arising from market developments, the Company established a management structure that separates the customer departments from the product departments, and the traditional business from emerging business. Meanwhile, the Company has improved its business processes and the supporting system, thereby strengthening the new driver for transformation and development through constant evolution and self-reinvention.

Building brand image through business innovation. The Company 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 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", "Industrial Business Express", "Industrial Steward", "Green Finance", "Bank-to-Bank Platform", "QianDa Money Manager" and "Direct Banking" are widely recognized in the domestic financial market.

Promoting business transformation through building a Three-Type bank. The Company has followed the mega development trends in economy and financial market. Based on the concepts of being customer-oriented and serving real economy, the Company made further advances in building itself into a Three-Type bank, namely settlement type, investment type and transaction type, and further enhanced its professionalism in serving customers. The Company's settlement type banking business maintained rapid expansion, reflected by the continuous development in the "Three Through Vehicles" under the corporate finance business. In terms of Internet payment, the "Smart City" program has driven a rapid growth in transaction volume, helping us to achieve a market-leading position. The retail line carried out the "Networking Project", which fueled rapid development in credit card and across-the-network receipt business. The interbank finance line introduced "Non-Banking Capital Management Cloud Platform", and enhanced functions of "Money e Payment", "Hui Shou Fu" and other payment and settlement tools, which drove an expansion in customer base and a growth in customer settlement amount. The investment-type banking business also reaped benefits. The Company maintained its advantageous position in the underwriting for non-financial corporate debt instruments, and made breakthroughs in fields including the USD-denominated bonds, poverty-alleviation bonds, convertible bonds, debt-to-equity swap, asset securitization, equity investment and mergers & acquisitions. The Company's bank wealth management business demonstrated investment capabilities that clearly outperformed the market average, and thus built good brand image. The Company also made big progress in transaction-type banking business. Its asset transfer mechanism was continuously enhanced. The Company has set up the custody bond lending and borrowing business, bond sales, Bond Connect transaction, TRS and CDS businesses, and further reinforced the custody FICC product system.

Opening up new space for development through intra-group integration. 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. Through years of efforts, it 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, we have continuously reformed our mechanism to strengthen the sense of cooperation between each member of the Group, so as to promote coordinated and linked development of the Group's business. Through linkage between the parent company and subsidiaries, linkage between local currency and foreign currency businesses, linkage between domestic and foreign businesses, as well as other arrangements, the Company provided customers with full-lifecycle financial service solutions covering all types of products. At present, the Group's active management investment banking and asset management business, linkage of investment and loan business, bank-lease cooperation business, and banking cloud technological output business all maintained good momentum. Our subsidiaries' abilities to serve the Group and develop on self-reliant basis have strengthened, which in turn boosted the Group's overall capabilities to serve the real economy and contribute to social development.

Promoting improvement of operation supporting capability by science and technology. "Building the Bank through Science and Technology" is listed as the key strategies for the banking operation. The Company valued tracing and grasped the development trend of modern financial technology. It continuously 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 2017, spearheaded by the "Five Themes and Seven Projects", the Company actively implemented the project of building a process bank and achieved milestones. It continued to explore the application of new technologies such as artificial intelligence and biometric identification. In addition, the Company actively built smart finance and open bank, and promoted the pilot use of process robots in credit card business and remote customer service field, which enhanced the integration between technology and businesses, facilitated the shift in information technology's role from supporting businesses to guiding businesses, and eventually promoted transformation of business modes.

Building up soft strength through excellent corporate culture. The Company has continuously upheld the core values of rationality, innovation, people-based and sharing, which fostered corporate culture advocating simplicity, harmony and efficiency. In addition, we leveraged such excellent corporate culture to build up a pragmatic and aggressive operating style, which enhanced the cohesiveness of our workforce and supported the Company's long-term development.

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

Operation Discussion and Analysis

I. Major operations during the reporting period

(I) Overview

1. Overall operations

During the reporting period, commercial banks' operating environment remained complex and challenging. The Company continued with the operating strategy of progressing steadily, and developed business stably, fixed shortfalls, promoted reforms and accelerated business structure adjustment, transformation and upgrade. By virtue of these efforts, the Company's operating results are generally in line with expectations.

(1) Each business achieved stable and healthy growth. As at the end of the reporting period, the total assets of the Company reached RMB6,416.842 billion, representing an increase of 5.44% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency deposit was RMB3,086.893 billion, representing an increase of 14.55% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency loan reached RMB2,430.695 billion, representing an increase of 16.87% 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 RMB139.975 billion, down 10.89% year-on-year, of which fee and commission income reached RMB42.027 billion, up 8.65% year-on-year. Net profit attributable to the shareholders of the parent company for the whole year reached RMB57.200 billion, representing a year-on-year increase of 6.22%. During the reporting period, weighted average ROE was 15.35%, representing a year-on-year decrease of 1.93 percentage points, total return on assets reached 0.92%, representing a year-on-year decrease of 0.03 percentage point.

(3) The quality of assets was controllable overall. As at the end of the reporting period, the balance of the Company's NPLs stood at RMB38.654 billion, up RMB4.238 billion from the figure at the beginning of the period with NPL ratio of 1.59%, down 0.06 percentage point from the beginning of the period. During the reporting period, the provisions amounted to RMB35.507 billion, the provision-to-loan ratio was 3.37% at the end of the reporting period, and the provision coverage ratio was 211.78%.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB139.975 billion, and its operating profit was RMB64.813 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	50,903	(33.29)	33,220	(25.52)
Fujian	17,563	23.30	6,664	184.66
Beijing	7,359	88.93	5,884	221.88
Shanghai	7,767	54.08	5,859	118.05
Guangdong	9,959	47.10	5,467	224.64
Zhejiang	2,153	(58.02)	(1,328)	(311.46)
Jiangsu	3,438	(45.20)	128	(95.24)
Northeast and other regions	14,263	(3.26)	3,488	(20.07)
Western China	11,406	(0.22)	(122)	(119.30)
Central China	15,164	14.45	5,553	183.75
Total	**139,975**	**(10.89)**	**64,813**	**2.21**

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

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	104,760	34.07	9.69
Interest income from placements	1,337	0.43	18.11
Interest income from amount due from the Central Bank	6,813	2.22	15.51
Interest income from deposits in banks and other financial institutions	1,991	0.65	(2.97)
Interest income from resale agreements	2,879	0.94	(36.18)
Gain and loss, and interest income from investment	133,081	43.28	0.07
Fee and commission income	42,027	13.67	8.65
Interest income from financing lease	5,472	1.78	11.15
Other income	9,096	2.96	Negative in the same period of last year
Total	**307,456**	**100**	**8.57**

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2017	December 31, 2016	Increase/ decrease over previous year-end (%)	Brief description
Total assets	**6,416,842**	6,085,895	5.44	Steady and healthy development of various asset businesses
Total liabilities	**5,994,090**	5,731,485	4.58	Steady and healthy development of various liability businesses
Shareholders' equity attributable to the shareholders of the parent company	**416,895**	350,129	19.07	Transfer-in of the proceeds from the non-pubic issuance of A shares as well as profit earned in the current period
Item	**2017**	**2016**	**Increase/ decrease over previous year-end (%)**	**Brief description**
Net profit attributable to the shareholders of the parent company	**57,200**	53,850	6.22	Stable growth in interest-bearing assets, interest margin decreased, intermediate business maintained rapid growth; cost growth was reasonably under control and provisions were made adequately
Weighted average ROE (%)	**15.35**	17.28	(11.17)	The growth in net profit was slower than the growth in weighted net assets, resulting in decrease in return on net assets
Cash flows from operating activities	**(162,642)**	203,017	(180.11)	Assets and liabilities were restructured, more efforts were paid to originate on-balance sheet loans and standardized assets; interbank special investments and interbank liabilities were downsized

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

Unit: RMB million

Main accounting item	December 31, 2017	December 31, 2016	Increase/decrease over previous year-end (%)	Brief description
Amount due from banks and other financial institutions	**77,559**	56,206	37.99	Increase in short-term external deposits
Precious metals	**30,053**	17,431	72.41	Increase in holding of precious metals
Placements with banks and other financial institutions	**31,178**	16,851	85.02	Increased short-term placements with banks and other financial institutions
Financial assets held under resale agreements	**93,119**	27,937	233.32	Increase in bonds held under resale agreements
Held-to-maturity investment	**337,483**	249,828	35.09	Increase in held-to-maturity government bonds
Placements from banks and other financial institutions	**187,929**	130,004	44.56	Increased short-term placements from banks and other financial institutions
Financial assets sold under repurchase agreements	**229,794**	167,477	37.21	Increased bonds sold under repurchase agreements
Other comprehensive income	**(1,067)**	1,085	(198.34)	Decreased balance of available-for-sale fair value included in other comprehensive income
Capital reserve	**75,011**	50,861	47.48	Receipt of proceeds from the non-pubic issuance of A shares

Main accounting item	2017	2016	Increase / Decrease YoY (%)	Brief description
Interest expense	**164,193**	123,960	32.46	Increase in interest expenses of deposits from banks and other financial institutions
Fee and commission expense	**3,288**	2,130	54.37	Expansion in scale of intermediate business and increase in related expenses
Investment (losses) gains	**4,514**	11,836	(61.86)	Being fairly interrelated, the overall gains of these three items after consolidation amounted to RMB11.278 billion, representing a year-on-year increase of RMB3.303 billion, mainly due to the increase in gains from fund dividends
Gains (losses) from change in fair value	**(622)**	(3,756)	Negative in the same period of last year	
Foreign exchange gains (losses)	**7,386**	(105)	Negative in the same period of last year	
Impairment loss of assets	**35,507**	51,276	(30.75)	Decreased impairment loss of loans made
Business tax and surcharges	**975**	5,667	(82.80)	Cessation of business tax due to the implementation of “replacement of business tax with VAT” in the banking industry
Other comprehensive income	**(2,167)**	(4,628)	Negative in the same period of last year	The comprehensive income from the changing of available-for-sale fair value increased year-on-year during the reporting period

(II) Analysis of the balance sheet

1.Asset

As at the end of the reporting period, the total assets of the Company stood at RMB6,416.842 billion, up 5.44% from the figure at the beginning of the period, of which loans increased by RMB350.881 billion or 16.87% from the figure at the beginning of the period; financial assets held under resale agreements increased by RMB65.182 billion or 233.32% compared with the figure at the beginning of the period; and various net investments decreased by RMB174.326 billion or 5.29% 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, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**2,348,831**	**36.60**	2,007,366	32.98
Investment note (1)	**3,120,166**	**48.62**	3,294,492	54.13
Financial assets held under resale agreements	**93,119**	**1.45**	27,937	0.46
Finance lease receivables	**103,495**	**1.61**	89,839	1.48
Due from banks	**77,559**	**1.21**	56,206	0.92
Placements with banks and other financial institutions	**31,178**	**0.49**	16,851	0.28
Cash and balances with central bank	**466,403**	**7.27**	457,654	7.52
Others note (2)	**176,091**	**2.75**	135,550	2.23
Total	**6,416,842**	**100**	**6,085,895**	**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, 2017	December 31, 2016
Corporate loans	**1,482,362**	1,271,347
Personal loans	**910,824**	750,538
Discounted bills	**37,509**	57,929
Total	**2,430,695**	**2,079,814**

As at the end of the reporting period, corporate loans accounted for 60.99%, down 0.14 percentage point as compared with the figure at the beginning of the period; personal loans accounted for 37.47%, up 1.38 percentage point as compared with that at the beginning of the period; and discounted notes accounted for 1.54%, down 1.24 percentage points as compared with the figure 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”, “leasing and commercial service”, “wholesale and retail”, and “water conservation, environment and public facility administration”. The details on distribution by industry are set out as follows:

Unit: RMB million

Industry	December 31, 2017			December 31, 2016		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**6,958**	**0.29**	**0.89**	7,015	0.34	1.58
Mining	**65,503**	**2.69**	**3.71**	64,684	3.11	3.33
Manufacturing	**335,445**	**13.80**	**3.55**	310,297	14.92	3.59
Production and supply of power, heat, gas and water	**72,413**	**2.98**	**0.25**	60,939	2.93	0.34
Construction	**89,581**	**3.69**	**1.61**	86,707	4.17	1.44
Transportation, logistics and postal service	**69,794**	**2.87**	**1.13**	66,644	3.20	0.76
Information transmission, software and IT service	**18,083**	**0.73**	**0.33**	15,590	0.75	0.22
Wholesale and retail	**223,649**	**9.20**	**5.34**	196,681	9.46	5.03
Accommodation and catering	**3,068**	**0.13**	**4.10**	4,493	0.21	2.91
Finance	**23,865**	**0.98**	**0.16**	12,717	0.61	0.31
Real estate	**151,488**	**6.23**	**0.66**	164,351	7.90	0.46
Leasing and commercial services	**226,770**	**9.34**	**0.41**	142,608	6.86	0.45
Scientific research and technical service	**4,641**	**0.19**	**5.26**	4,925	0.24	5.59
Water conservation, environment and public facility administration	**163,577**	**6.73**	**0.10**	109,135	5.25	0.14
Residential services, repair and other related services	**2,704**	**0.11**	**1.04**	1,966	0.09	0.13
Education	**1,349**	**0.06**	**0.00**	1,977	0.09	0.00
Sanitation and social services	**10,848**	**0.45**	**0.06**	12,023	0.58	0.14
Culture, sporting and entertainment	**7,057**	**0.29**	**0.12**	4,672	0.22	0.00
Public administration, social security and social organizations	**5,478**	**0.23**	**0.00**	3,923	0.19	0.00
International organization	**91**	**0.00**	**0.00**	0.00	0.00	0.00
Personal loans	**910,824**	**37.47**	**0.80**	750,538	36.09	0.93
Discounted bills	**37,509**	**1.54**	**0.00**	57,929	2.79	0.16
Total	**2,430,695**	**100**	**1.59**	**2,079,814**	**100**	**1.65**

During the reporting period, the Company implemented differentiated credit granting policy of "ensuring credit supply to some, controlling supply to some and cutting supply to some". The Company actively supported the real economy as well as the supply side structural reform. It also seized the opportunities arising from new technologies, new industries, new industry dynamics and new business models. The Company gave priority to credit customers whose businesses are in line with government policy directions, are experiencing rapid growth and enjoy rosy prospects. It also fully explored business opportunities in free trade zones, reform pilot regions, and other regions that enjoy preferential national policies as well as important node cities along the "One Belt, One Road". In addition, the Company continued with the green finance principle and supported eco-friendly industries that generate evident social benefits, adopt mature technologies and have commercialized operations. The Company has supported healthcare, education, tourism and telecom communication sectors that exhibit weak cyclicity as well as the livelihood and consumption sectors. It also accelerated the development of micro, small and medium-sized business lending as well as the retail banking business, in a bid to shift the service focus to the more primary tier of customer base. We also fully authorized employees and took full advantage of the guiding function of the credit granting policy. Based on the general principle of "Precisely Managing and Accurately Controlling", we effectively controlled regional, systematic, industry and concentration risks, and drove reasonable business layout and balanced development across different industries, customer categories and products.

During the reporting period, the Company faced certain pressure from credit risks and non-performing loans increased due to slowing economic growth, industry structure adjustment and declining market demands. However, the NPL ratio declined as compared with the beginning of the period because the Company strictly controlled the occurrence of new non-performing assets and enhanced its expertise in managing non-performing assets.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2017		December 31, 2016	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**196,298**	**8.08**	127,488	6.13
Fujian	**302,458**	**12.44**	268,487	12.91
Guangdong	**250,615**	**10.31**	217,880	10.48
Jiangsu	**206,352**	**8.49**	167,291	8.04
Zhejiang	**161,574**	**6.65**	134,720	6.48
Shanghai	**121,291**	**4.99**	116,401	5.60
Beijing	**154,237**	**6.35**	130,925	6.30
Northeast and other regions	**341,530**	**14.04**	294,452	14.15
Western China	**315,413**	**12.98**	283,766	13.64
Central China	**380,927**	**15.67**	338,404	16.27
Total	**2,430,695**	**100**	**2,079,814**	**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, 2017		December 31, 2016	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**585,734**	**24.10**	411,300	19.77
Guaranteed loans	**582,000**	**23.94**	482,311	23.19
Secured by mortgage	**977,266**	**40.21**	955,801	45.96
Secured by collateral	**248,186**	**10.21**	172,473	8.29
Discounted bills	**37,509**	**1.54**	57,929	2.79
Total	**2,430,695**	**100**	**2,079,814**	**100**

As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 4.33 percentage points as compared with the figure at the beginning of the period; the proportion of guaranteed loans increased by 0.75 percentage point as compared with that at the beginning of the period; the proportion of loans secured by mortgage and collateral decreased by 3.83 percentage points as compared with the figure at the beginning of the period, while the proportion of loans secured by discounted bills decreased by 1.25 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, 2017	Percentage in total loans (%)
Customer A	14,038	0.58
Customer B	11,660	0.48
Customer C	7,630	0.31
Customer D	7,414	0.31
Customer E	5,854	0.24
Customer F	5,690	0.23
Customer G	5,330	0.22
Customer H	5,270	0.22
Customer I	5,000	0.21
Customer J	4,564	0.19
Total	**72,450**	**2.99**

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 RMB14,038 million, accounting for 2.84% 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, 2017			December 31, 2016		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**603,047**	**66.21**	**0.30**	517,597	68.96	0.34
Personal business loans	**41,004**	**4.50**	**4.65**	49,279	6.57	5.06
Credit cards	**186,256**	**20.45**	**1.29**	110,330	14.70	1.44
Others	**80,517**	**8.84**	**1.45**	73,332	9.77	1.56
Total	**910,824**	**100**	**0.80**	**750,538**	**100**	**0.93**

During the reporting period, the Company further adjusted and optimized the personal loan structure, and continued to support the personal mortgage loan business. In addition, the Company increased its support for credit card business and reduced the personal business loan balance. The percentage of credit card business increased by 5.75 percentage points as compared with the beginning of the period, while the percentage of personal business loans declined by 2.07 percentage points. By the end of the reporting period, the NPL ratio of personal loans slightly declined by 0.13 percentage point, reflecting overall controllable risk.

The Company further strengthened risk prevention and control of personal loan business. First, the Company promoted the retail credit factory mode across the board. Retail credit business process was reengineered to centralize, streamline and standardize middle and back-stage business processing and risk management. Second, the Company effectively used big data technology to enrich personal credit risk assessment metrics, and fully enhance the level of intelligence in retail banking risk management. Third, the Company conducted risk check and post-loan assessment in key areas, timely optimized and adjusted credit granting policies, and accelerated risk elimination and disposal procedures. As at the end of the reporting period, the NPL ratio of the personal loans declined.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the Company's net investment declined by RMB174.326 billion or 5.29% 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, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Financial assets at fair value through profit or loss	**362,072**	**11.60**	354,595	10.76
Available-for-sale	**504,221**	**16.16**	584,850	17.76
Receivable	**1,913,382**	**61.32**	2,102,801	63.83
Held-to-maturity	**337,483**	**10.82**	249,828	7.58
Long-term equity investments	**3,008**	**0.10**	2,418	0.07
Total	**3,120,166**	**100**	**3,294,492**	**100**

During the reporting period, the Company's held-to-maturity investment increased by RMB87.655 billion, primarily due to increase in government bond investment. Receivable and available-for-sale investments declined by RMB189.419 billion and RMB80.629 billion, respectively, primarily due to lower investment in non-standard assets.

② Classification based on issuer

Unit: RMB million

Type	December 31, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**824,587**	**26.43**	620,964	18.85
Central bank bills and financial bonds	**198,694**	**6.37**	127,496	3.87
Corporate bonds	**277,841**	**8.90**	231,987	7.04
Other investments	**1,816,036**	**58.20**	2,311,627	70.17
Long-term equity investments	**3,008**	**0.10**	2,418	0.07
Total	**3,120,166**	**100**	**3,294,492**	**100**

During the reporting period, the Company seized the market opportunities to over-weight government bonds and local government bonds with tax deduction and exemption, risk capital saving and high liquidity, and under-weighted non-standard investments.

(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 RMB3.008 billion, and the details are set out as follows:

① The Company held 294.40 million shares of Jiujiang City Commercial Bank Co., Ltd. with a proportion of equity interest of 14.72% and a book value of RMB2.657 billion.

② CIB Wealth Management Co., Ltd. held the book value of other long-term equity investment of RMB280 million in total at the end of the reporting period.

③ CIB Guoxin Asset Management Co., Ltd. held the book value of other long-term equity investment of RMB71 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 RMB77.575 billion in deposits with banks and other financial institutions, increased RMB21.348 billion or 37.97% 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, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**61,425**	**79.18**	37,002	65.81
Deposits with other domestic financial institutions	**4,232**	**5.46**	2,177	3.87
Deposits with foreign banks	**11,918**	**15.36**	17,048	30.32
Total	**77,575**	**100**	**56,227**	**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 RMB93.119 billion in financial assets held under resale agreements, representing an increase of RMB65.182 billion from the figure at the beginning of the period, mainly due to the increase in bonds held under resale agreements.

Unit: RMB million

Type	December 31, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**88,684**	**95.24**	8,261	29.57
Bills	**333**	**0.36**	3,902	13.97
Trusts and other beneficial interests	**4,102**	**4.40**	11,306	40.47
Credit assets	**-**	**-**	4,468	15.99
Total	**93,119**	**100**	**27,937**	**100**

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB5,994.090 billion, representing an increase of RMB262.605 billion or 4.58% 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, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Due to banks and other financial institutions	**1,446,059**	**24.12**	1,721,008	30.03
Placements from banks and other financial institutions	**187,929**	**3.14**	130,004	2.27
Financial assets sold under repurchase agreements	**229,794**	**3.83**	167,477	2.92
Due to customers	**3,086,893**	**51.50**	2,694,751	47.02
Bonds payable	**662,958**	**11.06**	713,966	12.46
Other liabilities [note]	**380,457**	**6.35**	304,279	5.30
Total	**5,994,090**	**100**	**5,731,485**	**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 RMB3,086.893 billion, an increase of RMB392.142 billion or 14.55% compared with the figure at the beginning of the period.

Unit: RMB million

Item	December 31, 2017		December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits	**1,310,639**	**42.46**	1,184,963	43.97
Incl: Corporate	**1,083,505**	**35.10**	969,658	35.98
Personal	**227,134**	**7.36**	215,305	7.99
Time deposits	**1,567,574**	**50.78**	1,312,417	48.70
Incl: Corporate	**1,373,402**	**44.49**	1,176,856	43.67
Personal	**194,172**	**6.29**	135,561	5.03
Other deposits	**208,680**	**6.76**	197,371	7.33
Total	**3,086,893**	**100**	**2,694,751**	**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 RMB1,446.059 billion in deposits from banks and other financial institutions, a decrease of RMB274.949 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 reduced interbank deposits.

Unit: RMB million

Transaction counterparty	December 31, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**396,646**	**27.43**	742,401	43.14
Deposits from other financial institutions	**1,049,413**	**72.57**	978,607	56.86
Total	**1,446,059**	**100**	**1,721,008**	**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 RMB229.794 billion in financial assets sold under repurchase agreements, representing an increase of RMB62.317 billion or 37.21% from the figure at the beginning of the period, mainly due to the increased selling of repurchase bonds.

Unit: RMB million

Type	December 31, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**209,658**	**91.24**	143,440	85.65
Bills	**20,136**	**8.76**	24,037	14.35
Total	**229,794**	**100**	**167,477**	**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 and the "replacement of business tax with VAT" in the banking industry, the net interest margin recorded a year-on-year decrease of 50BPs; there was a sustained growth in fee and commission income. The cost was control at a reasonable level; various provisions were made sufficiently; and the net profit attributable to shareholders of the parent company reached RMB57.200 billion, up 6.22% year-on-year.

Unit: RMB million

Item	2017	2016 (Restated)	Increase / Decrease YoY (%)
Operating income	**139,975**	157.087	(10.89)
Net interest income	**88,451**	112,319	(21.25)
Net non-interest income	**51,524**	44,768	15.09
Business tax and surcharges	**(975)**	(5,667)	(82.80)
Operating and administrative expense	**(38,130)**	(36,401)	4.75
Impairment loss of assets	**(35,507)**	(51,276)	(30.75)
Other operating costs	**(550)**	(334)	64.67
Net non-operating income and expense	**(60)**	516	(111.63)
Profit before tax	**64,753**	63,925	1.30
Income tax	**(7,018)**	(9,598)	(26.88)
Net profit	**57,735**	54,327	6.27
Profit and loss of minority shareholders	**535**	477	12.16
Net profit attributable to the shareholders of the parent company	**57,200**	53,850	6.22

1. Net interest income

During the reporting period, the net interest income of the Company was RMB88.451 billion, down RMB23.868 billion or 21.25% year-on-year. The business maintained a steady and rapid growth, daily average scale of interest-bearing assets up 11.91% 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 50BPs.

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

Unit: RMB million

Item	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**103,610**	**41.00**	92,890	39.31
Interest income from discounted bills	**1,150**	**0.46**	2,615	1.11
Interest income from investments	**128,567**	**50.88**	121,147	51.27
Interest income from the amount due from the Central Bank	**6,813**	**2.70**	5,898	2.50
Interest income from placements with banks and other financial institutions	**1,337**	**0.53**	1,132	0.48
Interest income from resale agreements	**2,879**	**1.14**	4,511	1.91
Interest income from deposits in banks and other financial institutions	**1,991**	**0.79**	2,052	0.87
Interest income from financing lease	**5,472**	**2.17**	4,923	2.08
Other interest income	**825**	**0.33**	1,111	0.47
Subtotal of interest income	**252,644**	**100**	236,279	100
Interest expense				
Interest expense on loans from the Central Bank	**7,105**	**4.33**	3,972	3.20
Interest expense on deposits	**54,891**	**33.43**	42,313	34.13
Interest expense on bonds issuance	**28,390**	**17.29**	22,569	18.21
Interest expense on deposits from banks and other financial institutions	**64,123**	**39.04**	49,291	39.76
Interest expense on placements from banks and other financial institutions	**6,185**	**3.77**	3,605	2.91
Interest expense on repurchase agreements	**3,358**	**2.05**	2,058	1.66
Other interest expenses	**141**	**0.09**	152	0.13
Subtotal of interest expense	**164,193**	**100**	123,960	100
Net interest income	**88,451**		**112,319**	

Unit: RMB million

Item	2017		2016	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	**2,280,316**	**4.59**	1,928,343	4.99
Based on loan type:				
Corporate loans	**1,459,103**	**4.72**	1,320,673	5.06
Personal loans	**821,213**	**4.37**	607,670	4.82
Based on loan term:				
General short-term loans	**934,716**	**4.43**	904,503	5.02
Medium and long-term loans	**1,306,980**	**4.76**	949,053	5.07
Discounted bills	**38,620**	**2.98**	74,787	3.49
Investments	**2,877,800**	**4.50**	2,628,925	4.54
Deposits in the Central Bank	**452,719**	**1.50**	395,932	1.49
Deposits in and placements with banks and other financial institutions (including financial assets held under resale agreements)	**213,334**	**3.58**	251,915	3.73
Financial leasing	**120,194**	**4.55**	106,714	4.60
Total	**5,944,363**	**4.25**	**5,311,829**	**4.40**

Item	2017		2016	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Due to customers	**2,903,175**	**1.89**	2,421,079	1.70
Corporate deposits	**2,509,352**	**1.93**	2,077,053	1.72
Demand deposits	**1,064,045**	**0.68**	876,475	0.63
Time deposits	**1,445,307**	**2.84**	1,200,578	2.52
Personal deposits	**393,823**	**1.67**	344,026	1.56
Demand deposits	**222,692**	**0.30**	196,297	0.30
Time deposits	**171,131**	**3.45**	147,729	3.24
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,989,098**	**3.71**	1,929,136	2.92
Borrowings from the Central Bank	**228,526**	**3.11**	131,849	3.00
Bonds payable	**719,230**	**3.95**	680,573	3.31
Total	**5,840,029**	**2.81**	**5,162,637**	**2.40**
Net interest spread		**1.44**		**2.00**
Net interest margin		**1.73**		**2.23**

Standard for measuring net interest margin: gains deriving from monetary funds and bond fund investment business shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB51.524 billion, accounting for 36.81% of the operating income, representing an increase of RMB6.756 billion or 15.09% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2017	2016 (Restated)
Net fee and commission income	**38,739**	36,552
Gain and loss from investment	**4,514**	11,836
Gain and loss from changes in fair value	**(622)**	(3,756)
Gain and loss from exchange	**7,386**	(105)
Gain from disposal of asset	**69**	27
Other income	**257**	-
Income from other businesses	**1,181**	214
Total	**51,524**	**44,768**

During the reporting period, the Company realized fee and commission income of RMB42.027 billion, up RMB3.345 billion or 8.65% 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 RMB11.278 billion, up RMB3.303 billion year-on-year, mainly due to the increase in gains from fund dividends.

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

Unit: RMB million

Item	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**1,190**	**2.83**	814	2.10
Fee income from bank cards	**13,228**	**31.48**	7,947	20.54
Fee income from agency business	**3,059**	**7.28**	4,537	11.73
Fee income from guarantee commitment	**1,673**	**3.98**	1,551	4.01
Fee income from trading business	**602**	**1.43**	290	0.75
Fee income from custody business	**4,063**	**9.67**	4,345	11.23
Fee income from consulting service	**14,416**	**34.30**	15,243	39.41
Fee income from trust business	**1,631**	**3.88**	1,847	4.77
Fee income from lease business	**1,060**	**2.52**	1,086	2.81
Other fee income	**1,105**	**2.63**	1,022	2.65
Sub-total	**42,027**	**100**	38,682	100
Fee and commission expense	**3,288**		2,130	
Net fee and commission income	**38,739**		**36,552**	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB38.130 billion, up RMB1.729 billion or 4.75% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**23,787**	**62.38**	22,517	61.86
Depreciation and amortization	**2,052**	**5.38**	2,230	6.13
Lease expense	**2,889**	**7.58**	2,741	7.53
Other general and administrative expenses	**9,402**	**24.66**	8,913	24.48
Total	**38,130**	**100**	**36,401**	**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 27.63%, maintaining at a low level.

4. Impairment loss of assets

During the reporting period, the Company's impairment loss of assets was RMB35.507 billion, down RMB15.769 billion or 30.75% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2017		2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**28,621**	**80.61**	46,376	90.44
Impairment loss on investment in accounts receivable	**6,290**	**17.71**	3,130	6.10
Impairment loss on available-for-sale financial assets	**(598)**	**(1.68)**	443	0.86
Impairment loss on financial leasing receivable	**462**	**1.30**	950	1.85
Impairment loss on other assets	**732**	**2.06**	377	0.75
Total	**35,507**	**100**	**51,276**	**100**

During the reporting period, the Company accrued a loan impairment loss of RMB28.621 billion, down RMB17.755 billion year-on-year. 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 10.84%.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	2017
Profit before tax	**64,753**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**16,188**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(9,511)**
Non-deductible items	**403**
Adjustment on the tax of previous years	**(62)**
Income tax expense	**7,018**

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2017	2016
Cash flows from operating activities	**(162,642)**	203,017
Cash flows from investing activities	**268,261**	(366,131)
Cash flows from financing activities	**(67,067)**	282,268

During the reporting period, the total of cash inflows from operating activities was RMB162.642 billion, representing a decrease of RMB365.659 billion as compared with last year, mainly due to the year-on-year increase in loan increment, the decrease in financial assets held under resale agreements, and the year-on-year decrease in increment of loans from the Central Bank.

Total cash outflows from investing activities was RMB268.261 billion, representing an increase of RMB634.392 billion as compared with previous year, mainly due to the reduction of non-standard investment which resulted in a decrease in the increment of investment business.

Total cash outflows from financing activities were RMB67.067 billion, representing a decrease of RMB349.335billion as compared with previous year, mainly due to the year-on-year decrease in inter-bank deposit business.

(V) Capital management

1. Capital management overview

During the reporting period, the Group had conscientiously implemented the capital management policy according to the Capital Rules for Commercial Banks (Provisional) of CBRC. As per "2016-2020 Group Development Plan" and "Industrial Bank Medium-term Capital Management Planning (2016-2018)", the Group will achieve healthy and sustainable development as well as make sure capital adequacy ratio meet requirements by well performing capital management policies.

During the reporting period, to strike a balance between assets growth, capital demand and capital supplementing channels, and after fully demonstrating necessity and feasibility of capital supplementing, the Group successfully raised RMB26 billion through private placement to supplement the core Tier 1 capital. In the wake of the capital replenishment, the Group's capital status was further strengthened, and its capabilities of fending off risks and serving the real economy were enhanced.

The Company continued to implement a capital-efficient operational and management mode, and determined balanced business development and internal core Tier 1 capital generation as its primary goals. Based on the annual business operation plan, the Company's capital retaining abilities and its assets and liabilities management strategy, the Company has reasonably arranged and controlled the bank-wide risk-weighted assets scale. The Company has optimized risk-weighted asset quota allocation and control mechanism, as well as the assessment of rates of return on capital on each branch or subsidiary, thereby reasonably adjusting the asset structure and promoting coordinated development of on-balance sheet and off-balance sheet businesses.

According to guidelines of the Capital Rules for Commercial Banks (Provisional) of CBRC and other documents, the Company has promoted implementation of the new capital accord, completed a sound first pillar work system and was conscientiously implementing the work under the second pillar. The Company monitors its capital adequacy and regulatory capital application in real time according to regulatory rules.

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 according to relevant regulatory requirements of CBRC. Meanwhile, 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 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 set up a complete 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 has continuously enhanced the internal rating operation management, and considered the internal rating as the first process in risk management. Each year the Company conducted various trainings and interbank researches to promote the use and acceptance of the new capital accord concepts across the Company. 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, and continuously carried out upgrade and optimization of risk measurement model. During the reporting period, the Company optimized the rating model for non-retail business and updated the main scale and scorecard options taking both the economic environment and the Company's actual needs into consideration. 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 and so on.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2017	December 31, 2016
Total capital	**527,191**	458,333
1. Core Tier 1 capital	**392,199**	325,945
2. Other Tier 1 capital	**25,935**	25,919
3. Tier 2 capital	**109,057**	106,469
Capital deductions	**1,074**	1,376
1. Amount of deduction from core Tier 1 capital	**774**	776
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	**300**	600
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	**526,117**	456,958
Minimum capital requirement	**345,381**	304,219
Reserve capital and counter-cyclical capital requirement	**107,932**	95,068
Additional capital requirement	**-**	-
Core Tier 1 capital adequacy ratio (before consolidation) (%)	**8.86**	8.30
Tier 1 capital adequacy ratio (before consolidation) (%)	**9.50**	9.01
Capital adequacy ratio (before consolidation) (%)	**12.10**	11.87
Core Tier 1 capital adequacy ratio (after consolidation) (%)	**9.07**	8.55
Tier 1 capital adequacy ratio (after consolidation) (%)	**9.67**	9.23
Capital adequacy ratio (after consolidation) (%)	**12.19**	12.02

(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, with the capital adequacy ratio.

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 RMB42.074 billion and total NPLs of RMB40.144 billion, the balance of actual accrued provision for loan impairment was RMB85.641 billion, the book value of long-term equity-interest investment was RMB3.008 billion, the total credit risk exposure was RMB6,739.3 billion, and the credit risk weighted assets reached RMB3,964.251 billion, up 14.72% year-on-year, among which the balance of securitized assets was RMB266.108 billion, the credit risk exposure was RMB265.824 billion and the credit risk weighted assets reached RMB63.283 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 RMB76.715 billion, which was 12.5 times of the total market risk capital requirement of RMB6.137 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 RMB276.297 billion, which was 12.5 times of the total operating risk capital requirement of RMB22.104 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 information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net Tier 1 capital	417,360	408,160	392,146	391,497
Balance of on- and off-balance sheet assets after adjustment	7,081,102	6,995,414	6,973,581	6,862,738
Leverage ratio (%)	5.89	5.83	5.62	5.70

(4) As at the end of the reporting period, in accordance with the Measures for Information Disclosure regarding Liquidity Coverage of Commercial Banks of CBRC, information about the Company's liquidity coverage ratio was as follows:

Unit: RMB million

Item	December 31, 2017
Qualified high quality current assets	838,135
Net cash outflow during the next 30 days	815,790
Liquidity coverage ratio (%)	102.74

4. In accordance with the Regulatory Requirements for Information Disclosure on Capital Composition of Commercial Banks and the Administrative Measures on the Leverage Ratio of Commercial Banks of CBRC, the Company further disclosed detailed information such as the table of capital composition, the descriptions of relevant items, key features of the capital instruments and leverage ratio 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) Industry landscape and trends

China's major social conflict is changing as the country enters a new era of the socialism with Chinese characteristics. Chinese economy shifted from a stage of rapid growth rate to a stage demanding high quality in growth. Going forward, Chinese economy will become increasingly vigorous and resilient, and the financial industry will face even higher requirements as well as bigger room for development. In 2018, China will set high standards for its economic development and press on with addressing the imbalance and underdevelopment issues. The economic and financial environment will continue to undergo profound changes. Macro policies will basically remain stable and slightly tight, and the economic growth will stabilize. The change in economic structure will speed up, while growth momentum will continue to accumulate. Financial regulation will be further tightened, and tight money supply, strict regulation and rigid governance will become the new normal. The financial market system will become increasingly strong.

These trends will exert big impact upon banks. In respect of major challenges, first, some business models will become unsustainable. The inorganic development that can fuel rapid business expansion will be unable to sustain. Bank wealth management business model that features inexplicit principal protection will need to change. It will be more difficult to consistently profit by trading standardized assets (such as bonds) through market timing approach. Second, the business and management foundation need to be consolidated. To realize sustainable development in the new environment, banks need to have new business models. Banks are facing high requirements regarding customer scale and structure, protection and guidance through information technologies, employee abilities in marketing, serving and risk recognition, as well as expertise in risk management. Third, the potential risks cannot be neglected. In the new environment, credit risk will be high, and the liquidity risk, interest rate risk, compliance risk and reputation risk may be escalated. Risks in Internet finance and other risks of cross-contamination may spread to banks more easily.

In respect of major opportunities, first, the incremental financial demand is still huge. China's economy is still growing at high rate, and the credit and social financing scale will maintain reasonable growth, laying down a solid foundation for development of the banking industry. Second, emerging businesses are embracing opportunities. For instance, China has determined the ecological construction as a "Major Cause Lasting One Thousand Years", pledged to fight a critical battle to prevent and treat pollution and planned to transform the traditional industries to make them more eco-friendly. The environmental protection industry is growing fast. These created great market for the green finance business. The economic transformation and upgrade as well as the deleveraging in the economic and financial system will generate large demand for asset securitization and direct financing, which creates strong tailwinds for investment banking business. The deepened financial reform will give rise to more opportunities for interbank cooperation. If the macroeconomic policies remain stable and the exchange rate and interest rate become range-bound, FICC business will enjoy favorable conditions. Upgrade in resident consumption will facilitate the development of pension finance, health finance, tourism finance and consumer finance. Third, traditional business may receive fresh impetus. In the new era, commercial banks are seeing ever-growing number of corporate and residential customers, and asset-light companies and netizens also become more and more. New product, new technology and new modes emerge one after another. If banks can market toward and serve corporate and retail customers in appropriate manner, traditional businesses such as the general corporate finance and retail finance will also experience rapid growth.

(II) Development strategy of the Company

The Company actively adapted to the new normal in economic conditions as well as the new landscape in financial industry during the 13th Five-Year period. It came up with the transformation direction of "light capital, high efficiency", with a focus on building a Three-Type bank, namely investment type, transaction type and settlement type. Furnished with a relatively complete set of financial licenses, the Company is set to provide integrated financial solutions in a customer-oriented manner, and will combine the financial functions, business models, management mechanism and operating cultures of commercial bank and investment bank. By doing this, the Company's commercial banking business will provide comprehensive and first-class services to customers, and the investment banking business will deliver first-class financing solutions. The Company looks to make both of its commercial banking and investment banking businesses the top-tier players in the market.

(III) Business objectives for 2018

1. The Group's total assets to reach approximately RMB6,767 billion.

2. The balance of customer deposits to increase by approximately RMB400 billion.

3. The balance of loans to increase by approximately RMB350 billion.

4. The net profit attributable to the shareholders of the parent company to increase by approximately 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	-	4,082	3,041,989
Financial Markets	168 Jiangning Road, Shanghai	-	95	515,126
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	1,040	181,438
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	67	2,546	487,656
Tianjin Branch	219 Yong'an Blvd., Hexi District, Tianjin	94	1,154	75,609
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	67	2,116	82,289
Taiyuan Branch	209 Fudong Street, Taiyuan	92	1,516	86,407
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	42	1,382	64,624
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	45	1,404	59,719
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	27	603	40,581
Changchun Branch	309 Changchun Avenue, Changchun	27	1,254	56,105
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	31	1,005	52,151
Shanghai Branch	168 Jiangning Road, Shanghai	80	2,182	386,217
Nanjing Branch	2 Changjiang Road, Nanjing	104	2,881	279,191
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	15	649	48,824
Hangzhou Branch	40 Qingchun Road, Hangzhou	110	2,791	185,608
Ningbo Branch	905 Baizhang East Road, Ningbo	31	741	36,250
Hefei Branch	99 Fuyang Road, Hefei	39	1,221	77,680
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	64	1,451	186,312
Xiamen Branch	78 Hubin North Road, Xiamen	27	1,270	102,367
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	11	391	23,183
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	13	393	12,507
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	49	1,537	67,925
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	20	586	34,286
Nanping Branch	399 Binjiang Middle Road, Nanping	17	368	17,068
Longyan Branch	46 Jiuyi South Road, Longyan	13	417	18,806
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	318	11,821
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	50	943	54,732

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Ji'nan Branch	86 Jingqi Road, Ji'nan	113	3,081	170,423
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	23	627	39,153
Zhengzhou Branch	288 Jinshui Road, Zhengzhou	54	1,494	78,736
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	69	1,545	117,858
Changsha Branch	192 Shaoshan North Road, Changsha	48	1,533	129,179
Guangzhou Branch	101 Tianhe Road, Guangzhou	131	3,658	360,647
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	46	1,311	326,118
Nanning Branch	146 Minzu Boulevard, Qingxiu District, Nanning	33	1,148	57,948
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	10	426	26,883
Chongqing Branch	1 Honghuang Road, Hongqihegou Jiangbei District, Chongqing	66	1,321	107,395
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	132	2,045	132,590
Guiyang Branch	45 Zhonghua South Road, Guiyang	15	638	25,551
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	28	674	36,335
Xi'an Branch	1 Tangyan Road, Xi'an	86	1,337	104,573
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	18	488	18,725
Xining Branch	54 Wusi West Road, Xining	3	206	16,442
Urumqi Branch	37 Renmin Road, Urumqi	39	744	54,781
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	1	133	1,431
Hong Kong Branch	3 Garden Road, Central, Hong Kong	1	252	151,080
Netting and summation adjustment within the system				(1,987,752)
Total		**2,064**	**58,997**	**6,254,567**

Note: Data in the table above does 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 is 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.	9,000	134,925	13,964	2,862	2,033	1,520
China Industrial International Trust Limited	5,000	35,682	16,379	3,114	1,905	1,465
CIB Fund Management Co., Ltd.	700	2,839	1,846	1,535	737	570
Industrial Consumer Finance Co., Ltd.	700	10,500	932	1,036	261	209

(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 RMB9 billion. Business scope includes financial leasing, selling and buying of financial leasing asset, fixed-income security investment, acceptance of lessee's lease deposits, setting up project companies in domestic bonded areas to engage in finance lease business, among others.

During the reporting period, Industrial Leasing actively followed the central government's directives of "serving real economy, preventing and controlling financial risks and deepening financial reform", and insisted on the strategy of "developing stably, promoting transformation, fixing shortfalls, adjusting structure, consolidating foundation, and enhancing inherent abilities". It strove to build partnerships with various industries and other peers in the financial leasing industry, and coordinate with other members of the Group. These efforts translated into stable business growth. Its operating results were in line with expectations, with its asset quality staying healthy. Industrial Leasing remained one of the top-tier financial leasing companies in China. As at the end of the reporting period, Industrial Leasing has total assets of RMB134.925 billion, increasing by RMB17.205 billion from the beginning of the period. Liabilities amounted to RMB120.961 billion, increasing by RMB13.676 billion from the beginning of the period. Owners' equity reached RMB13.964 billion, increasing by RMB3.529 billion from the beginning of the period. Total leasing assets on balance sheet amounted to RMB127.246 billion, increasing by RMB12.347 billion from the beginning of the period, which included RMB122.834 billion financing leasing assets and RMB4.412 billion operating leasing assets. During the reporting period, operating income was RMB2.862 billion, operating profit was RMB2.033 billion, and the net profit after tax was RMB1.520 billion.

Industrial Leasing has focused on its core market. It adopted the strategy of focusing on core areas, enhancing expertise, as well as providing differentiated finance and tax planning services and specialized asset trading services. It managed to build unique business characters and distinctive advantages in core areas. First, Industrial Leasing has vigorously promoted green leasing, and solidified its brand of green leasing. As of the end of the reporting period, Industrial Leasing completed 282 green leasing projects with a total amount of RMB105.270 billion, representing 39% of all investments. During the reporting period, there were 63 green leasing projects with an aggregate amount of RMB23.510 billion. Second, Industrial Leasing steadily expanded its footholds in the livelihood project market. It invested RMB16.080 billion in the livelihood projects, which primarily consisted of affordable housing projects and transportation facilities construction projects. Third, it actively explored modern service areas. It invested RMB5.261 billion in the aviation leasing business, and RMB442 million in cooperation projects in the health-care area. It also completed the first college leaseback business, which marks a breakthrough in the education area. Fourth, Industrial Leasing actively explored the direct leasing and operating leasing business, with accumulative investments of RMB8.265 billion. In this area, Industrial Leasing leveraged its advantages in finance and tax planning and provided differentiated leasing solutions.

Industrial Leasing initiated cooperation with other industries as well as peers in the leasing industry, so as to shifting the business focus to serving the real economy. It has joined the financial leasing strategic alliance for serving Yangtze River Economic Zone, and entered into strategic cooperation agreement with multiple large-scale enterprises. Total value of the signed agreements amounted to RMB122 billion, covering new energy vehicles, clean energy, environmental protection services and health-care. Over RMB3 billion worth of projects have been confirmed. In addition, Industrial Leasing built partnership with other financial leasing companies. First, it focused on cooperating with leasing companies who are backed by large central government-owned and local government-owned enterprises, or have consistent financing arrangements in open markets, or have expertness in certain areas. It has entered into strategic cooperation with Sinopharm Financial Leasing and other financial leasing companies. By complementing each other in business resources and channels, Industrial Leasing made breakthroughs in new businesses. Second, Industrial Leasing carried out innovative cooperation with financial institutions. It's the first financial leasing company that launched the massive purchase based on securitized vehicle leasing assets. In addition, it worked with financial leasing companies backed by central government-owned enterprises in capital trading and short-term asset transfer, which boosted its liquidity conditions. Industrial Leasing also cooperated with the interbank finance line in the Head Office to explore new customers through the Bank Cooperation Center.

Industrial Leasing has raised funds through diversified sources to ensure sufficient capital supply. First, it has promoted the diversity in transaction counterparties and financing channels. As at the end of the reporting period, Industrial Leasing received a total of RMB299.23 billion worth of interbank credit granting from 75 banks, and achieved a transaction value of RMB8 billion through non-banking channel. Second, Industrial Leasing promoted the product diversity. In respect of indirect financing products, it stepped up efforts in using banking factoring products and launched trust passage loans. In addition, it engaged in bank acceptance bill business, which effectively reduced funding costs. In respect of direct financing products, Industrial Leasing issued the first secondary capital bond in domestic leasing industry, and multi tranches of financial bonds and asset securitization business. Through these moves, Industrial Leasing raised a total of RMB13.221 billion, the second highest in financial leasing industry.

(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 contribution. 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.

Adhering to its strategic goal of becoming a "comprehensive, diversified, and featured top national trust company", Industrial Trust has insisted on the strategy of improving efficiency, promoting transformation, adjusting structure and preventing risks. It continuously solidified risk management and internal control, vigorously developed the active management business, enhanced its abilities of serving the real economy and maintained stable and healthy growth momentum in each business unit. As at the end of the reporting period, Industrial Trust's fixed assets amounted to RMB35.682 billion, up 99.18% from the beginning of the period, owners' equity was RMB16.379 billion, up 14.80% from the beginning of the period, and the asset under management was RMB1,132.551 billion, up 2.30% 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 RMB3.114 billion, the realized total profit was RMB1.926 billion, and the net profit was RMB1.465 billion. Asset quality remained stable and all indicators met regulatory requirements.

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 RMB916.627 billion, representing a decrease of 1.98% as compared to the beginning of the period, of which the business size of collective trust reached RMB299.916 billion, up 19.90% as compared to the beginning of the period. Industrial Trust has actively explored the asset securitization business. It issued the first REITs product in interbank market, namely "CIB Wan Xin Yue Jia Phase 1 REITs Asset-Backed Security". This marks the inception of the REITs business in interbank market. In addition, it also proactively explored its role in consumer finance area. It launched active management Pre-ABS business, which paved the way for Industrial Trust's practices in support of the national new energy industries. In addition, Industrial Trust actively built green trust brand. As at the end of the reporting period, the scale of Industrial Trust and its subsidiaries' subsisting green trust assets reached RMB49.688 billion, up 425.24% from beginning of the period. Industrial Trust also acquired the special account qualification in Shanghai Gold Exchange, becoming the third trust company receiving such qualification. During the reporting period, Industrial Trust and Beijing branch of the Company participated in the establishment of a fund to support the construction of intra-city railway between Beijing, Tianjin and Hebei. Leveraging the flexibility of trust products in investing and financing, Industrial Trust has actively supported the construction of major projects in China. Industrial Trust's efforts in equity investment also bore fruits. ZOTYE AUTO, a company invested by CIB Guoxin Asset Management Co., Ltd. under Industrial Trust, successfully floated shares in capital market. Such achievement further solidified Industrial Trust's leading brand in automotive sector-related equity investment management.

Industrial Trust continued to increase and optimize financial equity investment and made new breakthroughs in comprehensive operation. Utilizing its wholly-owned subsidiary CIB Guoxin Asset Management Co., Ltd. as the platform, Industrial Trust took the lead in establishing and controlling China Industrial Asset Management, increasing stake of and controlling IERCC and CIB FINTECH (Shanghai) Co., Ltd., and acquiring entire equity of Industrial Futures. In addition, with Industrial Futures being the platform, Industrial Trust built wholly-owned risk management subsidiary – Industrial Yinxin Capital Management Co., Ltd. These moves enhanced Industrial Trust's integrated business layout. All equity investment projects of Industrial Trust are operating well for the moment. Industrial Trust's abilities of providing integrated financial services were 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, a holding subsidiary of the Company, 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 15 branches across the nation, including Shanghai, Beijing and Shenzhen as well as the wholly-owned fund subsidiary CIB Wealth Management Co., Ltd.

During the reporting period, CIB Fund witnessed smooth development with respect to various businesses, with its market image and brand position continuously improved. As at the end of the reporting period, total assets of CIB Fund reached RMB2.839 billion, representing an increase of 5.43% as compared to the beginning of the period; owner's equity was RMB1.846 billion, representing an increase of 29.12% as compared to the beginning of the period. It recorded operating revenue of RMB1.535 billion during the period, representing a year-on-year increase of 21.98%, net profit of RMB570 million, representing a year-on-year increase of 34.84%; and its the ROE was 34.79%. Total asset scale under management at the end of the reporting period was RMB462.598 billion, of which mutual fund reached RMB173.626 billion, representing an increase of 31.45% as compared to the beginning of the period and ranking No.19 in the fund industry. Size of specific accounts of the fund company reached RMB29.414 billion, and size of specific accounts of its subsidiaries reached RMB259.559 billion. Assets under active management reached RMB280.397 billion, increasing by RMB54.420 billion from the beginning of the period and representing 60.61% of the entire assets under management.

CIB Fund has adopted the operating approach of "maintaining stable size, controlling risks, fixing shortfalls and seizing opportunities". It has focused on enhancing its expertise, operated in a market-oriented manner and strived to differentiate its businesses. With an emphasis on target customers, CIB Fund will make progress in large market value management, government industry fund, asset-backed securitization, FOF investment and other core business while consolidating its fixed income brand. 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 of state-owned and central enterprises as well as "One Belt One Road" initiative, 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, which promoted the supply side structural reform and was hailed as the "Atomic and Hydrogen Bombs and Man-Made Satellite" in the new era. Further, it also established the social cooperative development fund and Fujian enterprise technical innovation fund with Finance Bureau of Fujian Province, of which "Fujian enterprise technical innovation fund" was recognized as "Innovative and Creative Financial Projects of Fujian Province"; and entered into the strait energy industry fund with CNPC Group to promote the development of real economy through accelerating multi-mode business innovation.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company. It has registered capital of RMB0.7 billion, of which the Company had a stake of 66%. The scope of business includes: offering personal consumer loans; accepting the deposits of the shareholders' domestic subsidiaries and domestic shareholders; borrowing from domestic financial institutions; issuing financial bonds upon approval; domestic interbank lending; advisory and agency businesses relating to consumer finance; fixed-income securities investment business; and other businesses approved by the CBRC.

As at the end of the reporting period, total financial assets of Industrial Consumer Finance reached RMB10.5 billion, and loan balance reached RMB9.87 billion. During the period, Industrial Consumer Finance recorded an operating income of RMB1.036 billion and a net profit of RMB209 million, up 105.56% year on year. Provision coverage ratio was 168.38% and provision-to-loan ratio was 3.71%, securing its leading position in the industry with sound asset quality. Weighted average ROE reached 33.59%. Since its establishment, Industrial Consumer Finance has in aggregate lent over RMB25.156 billion and served 1,500 thousand clients, ranking ahead among peers in terms of profitability and ROE.

Industrial Consumer Finance has always acted to facilitate the group-level strategy. It well coordinated itself with community branches by deploying staff to station at community branches, installing VCM self-service loan application machines at community branches and other measures, which translated into strong results in cross-selling. During the reporting period, the new loans generated through joint marketing exceeded RMB3 billion. 258 VCM self-service loan application machines were installed in branches and community branches, which provided over RMB1.501 billion worth of loans.

Industrial Consumer Finance has adopted the business strategy of "building a foundation through offline business,

while pursuing growth through online business”, and looked to build strong footholds in both online and offline market. In offline market, Industrial Consumer Finance leveraged the Group’s national presence to build 25 tier-1 business (operational) divisions in nearly 50 cities, including Quanzhou, Fuzhou, Shanghai, Hangzhou, Shenzhen, Chongqing, among others, and generally established a nationwide presence in the offline market. In online market, Industrial Consumer Finance has focused on Internet finance. It started from the “Kong Shou Dao” app and created a series of convenient online products, which supplemented its offline operations. As at the end of the reporting period, Industrial Consumer Finance has over 20% loans provided through online channels. It preliminarily realized the mutual complementation between online and offline customer acquisitions and optimized its channels.

Industrial Consumer Finance continued to revamp its risk management mechanism and combined traditional risk management measures with big data technology. It focused on building a full-process risk management system that covers processes before, during and after lending. First, it established an innovative risk management mechanism, and strictly implemented the “Five-People-Team” system in offline operation. Within the team, profits are shared and risks are jointly assumed. Second, Industrial Consumer Finance standardized the work procedures, and required in-house customer managers to inspect and visit in person, and talk and sign face to face. The offline operation has not detected any identity fraud until now. Third, Industrial Consumer Finance jointly used the traditional and emerging credit information. It attached high importance to application of frontline risk control technologies, and used machine learning algorithm to improve model development technologies and construct online and offline automatic loan approval system, which enhanced approval efficiency and risk-adjusted returns. During the reporting period, Industrial Consumer Finance further boosted its efficiency through refined risk strategy and shortened the time span for loan approval to within 1 day from 1.71 days of the previous year.

Other important subsidiaries

(5) Industrial Futures Co., Ltd.

China Industrial Futures Limited is a holding subsidiary of the Company with a registered capital of RMB0.5 billion. Business scope includes: commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management business. Industrial Futures is a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and Shanghai International Energy Exchange, and is also a transaction settlement member of China Financial Futures Exchange.

During the reporting period, Industrial Futures witnessed smooth development with respect to various businesses, with its market position further consolidated. As at the end of the reporting period, Industrial Futures’ total assets amounted to RMB3.382 billion, up 6.65% from the beginning of the period, total scale of the brokerage and asset management business reached RMB7.029 billion, and customers’ equity amounted to RMB2.914 billion, up 11.35% from the beginning of the period. Size of assets under management hit RMB4.115 billion, up 160.48% from the beginning of the period. It recorded operating revenue of RMB105 million during the period, representing a year-on-year increase of 35.72%, net profit of RMB12.2448 million, representing a year-on-year increase of 20.65%.

Industrial Futures adhered to the operating principles of “high starting points, standardization, first-class services and customer-oriented”. It adopted globally-accepted operating concepts and trading standards, strengthened risk management, advocated investing in a scientific manner, operated in a standardized way and managed in a strict style. It has strong reputation and is one of the relatively influential futures companies in the market. At present, Industrial Futures has established a wholly-owned risk management subsidiary - Industrial Yinxin Capital Management Co., Ltd., and 17 branches (including those under preparation), including subsidiaries in Shanghai, Beijing, Zhejiang, Fujian, Guangdong, Shenzhen, Henan, Dalian, among others. Its head office is directly managed by the Company’s Futures Business Department and Asset Management Department. Its business covers East China and other major economic centers in China, and its business activities involve traditional futures brokerage, investment consulting, asset management and risk management.

(6) Industrial Economic Research and Consulting Co., Ltd.

IERCC is a wholly-owned subsidiary of the Company with a registered capital of RMB60 million. Its business scope includes:

researches on macro economy, asset allocation strategy, fixed income, overseas studies, green finance, exchange rate and commodities, fund research, equity research, industry research, credit rating and research services in other areas.

During the reporting period, IERCC vigorously implemented its basic function to serve the Group, and continuously enhanced overall research capabilities, thus providing solid intellectual support to the Group's development.

IERCC has consistently enhanced its research abilities and quality. Its major class asset allocation strategy research is in-depth and covers equity strategy, assets and liabilities, as well as equity strategies, providing strategic and tactical advices for commercial banks' major class asset allocation. The green finance research has fully incorporated national policies and the Group's green finance development strategy, and particularly focused on industry trends, financial instrument and business innovation; overseas studies focused on overseas interest rate/bond market, cross-border bond allocation, and cross-asset class allocation, providing research support for the Group's overseas asset allocation. IERCC is gradually realizing full coverage on all credit bond issuers and is striving to become a provider of high quality buy-side credit risk services. During the reporting period, IERCC issued 2,510 publicized reports, and 735 customized reports.

IERCC is accelerating its paces to introduce research-based products and it has established the goal of becoming a professional institution to price financial assets. It's orderly promoting the introduction of products including new bond pricing, high-yield bond digging, credit check, equity pledge, and post-investment portfolio management, in a bid to effectively commercialize the research results.

IERCC is also actively exploring external customers and enhancing its influence in the market. During the reporting period, IERCC entered into cooperation with Fujian Rural Credit Union, urban and rural commercial banks, and various nonbanking financial institutions. It's becoming a new facility for the Company to serve customers. IERCC has won awards for many times. Its proprietary promotion platform "CIB Research" app and its WeChat official account are gaining more and more attentions and have built up certain market reputation.

(7) CIB FINTECH (Shanghai) Co., Ltd.

CIB FINTECH (Shanghai) Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB0.5 billion. Business scope includes financial data cloud service and open bank integrated financial services.

CIB FINTECH is a pioneer in fintech, and has established two major development courses since its establishment. The first is building a strong financial cloud based on the technological output of Bank-to-Bank Platform, so as to provide comprehensive financial cloud services for small and medium-sized banks, non-banking financial institutions and small and medium-sized enterprises. The second is to build open banking platform through open interface, and become connecter between the "Bank End" and "Customer End" through micro innovation.

During the reporting period, CIB FINTECH's financial cloud business made breakthroughs in customer base scale and customer structure. In terms of customer quantity, 204 customers have already come online, and 181 were operating online. In terms of customer structure, CIB FINTECH has expanded its shares in rural and town bank market, and stepped up the efforts in marketing toward urban commercial banks and privately-owned banks. To further enhance the service quality of the financial industry cloud, in March 2017, CIB FINTECH released the cloud computing brand "Fintech Cloud", which is the first financial cloud that integrates X86 and IBM Power architectures in China. The product earned the title of the Top Ten OpenStack Excellent Case of China for 2016.In addition to upgrading its services, CIB FINTECH launched a brand-new Internet-based digital bank cloud service, and established Internet core systems surrounding the type-2 accounts. By integrating the mobile banking, direct banking and other Internet-based functions, CIB FINTECH managed the Internet entry of partner banks and built industry-wide Internet finance platform. In October 2017, CIB FINTECH officially introduced the financial company cloud service that targets large-scale financial companies. The introduction of financial company cloud expanded the financial cloud service to nonbanking financial institutions from banks, and paved the way for the Company's cooperation with large conglomerates.

CIB FINTECH also advanced the establishment of open banking platform. In respect of technologies, CIB FINTECH has completed the initial construction of platform service tier, and integrated the account, payment, wealth management, loan and other traditional banking services in deposit, loan and bank transfer into financial plus abilities. At present, CIB FINTECH has launched 7 "Financial + components". In addition, CIB FINTECH has integrated the data, algorithm and technologies into technology plus abilities, and at present, CIB FINTECH has launched 9 "Technology + components". To ensure information security and efficiency in exchange, CIB FINTECH has constructed API gateway that targets commercial ecosystem and institutional gateway that targets financial institutions. It has introduced open banking portal. On the back of consistent improvement in open banking technologies, CIB FINTECH has actively explored micro innovation on incubator and innovation acceleration platform. At present, the products with financial features include Internet bill transfer product “Zhi Jian Ren”, full-scenario payment product “Feng Xing Tong Bao”, logistics industry service product “Yun Lu”, and Internet credit product “Golden East”. The products with technological features include blockchain electronic contract product “Yi Tian Jian”, smart investment advisory product “Ji Hai Jing Ling”, and information converging service “Qing Niao”.

(8) China Industrial Asset Management Co., Ltd.

China Industrial Asset Management Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB3 billion. China Industrial Asset Management was registered with approval of CBRC on April 25, 2017, and has the qualification to massively acquire and dispose non-performing assets of financial institutions. Its business scope includes: investment and asset management, participating in massive acquisition, transferring and disposal of financial institutions’ non-performing assets within Fujian Province; acquiring, transferring and disposing nonfinancial institutions’ non-performing assets; debt restructuring and corporate restructuring; debt-to-equity swap, managing, investing in and disposing equity assets; bankruptcy management; asset securitization; fund custody management, among others.

China Industrial Asset Management has adhered to the strategic goal of “building first-class integrated special asset service provider in China”. It has developed in a reasonable manner, proactively acted, and diligently completed each operational and management work. It made progress in each work and realized healthy development. As at the end of the reporting period, China Industrial Asset Management’s total assets amounted to RMB9.61 billion, and its total liabilities hit RMB6.572 billion. Owners’ equity hit RMB3.038 billion. During the reporting period, its operating income reached RMB129 million, total profits amounted to RMB43 million and net profit hit RMB38 million. During the reporting period, it acquired a total of 43 non-performing asset debt package with a total debt value of RMB19.072 billion. As at the end of the reporting period, it held 19 non-performing asset debt packages with a total debt value of RMB12.519 billion.

China Industrial Asset Management targets at becoming a first-class integrated special asset service provider with standardized management and distinctive characteristics in China. Taking root in Fujian and facing the nationwide market, China Industrial Asset Management will fully leverage its local AMC license to continuously explore the non-performing assets disposal business and build up core competitiveness. It will actively establish an eco-circle and industry chain for special asset operation, and explore diversified channel for collection of and disposal of special assets. It will adopt multi-operating modes including industrial funds, mergers & acquisitions and restructuring, asset securitization, and debt-to-equity swap, so as to maximize the asset value, reduce burdens of financial institutions and inject fresh blood into the real economy. By doing this, China Industrial Asset Management reinforced its role as a “financial stabilizer and safety network” for local economic development, helped optimize local financial ecology and made due contributions to economic transition and upgrade as well as the sustainable economic growth.

(II) Business analysis

1. Customer line

Corporate finance business

(1) General information

The corporate finance business made progress steadily and underwent sound transformation. Its foundation is solidified and its abilities of serving the real economy are enhanced. First, the business’ assets and liabilities increased in coordinated manner. As at the end of the reporting period, the corporate deposits amounted to RMB2,658.489 billion, increasing by RMB318.209 billion from the beginning of the period. Corporate loans reached RMB1,521.941 billion, increasing by RMB192.464 billion from the beginning of the period. The assets and liabilities structure was further optimized. Second, the business’ customer base increasingly expanded. As of the end of the reporting period, the corporate finance business has a total of 620.9 thousand customers, up by 95.7 thousand from the beginning of the period. The corporate finance business’ basis customers aggregated at 136.1 thousand, up 22.5 thousand from the beginning of the period. During the reporting period, the corporate finance business continuously deepened its cooperation with key customers. Third, the business’ serving abilities were further transformed and enhanced. The business has focused on water resources and air pollution prevention and treatment, and actively promoted development of green finance business. It also engaged in inclusive finance to provide diversified financial services to small and medium-sized enterprises and support the healthy development of small and medium-sized enterprises. In addition, the corporate finance business’ transaction type and settlement type product systems became even stronger, and established smooth bill financing channels. The supply chain finance and cross-border finance businesses also made steady progresses, and the Internet payment business maintained a market-leading position.

(2) Large customer business

During the reporting period, the large customer business centered on the basic keynote of "progressing steadily", and adopted the operating strategy of "solidifying foundation, adjusting structure, promoting transformation and steadily developing". The business firmly expanded and solidified its customer base, boosted efficiency and launched special marketing campaigns to enhance its business penetration, which laid a solid foundation for the healthy development of corporate finance business.

First, customer number steadily increased. As at the end of the reporting period, the number of large corporate customers reached 37,305, up by 3,591 from the beginning of the period. The number of subsidiaries of Head Office-level key customers that cooperated with the Company reached 6,862, up by 276 from the beginning of the period; 2,655 companies that are already or plan to be listed on A-share market were cooperating with the Company, up by 345 from the beginning of the period.

Second, the Company has deepened its cooperation with customers through "one policy for one customer" precision service, promotion of innovative products, group-wide joint marketing, special marketing campaigns, main body credit granting cooperation and other measures. As at the end of the reporting period, the daily average deposits of large corporate customers stood at RMB1,062.072 billion, increasing by RMB80.299 billion from the beginning of the period. Corporate loans (including discounted bills) reached RMB992.82 billion, increasing by RMB153.44 billion from the beginning of the period. Daily average deposits of subsidiaries of Head Office-level key customers that cooperated with the Company reached RMB365.322 billion, increasing by RMB63.671 billion from the beginning of the period. Corporate loans (including discounted bills) reached RMB341.528 billion, increasing by RMB42.895 billion from the beginning of the period. Daily average deposits of A-share or prospective A-share companies that cooperated with the Company reached RMB139.572 billion, increasing by RMB21.431 billion from the beginning of the period. Corporate loans (including discounted bills) reached RMB95.517 billion, increasing by RMB18.924 billion from the beginning of the period.

Third, the large customer business achieved steady growth in institutional business and auto finance business through special marketing campaigns. In institutional business, the Company adopted marketing sand-tables for different customer categories. It adopted precision marketing measures for existing and new customers, including business bidding, system promotion, among others. This boosted the marketing efficiency and ensured high quality growth in liabilities. As at the end of the reporting period, the Company has 24,767 institutional customers, increasing by 1,477 from the beginning of the period. Daily average deposits reached RMB631.219 billion, increasing by RMB69.181 billion from the beginning of the period. In the auto finance market, the Company strengthened marketing activities targeting key customers, accelerated the use of customized products and promoted construction and development of relevant systems. It entered into cooperation with the "Big Six" and "Small Four" leading automakers in China, and achieved strong growth in each business indicator of the auto finance business. As of the end of the reporting period, the auto finance business has 7,092 customers, increasing by 596 from the beginning of the period. Daily average deposits reached RMB83.792 billion, increasing by RMB15.623 billion from the beginning of the period. The financing balance reached RMB175.726 billion, increasing by RMB33.393 billion from the beginning of the period.

(3) Small and medium enterprise business

The small and medium enterprise business persisted with the strategy of "being customer-oriented". It seized the opportunities, handled the challenges, kept innovating, and strengthened customer management and marketing, thereby laying down a solid foundation for business development, creating unique business characters and advantages, and enhancing its abilities to serve the real economy. As at the end of the reporting period, the Company had 558.8 thousand SME customers, representing an increase of 90.6 thousand compared with the beginning of the period; the balance of SME loans reached RMB 403.954 billion, representing an increase of RMB43.04 billion compared with the beginning of the period; and the number and the business size of SME continued to increase.

First, the business continued to optimize its operating system. It has established a solid three-tier organizational management structure that consists of the small and medium enterprise department in the Head Office, the small and medium-sized enterprise department (center) in the branches, as well as the small and medium enterprise department (division) in the second-tier branches and sub-branches. The business features professional operation and open front desk. It relied on multi marketing forces to promote the micro and small-sized enterprise business. Second, the business introduced upgraded, innovative and customized products that can better meet customer needs and deliver stronger customer satisfaction. The "San Jian Ke", which is a financial product portfolio customized for SME, has supported more than 10,000 customers and accumulated transaction value of RMB42.975 billion. "Industrial Steward", the mobile payment product for micro and small-sized corporate customers, has provided integrated mobile financial services to nearly 90,000 micro and small-sized enterprises. The online accumulative financing amount of SME reached RMB1.2 billion. Third, the Company orderly conducted group and cluster business and placed the marketing emphasis on customers on the upstream and downstream of supply chains, group members, professional markets, trading platform, platform guaranteed by large state-owned companies and new tech companies. In particular, the Company supported characteristic local industries with advantages. The Company is now serving 468 small enterprise industrial clusters, with 6,771 credit customers and RMB21.159 billion loan balance. Fourth, the Company explored technological innovation finance, focusing on small and medium technological enterprises that feature technological innovation. It consistently promoted the "Technological Finance" service systems integrating "settlement wealth management, bond financing, equity financing and consulting services". The number of technological innovation finance customers that cooperate with the Company reached 12,093, increasing by 1,310 from the beginning of the period.

(4) Transaction bank business

During the reporting period, the transaction banking department insisted on the operating concept of "being customer-oriented". It returned to the very basic nature of financial services and firmly transformed itself. The business has focused on "supply chain finance, bill financing, cross-border business and Internet finance". Centering on key industries and regional characters, the business has engaged in cross-selling of diversified products, and enhanced transaction banking product penetration and coverage. Through providing professional products and services, stepping up product innovation and expanding customer base, the Company has expanded its foothold and market shares in key customer groups and areas, which in turn promoted sustainable, stable and healthy development of transaction banking business, and made solid contribution to real economy.

As at the end of the reporting period, the Company's local and foreign currency cross-border settlement amount reached US$115.163 billion, up by US$29.061 billion or 33.75% year on year. Daily average foreign-currency deposits of domestic enterprises reached US$17.422 billion, up by US$3.139 billion or 21.98% from the beginning of the period. In respect of the bill business, bill acceptance transaction amount reached RMB609.875 billion, and discounted bill amount hit RMB89.696 billion, up RMB23.925 billion or 36.38% year on year. In respect of supply chain finance, financing balance reached RMB80.018 billion, up by RMB49.585 billion or 162.94% from the beginning of the period. Cash management customer account transaction amount reached RMB17.01 trillion, and transaction number hit 61.8457 million. Internet payment and settlement business maintained market-leading position. Internet payment amount reached RMB883.396 billion, up RMB525.343 billion or 147% year on year.

(5) Green finance business

The Company regards green finance as an important strategic business. Supported by the Group's linkage mechanism, and with the targets of "becoming a first-class integrated green finance service provider and a market-leading green finance group", the Company has focused on key areas such as water resource and air pollution prevention and treatment, solid waste disposal, rail transportation, green buildings, among others. It actively promoted healthy and rapid development of the green finance business, and participated in formulation of relevant policies and rules. The Company further enhanced its influence and solidified its leading position. It centralized marketing activities on green finance, and enhanced brand image. The Company also promoted a mechanism reform in green finance, and attached great importance to compliance and internal control. These efforts ensured a healthy and rapid growth in green finance business.

First, the green finance business developed steadily, rapidly and healthily. As at the end of the reporting period, the balance of green finance financing was RMB680.646 billion, representing an increase of RMB186.286 billion from the beginning of the period. The number of green finance customers was 9,890, which was 2,861 higher than that at the beginning of the year. Second, the green finance business provided even stronger expertise support and further enhanced its influence. As arranged by the Central Bank or invited by local governments, the Company directly participated in the drafting and formulation of plans for the first five green finance reform and innovation pilot regions, and entered into strategic cooperation agreement on green finance with Guizhou, Zhejiang, Jiangxi and Xinjiang governments as well as the Inner Mongolia government that is not in the pilot region. In addition, the Company signed green finance cooperation agreements with Bank of Jiujiang, and completed the first interbank green finance cooperation in China. Meanwhile, the Company cooperated with Shanghai Clearing House and Shanghai Environment and Energy Exchange on carbon forward trading products. It also worked with China Government Securities Depository Trust & Clearing to introduce the first green bond index in China, namely ChinaBond-CIB Green Bond Index. The company also joined hands with relevant institutions to promote

the research, development and introduction of green building insurance financing products. It explored the building of guarantee mechanism for carbon finance business, and also actively carried out innovation and product designs in respect of investment and financing modes in water, air and land fields. Third, environmental benefits are more obvious. As of the end of the reporting period, green finance support projects achieved annual savings of 29.1223 million tonnes of standard coal, the annual reduction of carbon dioxide of 83.7823 million tonnes, the annual reduction of chemical oxygen demand (COD) of 3.8543 million tonnes, annual comprehensive utilization of solid waste of 44.7948 million tonnes, and annual water saving of 408.4237 million tonnes. The above volume of energy-saving emission reduction is equivalent to the closure of 192 thermal power stations of 100MW and 100 thousand taxis parking for 40 years. Fourth, brand reputation of the Company's green finance business continued to strengthen. The Company has obtained many awards from major institutions such as Asiamoney, including the "Best Green Bank of the Year" award. It exchanged ideas with banking industry delegations from eight Latin American countries and Mongolia on green finance business. The Company also introduced green finance special promotion campaign on the World Environment Day (5 June), and worked with China Banking Association to coordinate nearly 20 leading media to conduct the "Craftmanship Spirits" green finance visit to the Company. The Company also accepted interview by many mainstay media including China Finance. Each branch actively promoted green finance brand awareness in their respective regions through holding seminars and other activities.

Retail finance business

(1) General information

During the reporting period, the number of valuable retail customers increased rapidly. Credit card and debit card business acquired customers at fast paces. Key businesses' scales further expanded. Personal loan balance steadily grew and the increase in retail liabilities' balance was the biggest in the banking industry. Per capita productivity of retail business steadily improved, while the proportion of retail business' net operating income significantly increased. As at the end of the reporting period, the number of retail banking customers (including credit cards) was 55.5197 million, an increase of 10.7671 million over the beginning of the period. The total financial assets of retail customers totaled RMB1,498.7 billion, a year-on-year increase of RMB187.0 billion. During the reporting period, the income of the retail intermediary business was RMB19.518 billion, an increase of 12.75% year-on-year. Net operating income of retail banking was RMB35.693 billion, up 15.08% year-on-year.

(2) Business overview

① Asset and liability business

In respect of retail liabilities, the Company stepped up efforts in attracting traditional deposits. It has vigorously developed the basic settlement business to drive settlement deposits. Through interest rate float policy, product innovation and other measures, the Company attained medium-to-long term time deposits with controllable costs. This translated into solid business development. The scale of the Company's retail liabilities and its market share all increased evidently. As at the end of the reporting period, the balance of personal deposits was RMB429.430 billion, representing an increase of RMB74.867 billion from the beginning of the period, of which savings deposits amounted to RMB377.847 billion, representing an increase of RMB40.535 billion from the beginning of the period.

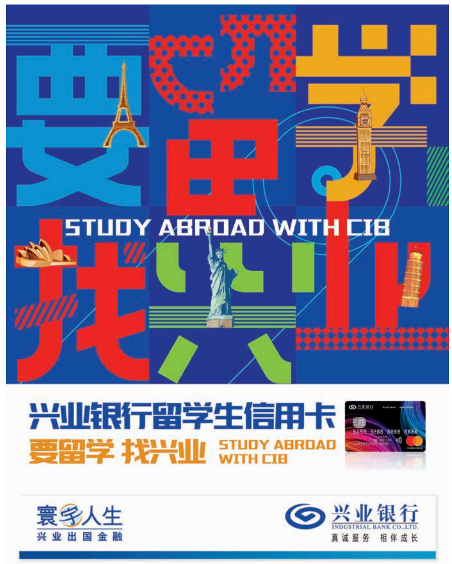
In respect of retail credit business, the Company standardized residential mortgage loan business, continued to revamp its products, and promoted green finance business and online small-sum consumer loan product "Xing Shan Dai". As at the end of the reporting period, the balance of personal loans (excluding credit cards) was RMB714.698billion, up 12.64% from the beginning of the year. The personal non-performing loans ratio was 0.65%. During the reporting period, the total amount of personal loans issued was RMB258.052 billion, and the interest income of personal loans was RMB33.363 billion, up 28.32% year-on-year.

② Retail wealth management business

In respect of wealth management business, the Company has actively responded to market changes and proactively moved. It boosted the sales of bank wealth management products, enhanced the scale of wealth management products, deepened the transformation of product structure, reformed the sales model and channels, strengthened market analysis, actively adjusted product strategy, and promoted the custody sales of funds and trust products. It also strengthened the coordination of the Group's pan-wealth management businesses. As at the end of the reporting period, the retail wealth management financial assets totaled at RMB1,118.5 billion, increasing by RMB147 billion from the beginning of the period, and retail wealth management intermediate business recorded an income of RMB4.596 billion.

③ Bank card business

As at the end of the reporting period, there were 46.5340 million debit cards issued, an increase of 3.5604 million from the beginning of the period. The number of debit card customers was 39.5968 million, and the per capita debit card number was 1.18. The number of cumulative newly added customers was 1,149.5 thousand households, an increase of 649.1 thousand households.



During the reporting period, the Company seized the opportunities arising from the rapid development of mobile payment, and provided converged payment receipt services to merchants. It launched the "Networking Project", which aims to help merchants acquire customers, and applies to both offline and online operating scenarios. These efforts helped the merchants receipt business and merchant integrated finance business achieve rapid growth. During the reporting period, the Company accumulated 668.5 thousand mobile payment customers, with its business development indicators outperforming most of similar banks. In addition, the Company pressed on with the innovation in its mobile payment products, and strengthened cooperation with China UnionPay and other institutions. It launched UnionPay QR code-based payment products that bundled 337.9 thousand customers and recorded more transaction amount than most of similar bank apps. During the reporting period, the Company's express payment product bundled a total of 18.0585 million customers, recording a total transaction number of 1.116 billion and transaction value of RMB448.569 billion.

The credit card business continued with the strategy of "two card linkage", and accelerated its integration into the pan-retail business on the back of "networking project". It achieved quality growth in scale and effectively prevented risks, delivering solid business results. By the end of the reporting period, the Company issued 31.0466 million credit cards in aggregate, and 10.2243 million new cards were issued during the period, up 91.93% year-on-year; and a total transaction amount of RMB990.564 billion was achieved during the reporting period, up 56.46% year-on-year.

During the reporting period, the Company seized opportunities arising from the "Internet +", boosted its expertise in the credit card business, and enhanced its efficiency and abilities of building platforms. First, the Company made progress in implementation of the "Dynamic Life" brand strategy, and deepened the "Finance + Sports" cross-boundary cooperation. By sponsoring major sports event, the Company strengthened its image as a pioneer in the sport and finance area. Second, the Company steadily developed the traditional offline card issuance channels such as direct sale and institutional channels. It vigorously promoted online card issuing channel, and made breakthroughs in card issuing abilities by integrating online and offline channels. Third, the Company enhanced the operation of interest-bearing assets. With a focus on installment business, the Company achieved evident growth in interest-bearing assets. Fourth, the Company revamped its marketing modes. It adopted customer classification, and incorporated gaming, socializing, Group PK and other innovative elements into marketing activities, which drove steady growth in transaction volume. Fifth, the Company strengthened its cooperation with Internet platforms. It launched iQIYI co-branded card, Youku co-branded card and Eleme co-branded card. Sixth, the Company revamped its risk management mode. It actively explored the application of big data and smart technologies in risk prevention and control as well as asset operation, thereby guaranteeing asset security. It also introduced robot smart voice collection process. Seventh, the Company built up its fintech abilities, accelerated the construction of credit card big data foundation platform, and promoted the application of smart technologies in data digging, customer profiling and model building. Eighth, the Company strengthened service quality management. It focused on customer process and optimized service procedures on all touch-points, thereby providing more considerate and thoughtful services to cardholders.

④ Private banking business

During the reporting period, centering on the "Customer Relation Management Department", the private banking business promoted the implementation of the "consultation-driven + asset allocation" concept and business, pushed forward business innovation and risk management and control, continuously enhanced capabilities of research and analysis and professional investment consulting services, and improved the high-end service system. The business has actively responded to market changes, adjusted product structure, stabilized asset supply and expanded customer base rapidly. As at the end of the reporting period, the private banking customers totaled 23,062, up 13.39% from the beginning of the period, and the consolidated finance assets of private banking customers amounted to RMB323.990 billion, up 11.45% from the beginning of the period. The private banking financial products issued by the Company during the period totaled RMB201.537 billion, and renewal size of private banking financial products was RMB128.317 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 business insisted on in-depth market researches and used the research results to guide its asset and wealth management. During the reporting period, the business held many topical symposiums, strategy conferences, interbank communications, among others. It teamed with Boston Consulting Group to complete two research reports, namely China's Private Bank in 2017 – Transformational Change after Ten Years' Development and China's Family Wealth Inheritance Report. The business enhanced its high-end professional services, and held 238 high-end service activities in 26 branches. In addition, it kept issuing the biweekly “Ri Yue Xing Cheng” that includes the latest market analysis and information about agency products up for sale in the market, daily market commentary “Si Hang Zao Zhi Dao”, and original information “Shi Shi Dian Ping”. It also streamlined its value-added services. Under the brand element of “Affluent and Wise Life, and Accumulating Wealth Properly”, the business rolled out four product systems, including “Angel Club”, “Gardener Club”, “Universal Life” and “Enjoyable Life”. The Head Office and branches held over 100 high-end value-added service events, which enhanced brand reputation and customer stickiness. During the reporting period, the operating system of the private banking business passed the test, and successfully came online. The system has been granted international awards for its advanced function of integrating data and compatibility to various systems.

(3) Channel and product construction

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 business insisted on its customer-oriented strategy, and focused on building a platform marketing system in community banks. It actively participated in community activities and strived to bring convenience and benefits to residents’ daily lives. It adapted swiftly to customer needs, and revamped its products, thereby enhancing the breadth and depth of its customer base, as well as customer loyalty and stickiness. It also transformed and upgraded the traditional outlets, and adhered to the principle of “expanding with high efficiency and operating at low costs”, so as to enhance cost control and risk prevention, and improve efficiency of outlets’ operation, services and marketing activities. By raising the level of intelligence in outlets, the integrated machine counter replacement rate reached 92.4%, which optimized the personnel structure and counter work procedures and efficiency of business halls. Counter staff’s workload was significantly reduced and work efficiency was effectively enhanced. In addition, outlet operation management system was introduced and the hall smart service and marketing integrated system was upgraded, which boosted efficiency of marketing activities in business halls. The Company also reduced the size of outlets, and revamped low-efficiency outlets and business branches. In respect of self-service channels, as at the end of the reporting period, the number of in-service ATM machines reached 7,245. The launched self-service machines have dynamic electronic coded locks, which increased operating efficiency of self-service channel and effectively prevented risks. The self-service channel also started to provide entity settlement card function, realizing the handling of corporate cash businesses through self-service channel.

In respect of brand building, “Dynamic Life” credit card brand pushed forward the implementation of cross-boundary marketing strategy in sports field. It enhanced its brand strength by sponsoring Shanghai International Marathon and China (Shanghai) International Youth Football Invitational. “Universal Life” launched “Universal Life Club” and prepared the “Overseas Study Hotline”. The Company was a golden medal sponsor of China Pavilion of Expo Astana, and managed to establish a brand image of “covering tourism, overseas study, asset management and focusing on overseas study”. “Wealthy Life” solidified its brand. On the back of its various wealth management products, expert teams and advanced facilities, it continued to enhance its brand awareness, introduced products of high-quality financial institutions, established a supermarket of premium financial products, made advances in building of Wealthy Life wealth management studio and enriched the contents of Wealthy Life’s brand. “Enjoyable Life” continued to optimize the pension finance service system, introduced the innovative Enjoyable Life institute for the elderly, optimized “Enjoyable Life” club, launched Enjoyable Trust and actively developed pension savings products. The phase one of pension management system was completed and “Enjoyable Life” pension finance app successfully came online, which enhanced the Company’s abilities to attract customers on the Internet.

Interbank finance business

(1) General information

During the reporting period, the Company actively responded to the policy and market changes and challenges, and fully utilized its specialized operation and management system and talents. It vigorously promoted business transformation and enhanced its expertise. The Company further boosted its market orientation and compliance awareness, and constantly strengthened intra-group business coordination. It managed to provide more professional, integrated and efficient financial products and services for interbank customers, financial market and real economy. During the reporting period, the Company's interbank finance businesses all advanced steadily and achieved sound progress in transformation.

(2) Financial institutions business

The Company insisted on "customer-oriented" service concept and divided customers into different tiers and types in services. It used market-oriented, specialized and refined operating strategy, strengthened cooperation with interbank customers and became an interbank business leader in niche market. During the period, the Company took the initiative to adapt to the industrial changes such as multi-level financial market construction and others. 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 full coverage of interbank business finance service network of the Company over various areas in the whole financial industry. On the basis of this, it extended the basic services including settlement, deposit management, agency receipt and payment, agency sales and others to corporate and personal customers. It also optimized the interbank business structure, and differentiated itself so as to build a comparative advantage. By doing this, the Company's first mover advantage and leading positions were further solidified.

During the reporting period, the Company deepened its cooperation with Shanghai Clearing House, Shanghai Commercial Paper Exchange, inter-institution private products quotation and service systems, Insurance Asset Management Association of China and other emerging financial business platforms in agency settlement, capital settlement and system construction. It was granted 7 awards by Shanghai Clearing House, including "Excellent Institutional Settlement Member of the Year", "Excellent Settlement Member of the Year", among others. It was also granted the titles of "Excellent Member Entity", "Excellent Bank Trader", and "Excellent Acceptance Institution" by Shanghai Commercial Paper Exchange. In addition, the Company is cooperating with more and more overseas partners. It has established agency relationships with banks in over 100 countries and regions.

(3) Bank cooperation business

The Bank-to-Bank Platform is the first bank-to-bank cooperation brand in China. Through the platform, the Company provided integrated financial services to various medium and small-sized financial institutions, including payment settlement, wealth management, technological output, training and consulting, cross-border finance, capital use, capital replenishment, among others. As at the end of the reporting period, the number of collaborated customers of Bank-to-Bank Platform was 1,324, up 22.82% year-on-year. During the reporting period, the Company accumulatively sold wealth management products to small and medium financial institutions and their end customers totaling RMB2,045.362 billion, up 6.40% year-on-year. The Bank-to-Bank Platform's single-year payment settlement amount was RMB 4,448.7 billion, reaching a historical high. The Company accumulatively cooperated with 346 commercial banks in terms of establishment of information systems, among which 208 banks managed to operate with online information systems. The number of registered customers of the QianDa Money Manager, the Internet wealth management platform, hit to 9.42 million. During the reporting period, sales of financial products of QianDa Money Manager to terminal customers reached RMB622.122 billion.

The Company has relied on its fintech cloud, payment settlement platform, wealth management platform, asset trading platform and international bank-to-bank platform to boost its integrated financial services for medium and small-sized banks. The Group has established an open and integrated financial service platform targeting both internal and external demands, and continuously came up with innovative products during the reporting period. "Institutional investment trading platform" was put into operation. Through the platform, the Group displayed, marketed and traded its products to various financial institutions on an unified Internet platform. As at the end of the reporting period, the number of registered institutional customers exceeded 600. The Company has shifted all the trading processes of institutional funds and wealth management products online. The first "Wealth Cloud" for medium and small-sized banks was launched. The Company also took advantage of its innovative products and technological strength to directly connect its rich and comprehensive products with the Internet bank, mobile bank app, counters and other sales channels of partner banks. This allowed residents in third-tier and fourth-tier cities as well as countryside to conveniently buy high quality financial products and increase their property income. By doing this, we performed the inclusive finance in an innovative manner. The mobile payment product "Money e Payment", the cross-bank agency receipt and payment product "Hui Shou Fu", agency connection to the Internet and other new payment settlement products all came online, allowing medium and small-sized institutions to tap into the rapidly growing Internet payment market. The Company also advanced the international bank-to-bank platform. During the reporting period, 68 banks were connected to CIPS, and transaction value exceeded RMB10 billion. The Company became the pilot institution that provides one-button connection with CIPS to legal persons under Fujian Rural Credit Union, which paved the way for medium and small-sized financial institutions' entry into overseas market, and facilitated the RMB internationalization. Through cooperation on RMB cross-border payment, cross-border foreign currency settlement, agency international settlement, FICC and cross-border asset allocation, the Company provided all-round cross-border financial services to medium and small-sized banks, and fulfilled cross-border financial needs of many entities.

2. Public product line

(1) Investment banking business

The Company has established a solid "commercial banking + investment banking" strategic system, and given top priority to serving customers and deeply cultivating customer base. We strengthened coordination, focused on key customers, and consolidated our investment banking functions to strengthen our integrated financial services across the market, product types and product lifecycle. By doing this, we met diversified and personalized needs of commercial bank customers and generated integrated benefits for customers, thereby significantly enhancing our competitiveness. First, the Company has maintained a leading position in the non-financial corporate debt financing instrument, with the second highest market share in the industry and ranking No.1 among joint-stock banks for 6 consecutive years. Second, the Company actively explored the overseas debt underwriting market to foster a new growth engine. During the reporting period, the Company underwrote US$24.743 billion worth of overseas debts. Third, the Company continued to lead the industry in terms of product innovation. It launched the first consumer finance ABN, the first REITs, the first poverty-alleviation bond, the first "One Belt, One Road" bond and the first approved CMBN on market. It also participated in the first batch of PPP asset securitization projects and made breakthroughs in debt-to-equity swap, state-owned enterprise mixed ownership reform, mergers and acquisitions, as well as other areas. Fourth, the Company advanced the light-asset bank strategy. It continuously enhanced the asset securitization transfer mechanism. The "Xing Yuan Phase 1" is the personal mortgage-backed asset securitization product of the largest issuance scale in the market.

During the reporting period, the debt financing tools underwritten by the Company amounted to RMB328.890 billion; four tranches of asset securitization products had been issued with offering size totaled RMB21.529 billion, and local government bonds won by the Company totaled RMB125.610 billion.

(2) Asset management business

The Company actively aligned itself with the regulatory policies. It proactively deleveraged and strategically downscaled interbank wealth management business. As at the end of the reporting period, the interbank wealth management scale stood at RMB168.732 billion, down 43.38% year on year. The Company adapted to market changes, initiated the plan for upgrading wealth management products, and gradually increased the proportion of net-value wealth management products. As at the end of the reporting period, the net-value management product balance reached RMB 156.631 billion, up 13.96% year on year. The Company further enhanced its investment research and asset allocation abilities. It ranked No.2 across the market and No.1 among joint-stock banks in terms of integrated wealth management abilities according to China Banking Wealth Management Registration and Custody System's assessment report on banks' integrated wealth management abilities in 2017. The Company has engaged in green finance and launched innovative green bond index-related wealth management products whose design concept and structure were recognized by the market.

As at the end of the reporting period, the Company's wealth management product balance aggregated at RMB1,649.953 billion, up 19.29% year on year. Among the Company's general wealth management products, balance of closed-end products reached RMB522.186 billion, accounting for 40.37% of total balance and representing a year-on-year decline of 3.02%. Open-end product balance hit RMB771.446 billion, accounting for 59.63% of total balance and representing a year-on-year growth of 20.46%.

(3) Treasury business

The Company attached importance to asset transfer and market-making transactions, and constantly optimized its asset structure. All of its businesses underwent solid growth. The Company was granted the "Excellent Proprietary Institution Award" and "Excellent Underwriting Institution Award" by China Government Securities Depository Trust & Clearing, and was granted the "Core Trader Award", "Excellent Derivative Trader Award", and "Excellent Bond Market Trader Award" by China Foreign Exchange Trade System, and was granted the "Excellent Bond Trader" by Shanghai Stock Exchange, the "Excellent Asset Securitization Participant Institution" by Shenzhen Stock Exchange, as well as "Excellent Member Entity" and "Excellent Bank Trader" by Shanghai Commercial Paper Exchange. The Company maintained its leading position in bond, foreign exchange and derivatives, and precious metals areas. In respect of bonds, the Company has ranked No.6 in terms of interbank market bond market-making trading volume; in respect of foreign exchange and derivatives, the Company ranked No.5 in terms of integrated trading volume, and No.1 in terms of interest rate swap market-making; in respect of precious metals, the Company ranked No.8 in gold rental market and No.6 in terms of gold enquiry transactions. By virtue of intra-group cooperation, the Company established an internal FICC business coordination and linkage mechanism, and explored light capital custody service business, which effectively reduced capital consumption, and enhanced the profitability of agency services and trading. On the other hand, the Company actively improved the centralized management mechanism for the group-wide bond investment and trading business. It clarified internal division of labour, unified investment and trading strategy and entry threshold, enhanced management in subsisting period and guaranteed bond asset quality.

The Company also leveraged its footholds in Hong Kong and the Free Trade Zones to advance the building of an internationalized platform for its treasury business. It enriched the foreign currency investment offerings, and promoted cross-border links in businesses. On the first day of the Bond Connect, the Company, which is one of the first batch of market makers, completed the first deal between joint-stock banks and overseas institutions. The Bond Connect business reinforced the Company's market-making abilities and its influence in overseas market.

(4) Asset custody business

During the reporting period, the asset custody business accelerated business transformation and built up business characters through deepening the reforms and innovating. It enhanced its expertise and efficiency, and achieved stable business development overall. It ranked among the top-tier players in the asset custody industry. As at the end of the reporting period, the number of online custody products of the Company was 24,703, with the scale of asset custody business totaling RMB11,232.729 billion, up RMB1,790.422 billion or 18.96% from the beginning of the period. During the period, the realized total income of intermediary businesses of asset custody reached RMB4.063 billion.

The Company has continued to strengthen the traditional custody business to ensure its dominant position in the industry. On the other hand, it promoted business transformation and pursued growth based on the concept of "winning by expertise". It firmly tapped into security investment fund custody and private equity fund custody business, and leveraged Internet finance to foster new growth point. As at the end of the reporting period, the custody business of securities investment fund products was RMB723.437 billion, up RMB255.604 billion from the beginning of the period, the custody business of private asset management product was RMB519.337 billion, up RMB188.479 billion from the beginning of the period, the custody business of trust asset management products was RMB2,575.162 billion, up RMB515.588 billion from the beginning of the period, the custody business of bank wealth management products was RMB2,290.015 billion, up RMB341.548 billion from the beginning of the period, the custody business of asset management products of fund companies was RMB991.110 billion, down RMB64.288 billion from the beginning of the period, the custody business of asset management products of securities firms' customers was RMB1,893.062 billion, down RMB118.582 billion from the beginning of the period and the custody business of insurance asset management products was RMB638.065 billion, decreased by RMB62.272 billion from the beginning of the period.

3. Operation support

(1) Operation and management

During the reporting period, the operation and management department has centered on the Company's development strategy, and enhanced its serving abilities in areas including front and back-stage operation support, payment settlement management, operational risk supervision, among others. It advanced the construction of an operation support guarantee platform of "pan-operation and pan-centralization", thus effectively supporting the group's business development.

In terms of front and back-stage operational support, the Company led the special construction of "channel optimization and integration", advanced the construction of "smart outlets", and completed enterprise-level face recognition basic service platform and paperless retail counter. It also promoted the low-counter operation in outlets and launched smart robots in business halls on a pilot basis. It has promoted integration and coordination between offline and online operations, as well as front-stage and back-stage integration. Based on the principle of serving the public, independent internal control and encouraging marketing, the Company promoted the counter staff development and improved related training and assessment mechanism, which in turn boosted counter staff's serving abilities. It also boosted the management of customer service centers, and established telephone affairs distribution mechanism that features even distribution between three places, linkage and coordination and mutual disaster backup. The Company continued to push forward automatic and intelligent division, with the division rate rising to 65%. It steadily promoted centralized back-stage operation. The accounting back-stage operation has completed centralized operation and management of all operating departments. The work center further expanded the up-reporting business coverage and types, and finished centralized financial accounting for all domestic branches.

In respect of payment and settlement management, the innovative mobile payment product “Industrial Steward” maintained strong growth momentum. The number of corporate customers and cards bundled both exceeded 100,000. In addition, the product incorporated features such as bank-enterprise reconciliation, account-opening appointment, merchant express mail, logistics finance, among others; the corporate account-opening procedures were effectively optimized, with the time spent in opening accounts and signing service contracts being significantly reduced to less than one third of the previous level; the payment and settlement innovation generated evident effects, and cross-border agency settlement network further expanded. The Company also finished the super Internet bank upgrade and construction of an Internet connection platform, as well as integrated and standardized the connection methods of the third-party payment channels. In the bank technological development award assessment organized by the Central Bank, “Industrial Steward” and “Cross-border Payment and Settlement System” received the “Third Prize for Technological Development”.

In respect of operational risk monitoring, the Company continued to improve the internal control monitoring system and divide such system into different tiers, and strengthened the check and supervision on branches’ operation. The Company guided the branches’ inspection work to “focusing both on incident prevention and daily supervision” from “paying attention to basic standards”. On its own, the Company developed “Woodpecker accounting incident prevention data analysis system”, put the first phase of the system into operation, upgraded the accounting risk monitoring system, and realized normalized management of accounting incident prevention work. Based on the systematic data, the Company enhanced the linkage and integration between on-site and off-site inspections, and used inspection results through multi dimensions, so as to pursue accountabilities on any violations. These measures evidently enhanced the scope, efficiency and effectiveness of inspections, and strengthened the Company’s abilities of preventing major risks and incidents.

(2) Information technology

During the reporting period, the Company’s technological work centered on building the process bank. The Company solidified the groupwide data and technological standards, strengthened IT-based risk control and comprehensively enhanced the information safety management, thereby steadily boosting the Group’s information sharing, technological coordination and control abilities. While ensuring the stable running of the information system, the Company strengthened the in-depth integration of technology and business, explored innovative application of fintech, and accelerated digital design and agility model.

In respect of the construction of process bank, the retail business has launched “Xing Shan Dai”, which features fast retail loan approval and origination online. Corporate customers’ waiting time for appointing account-opening on counter was significantly shortened, and auto printing functions for 16 kinds of receipts were added. Retail counters basically realized paperless work processes, which effectively boosted channel coordination. In addition, “robotic process automation (RPA)” was launched on a pilot basis. The “large-sum installment cash loan” and “credit card cancellation and retaining” robots were developed and put into use. These robots directly generated revenue or retained high-end customers. They saved labour costs and improved business processing efficiency.

In respect of IT-based risk control, the Company’s systems have operated stably, and effectively guaranteed information security at critical moments. To strengthen the information technology-based group-wide risk management, the Company established IT risk management team in group subsidiaries. The information security has become part of the Company’s strategy, and a leading group on cyber and information security work was established to continuously advance the advisory projects on information security construction and planning. The Company introduced end security, network and system security, data encryption, safety supervision and analysis, as well as other technologies and tools, which significantly enhanced the information security and the Company’s protection abilities.

In respect of financial technology innovation, the introduction of smart risk control system provided anti-fraud, consumer loan score card and mortgage score card rules engine services. During the reporting period, the system checked 210,000 transactions; “Golden Eye” system precisely checked RMB20.7 billion worth of abnormal loans. The security and protection robots have provided about 3,200 times of identity recognition and entry guard checks. Smart investment advisory mobile version was launched to the public. The innovative modelling robot “Small Magic Bean” shortened the modelling time to two weeks from three months. The blockchain service platform and other contract application SaaS projects received wide recognition. In addition, the Company carried out in-depth researches on distributed technology, micro service architecture, as well as crawler and face identification technologies, and introduced new concepts and methods such as digital designs and agile models.

During the reporting period, the Company obtained lots of achievements in information technology and received high recognitions. The Research and Practice of the Integrated and Win-Win IT Operating Service Model, and the Application and Practice of the Machine Learning Model in the Management of Commercial Banks were identified as first category achievement in CBRC’s assessment of bank information technology risk management researches for 2017. The Research on Cooperation Mechanism and Models for Medium and Small-Sized Banks’ Information Technology was identified as second category achievement. In respect of technological development awards granted by the Central Bank, the “Corporate-Finance Asset Securitization System” was granted the “Second Prize for Bank Technological Development in 2016” by the Central Bank; the “Financial Market Information Platform” and “Cross-border Payment and Settlement System” were granted the third prize. “Golden Eye” was granted the “Second Prize for Financial Innovation in Fujian Province (2016-2017)”. The Company’s data processing work was granted the “Outstanding Contribution Award for Financial Industry Technological Management for 2016” by the Financial Computerizing under the Central Bank as well as the first-term “Contribution Award for China’s Data Standardization, Governance and Practices” by China Electronics Standardization Institute under Ministry of Industry and Information Technology.

(3) E-finance

During the reporting period, the Company’s network finance business seized the new opportunities arising from the development of Internet finance, and strengthened coordination and management in the group-wide network finance work. The Company advanced Internet finance platform upgrade and product innovation, enhanced group-wide network financial risk and safety management, and boosted customer experiences.

Leveraging the intra-group integration, the Company accelerated the upgrade of Internet finance platform and product innovation, and launched “diversified finance” special district on mobile bank app. In an innovative move, the Group embedded diversified products and services of the Company and the group subsidiaries into the “diversified finance” special zone, so as to provide one-stop financial services to customers. This marked the first breakthrough in interconnect on group-wide network finance and channel coordination. In addition, a PC version was launched simultaneously, so as to allow customers use computer desktops to view and handle all the Group’s financial services, and realize the interconnect between websites of group subsidiaries. In research and development, Industrial Smart Investment was launched. The product helps customers select the optimal fund portfolio and calculate the best portfolio allocation proportions based on the latest market conditions as well as customers’ risk appetite and investment horizons, so as to provide the best customized fund portfolios to both retail and corporate customers. The Company also developed the margin deposit business, which provided online real-time processing for enterprises and individuals that demand margin deposit services. In addition, an Internet-based unified certification system was launched to unify management and certification of Internet retail customers based on identity information. The Company launched “CIB Debit Card” channel under Alipay’s Cai Fu Hao, so as to provide enjoyable savings purchase, asset enquiry, bank preferences and other services to customers inside or outside the Company. In addition, the Company launched family bank package to provide customers with services including financial product introduction and purchase, hot-pot video, video-based customer service enquiry, and other value-added financial services. The Company also actively developed the e-commerce platform, and strove to attract high-quality medium and small-sized enterprises to enter its online mall, so as to meet retail customers’ consumption needs. As at the end of the reporting period, the Company had 18,445.9 thousand active mobile phone banking customers, up 54.08% from the beginning of the period; 12,045.2 thousand active personal online banking customers, up 13.14% from the beginning of the period; 279.3 thousand active corporate and interbank Internet banking customers, up 21.92% from the beginning of the period. The replacement ratio of e-banking transactions for the whole year was 97.08%.

The Company beefed up the group-wide network finance risk and safety management, and enhanced related customer experiences. The risk supervision system was put into operation, which realized the real-time risk assessment and intra-process intervention regarding network financial business data. It also initiated customer experience supervision system, collected users’ behavioral data, and realized quantified experience management and cross-channel operation. It also optimized cross-bank payment system and open interconnect system. The type II account (Industrial e Card) was connected to the Company’s frontline channels and external partners through API interface mode.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2017		December 31, 2016		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	**2,335,800**	**96.10**	1,991,479	95.76	17.29
Special mention	**56,241**	**2.31**	53,919	2.59	4.31
Substandard	**17,520**	**0.72**	17,496	0.84	0.14
Doubtful	**11,976**	**0.49**	12,068	0.58	(0.76)
Loss	**9,158**	**0.38**	4,852	0.23	88.75
Total	**2,430,695**	**100**	**2,079,814**	**100**	**16.87**

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB38.654 billion, up RMB4.238 billion from the figure at the beginning of the period with NPL ratio of 1.59%, down 0.06 percentage point from the beginning of the period. The balance of special mention loans was RMB56.241 billion, up RMB2.322 billion from the beginning of the period. The proportion of the special mention loans in the total loans was 2.31%, down 0.28 percentage point from the beginning of the period. The increase in non-performing loans and special mention loans is primarily due to the in-depth adjustment in macro economy and industry structure, as well as the continuous materialization of credit risks in individual areas and industries. The non-performing loans balance and special mention loans balance of the Company increased, but overall NPL ratio and special mention loans ratio declined. Asset quality was overall stable.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**72,448**
Provision during the reporting period (+)	**28,621**
Write-off and transfer-out during the reporting period (-)	**21,529**
Write-back during the reporting period of write-off in previous years (+)	**3,544**
Transfer-out due to the increase in discounted value of loan value (-)	**1,173**
Changes in exchange rates (+)	**(47)**
Closing balance	**81,864**

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. The Company periodically assesses impairment of the loan portfolio. The Company determines whether the loan portfolio is subject to any sign of impairment through objective evidences based on observable data indicating significant decline in loan portfolio's cash flow. If such decline in cash flow cannot be individually identified or single loan is insignificant, the management will, on a collective base, estimate future cash flow of the loan portfolio based on historical losses of similar assets. The Company periodically reviews the methodologies and assumptions adopted for estimating future cash flow amount and timing so as to reduce the different between estimated and actual loan impairment losses.

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2017		December 31, 2016	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**13,820**	**35.80**	17,563	39.35
91-360 days (inclusive) overdue	**12,268**	**31.78**	16,303	36.52
361 days - 3 years (inclusive) overdue	**10,963**	**28.40**	9,798	21.95
Over 3 years overdue	**1,551**	**4.02**	974	2.18
Total	**38,602**	**100**	**44,638**	**100**

As at the end of the reporting period, the balance of the Company's overdue loans was RMB38.602 billion, down RMB6.036 billion from the beginning of the period, of which overdue corporate loans decreased by RMB6.185 billion and overdue personal loans decreased RMB1.306 billion respectively, and credit cards overdue increased by RMB1.455 billion. The decline in overdue loans is primarily because the Company strengthened management of potential risky projects in their subsisting period and stepped up efforts in taking forward-looking measures to eliminate risks, which allowed the Company to effectively control and reduce the overdue loan balances.

4. Changes in restructured loans

Unit: RMB million

Item	December 31, 2017		December 31, 2016	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured loans	**34,242**	**1.41**	38,954	1.87

As at the end of the reporting period, the Company's restructured loan balance stood at RMB34.242 billion, decreasing by RMB4.712 billion from the beginning of the period, and accounting for 1.41% of total loan balances (down by 0.46 percentage point from the beginning of the period). The loan restructuring process has strictly complied with relevant regulatory requirements to truthfully reflect status of the Company's restructured loans. In addition, as China deepens the supply side structural reform, some customers need to restructure themselves amid industry consolidation. In response to the government's call, for certain enterprises that have encountered operating difficulties but still have strong technologies, solid market demands and good repayment wills, the Company has actively helped them tide over the difficulties by restructuring, thereby realizing a win-win result.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Category	December 31, 2017		December 31, 2016	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**480**	**17**	447	23
Incl: Buildings	**392**	**16**	396	22
Land use rights	**85**	**0**	48	0
Others	**3**	**1**	3	1
Less: Impairment provision	**(17)**	**-**	(23)	-
Net value of foreclosed assets	**463**	**-**	424	-

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB115 million (mainly including land and buildings), and recovered RMB85 million from the disposal of foreclosed assets, thereby increasing the net book value of foreclosed assets by RMB32 million. The Company conducted re-evaluation for certain foreclosed assets, resulting in a decrease in the provision for impairment of RMB6 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	37,677
Bank bonds	41,511
Bonds of non-banking financial institutions	117,869
Total	**197,057**

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
Bond 1	20,000	5.95	26/04/2018
Bond 2	13,300	6.00	21/05/2018
Bond 3	10,000	4.50	12/01/2018
Bond 4	10,000	4.90	01/03/2018
Bond 5	10,000	5.20	14/03/2018
Bond 6	10,000	5.90	07/06/2018
Bond 7	8,300	5.95	14/05/2018
Bond 8	5,000	5.80	08/06/2018
Bond 9	4,800	5.85	08/06/2018
Bond 10	4,300	5.99	14/12/2018

(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	1,911,173	4,590	3,800
Exchange rate derivatives	2,354,545	22,965	24,973
Precious metals derivatives	74,569	553	723
Credit derivatives	14,248	288	18
Total	**4,354,535**	**28,396**	**29,514**

(VIII) 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, 2016	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, 2017
Financial assets at fair value through profit or loss	354,595	(763)	-	-	**362,072**
Precious metals	17,261	1,153	-	-	**29,906**
Derivative financial assets	16,137	(990)	-	-	**28,396**
Derivative financial liabilities	16,479		-	-	**29,514**
Available-for-sale financial assets	583,983	-	(2,531)	(598)	**502,381**
Financial liabilities at fair value through profit or loss	494	(22)	-	-	**6,563**

(IX) Interest receivable

Unit: RMB million

Item	December 31, 2017	Increase in the reporting period	Recovery in the reporting period	December 31, 2016
Interest receivable	**30,406**	252,644	246,137	23,899

As at the end of the reporting period, the interest receivable increased by RMB6.507 billion or 27.23% from the figure at the beginning of the period, mainly because of the increase in interest-bearing assets.

(X) Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2017	December 31, 2016	Provision for impairment	Provision method
Other receivables	**15,496**	10,686	1,538	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.

(XI) Situation of off-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2017	December 31, 2016
Letters of credit	**85,144**	79,402
Letters of guarantee	**120,259**	119,303
Bank acceptance	**384,247**	391,154
Unused credit cards commitments	**208,127**	140,375

(XII) 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 continued to maintain the synergy between and lay equal emphasis on risk management and business development and further improved credit risk management system and to maintain basically stable and good asset quality. First, the company further optimized its authorization and credit granting policies as well as execution of such policies. It timely adjusted and optimized authorization and continued to implement the differentiated granting policy of “ensuring credit supply to some, controlling supply to some and cutting supply to some”. 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 alert monitoring. It has fully used the big data analysis methods provided by the risk warning management system to strengthen the dynamic supervision and warning across the entire business process, in a bid to “identify, warn about and dispose” risky project as early as possible. In addition, the Company used stress tests and other measures to timely and effectively identify major risks, and enhance the risk countermeasure. The Company strived to identify, prevent and treat issues that are emerging, have clear inclinations or demonstrate certain trends as early as possible. It formulated and implemented risk elimination plans in advance for companies in overcapacity industries as well as large companies that went bankrupt or underwent restructuring. The Company also optimized relevant performance assessment mechanism. It has set asset quality indicators in a scientific manner and combined assessment on asset quality control results with that on asset quality control process, so as to solidify the asset quality. It has added performance assessment indicators for overdue assets, in a bid to guide operating organs to eliminate potential risks ahead of schedule. Fourthly, efforts were made for disposal of risk assets. The Company advanced the construction of a specialized non-performing asset disposal operation and management system, and continued to develop a strong and dedicated non-performing assets recovery team, so as to enhance the Company’s expertise in non-performing asset disposal. It also stepped up efforts in cash recovery, write-off and market-oriented disposal of non-performing assets, and explored new disposal methods to enhance efficiency and effectiveness in non-performing asset disposal.

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, the Company has diligently studied the macroeconomic and financial conditions, and actively complied with the national macroeconomic policies and financial regulatory requirements. It proactively optimized assets and liabilities strategy as well as liquidity management strategy, making the Company’s assets and liabilities structure more healthy and balanced. It enhanced the guidance and assessment on development of core liabilities, and continued to strengthen the attraction of traditional deposits and reduce reliance on interbank liabilities. These moves helped optimize the liabilities structure and enhanced liabilities stability. Second, the Company established asset-liability proportion management mechanism that is primarily based on business segments and considers both business segments and lines. When strengthening the fully-covered asset-liability ratio management of branches, the Company added the deposit-to-loan ratio into performance management so as to encourage operating organs to explore ordinary deposit market, and achieve more balanced development in traditional deposit and loan business. In addition, the Company has optimized the line asset-liability ratio management, and stimulated the motivation and initiative of business line management departments of the Head Office in liquidity management, thereby ensuring liquidity safety of the Company. Third, the Company further enhanced liquidity risk management system. It established a liquidity risk management governance system comprising the Board of Directors, Board of Supervisors, senior management, dedicated management committees and specific enforcement units. The system clarified duties of each department, and strengthened liquidity risk management of the entire group, overseas institutions and off-balance sheet operations. Through beforehand prevention, in-process monitoring and afterward control of liquidity risks, the system guaranteed the stable liquidity conditions of the Company. 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-balance-sheet and off-balance-sheet businesses of the Bank caused by the unfavorable changes in market price (interest rate, exchange rate, share price and commodity price), including interest risks of transaction accounts, stock risks, and exchange rate risks and commodity risks of all accounts. Interest rate risk of transaction accounts 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 monitoring and management of interest rate of transaction accounts. It strengthened the mark-to-market management of interest rate risk of transaction accounts, 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 and market risk management system to achieve coverage of more new products and businesses.

(1) Interest rate risk

The Company's bank account interest rate risk was primarily analyzed and measured monthly through repricing gap analysis, duration analysis, and scenario simulation. The repricing gap analysis primarily monitors the distribution and mismatch in respect of repricing periods of assets and liabilities; duration analysis monitors durations of main products as well as duration gap changes in the Company's assets and liabilities; scenario simulations are the Company's main measure to analyze and measure the interest rate, which cover a number of normal scenarios and stress scenarios such as standard interest rate shock, parallel shift and shape change in the yield curve, extreme interest rate changes during the past 10 years, as well as the most possible interest rate changes in the future as determined by experts. We calculate changes in net interest income (NII) and economic value of equity (EVE) under such interest rate change scenarios over the next 1 years.

For interest rate risks of transaction accounts, 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.

During the reporting period, 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 macro economic situation and volatile changes in interest rate, 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 interest rate risk indicators and adjusted the assets and liabilities pricing structure to management interest rate risks.

(2) Exchange rate risk

The Company's exchange rate risk is classified into trade account exchange rate risk and bank account exchange rate risk.

The Company's exchange rate risk of transaction accounts 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 of the exchange rate risk of foreign currencies against foreign currencies 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 are mainly exchange rate risk exposures in terms of comprehensive position of RMB market making business. As an active RMB market maker, the Company has proactively controlled its exposure limits, adopted close-to-zero management for the market-making overall positions, and kept relatively low overnight risk exposure.

The bank account exchange rate risk is managed by the Planning & Finance Department of the Head Office. The risk primarily stems the exchange rate risk exposure of foreign exchange capital project, which is the largest exchange rate risk exposure of the Company. 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.

First, the Company reasonably used operational risk management tool. It orderly carried out such tasks as regular analysis and sorting out of business and management procedure, assessment and identification of operational risks and control, setting, re-assessment and monitoring of key risk indicators, collection and analysis of risk events, and the rectification, management and improvement of problems by leveraging compliance internal control and operational risk management system, so as to reinforced the assessment of new products and new business operational risks, continuously conduct capital measurement and analysis application of operational risks, and improved the standardized and normalized work mechanisms.

Second, the Company strengthened the business continuity management. It further standardized planning and implementation of the business continuity drilling, as well as the afterward assessment and summarization. This strengthened the effective linkage between the business departments and information technology departments, as well as the linkage between the information system recovery plan and business replacement plan, thus constantly improving the Company's overall abilities in handling business continuity-related incidents.

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, stressed and implemented the philosophy of "Compliance Wins", and established the corporate culture of "everyone is responsible for compliance and compliance creates value" to implement the compliance concept throughout the whole process of operation and management and promote 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 the performance assessment plans regarding compliance operation and internal control. It particularly beefed up assessment regarding key areas as well as oversight on unauthorized and incompliant moves. It established a multi-tier assessment system that includes domestic branches, Hong Kong branch, subsidiaries and business departments of the Head Office. It has deepened the business principles of "Compliant Process", and strengthened the guidance and standardization on assessment, thus fully enhancing the assessment tools' role as a "baton". By carrying out various evaluations on compliance operations and internal control and appropriately using the evaluation results, the Company continued to facilitate the mutual integration and promotion of internal control and compliance operations with business development, improved delicacy management of the Group, enhanced the idea of compliance operations according to laws of the agencies at all levels 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 compliant operation. The

Company launched the group-wide “Industrial Journey” compliance and internal control year campaign to strengthen compliance awareness transmission and promotion, thereby further enhancing the compliance and internal control management. By virtue of the employee compliance record management system, the Company advanced the employee compliance record and violation score management, so as to build a “Household Record” for employee compliance and strengthen employees’ compliance awareness. The Company launched special inspection and governance work projects including “Three violations”, “Three arbitrages”, and “Four improper operations”. The Company strengthened application of inspection results by daily data checks and tracking mechanism. It also strengthened compliance management mechanism and structure in branches, including automatic warning in internal control inspection system, “Woodpecker” action, special inspections, accountability pursuit in respect of violations and other long-term mechanism for management of abnormal employee trading behavior.

Thirdly, the Company made innovative management tools to enhance the overall effectiveness 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 and enhance the capabilities of pre-event prevention, during-event management and control, and post-event monitoring; ensured the effectiveness of the top-level design of anti-money laundering by amending the internal control on anti-money laundering, intervening in system at the source, applying strict customer entrance and business entrance control, and issuing reminders of key regulatory points and summary of regulation systems; made a correct judgment of the regulatory situation of international anti-money laundering, intensified the study on characteristics of regulatory policies and anti-money laundering in each business segment and in different regions, and strengthened the risk management of money laundering for cross-border business and terrorist financing; further improved the assessment system for money laundering risks, strengthened management and control on high-risk business and high-risk customers, and guided the allocation of resources towards high-risk areas; independently designed indicators for monitoring unusual transactions, set up a monitoring system based on "reasonable doubt", and constantly improved the proprietary monitoring system for unusual transactions; optimized and improved the anti-money laundering monitoring and management system, enhanced the efficacy of anti-money laundering using technologies, and strengthened the training as well as assessment and supervision of anti-money laundering to continuously enhance the Group’s anti-money laundering management standard.

Fourthly, the Company continued to prefect systems 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 professional capability of legal services. The Company continuously optimized management methods for legal compliance. It proactively aligned itself with new regulatory policies and rules, strengthened policy researches and transmissions, distributed guidelines for legal compliance checks, serial important reminders for key points in laws and regulations, and reminders for compliance risks, deepened legal support for the significant, difficult and innovative products and projects, and enhanced legal compliance team building and talent development at each levels to improve the overall efficiency of legal compliance services at different 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 defense 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. First, the Company gave priority to managing technological risks through quantified data. It centralized results of information technology related management works in data form, including supervision of key information technology indicator, collection of information technology risk incidents, as well as check and management of information technology. The Company leveraged data analysis to strengthen risk management and improve effectiveness and accuracy of management measures. Second, the Company pressed on with the rectification of flaws exposed in information technology inspection. The Company attached high importance to advices and proposals given by external regulatory agencies and internal auditors. In the meanwhile, it carried out self-check and improvement activities to enhance the group-wide consolidated information technology risk management. Third, the Company attached importance to outsourcing risk management. It included the technological outsourcing risk management into its unified outsourcing risk management system, and implemented full-process outsourcing risk management from the two dimensions of projects and service providers. The Company particularly paid attention to the dominating and self-controlling of core technologies in outsourcing activities, in a bid to ensure business stability and continuity and information security.

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 regularly and irregularly adjust the country classification for country risks and the limit scheme for country risks, and 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 Articles of Association of the Company stipulated 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 Company developed the Mid-term Shareholders' Return Plan (2016-2018), which planned that from 2016 to 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%.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2016 annual profit distribution plan in June 2017, based on the total share capital of 20,774,190,751 shares, the Company distributed cash dividend of RMB6.1 for every 10 shares (tax included), issued RMB12.672 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 2017

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 Company planned to transfer statutory surplus reserve of RMB860,927,000.00, with the statutory surplus reserve exceeding 50% of the registered capital; the Company planned to transfer RMB143,083,418.97 to general reserve; the dividend of preferred shares was RMB1.482 billion. The Company also planned to distribute cash dividend of RMB6.50 for every 10 ordinary shares (tax included), amounting to RMB13.503 billion, based on the total share capital of 20,774,190,751 shares.

The Company is at a stage of transformation and upgrade. In light of the regulatory requirements concerning capital adequacy ratios, shareholders' returns and business sustainability, the payout ratio in 2017 will increase marginally. During the past three years, the Company's payout ratio steadily climbed year after year. When fulfilling the regulatory capital requirements, the Company also delivered relatively good returns to shareholders and allocated resources to support the sustainable development over the next few years. The retained undistributed profits will be used to strengthen the capital position of the Company so as to drive long-term and sustainable growth of the Company.

Independent directors issued the following opinions regarding the profit distribution proposals: agreeing with the 2017 Profit Distribution Proposal passed on the 8th meeting of the 9th session of the Board of Directors, and agreeing to submit the proposal for considering and approval on the general meeting. The above dividend payment policies have fulfilled regulators' requirements regarding commercial banks' capital adequacy ratios and also given consideration to investors' demands as well as the sustainable development of the Company.

This plan shall be executed within two months after approval by the 2017 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

Dividend 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 (%)
2017	**-**	**6.50**	**-**	**13,503**	**57,200**	**23.61**
2016	-	6.10	-	12,672	53,850	23.53
2015	-	6.10	-	11,622	50,207	23.15

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

II. Performance of undertakings

(I) 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 from 2016 to 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%. The Company fulfilled the above profit distribution undertaking on schedule.

(II) Upon approval by the CSRC, the Company issued 1,721,854,000 A shares in a non-public way. 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 newly issued A shares. The share subscribers in such non-public issuance made the following undertakings: The shares subscribed by the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, and Guangdong Company of China National Tobacco Corporation in such non-public issuance shall not be transferable within 60 months after completion of the issuance, and transfer of such shares shall be subject to other regulatory requirements concerning transfer of such shares as well as the transferees' shareholder qualifications upon expiration of the abovementioned lock-up period. Shares subscribed by Yango Holdings Limited and Fujian Investment and Development Group Co., Ltd. in such non-public issuance shall not be transferable within 36 months after completion of the issuance and transfer of such shares shall be subject to relevant rules of CSRC and Shanghai Stock Exchange. The above-mentioned shareholders performed their obligations, and the trading moratoriums of relevant shares will expire on April 6, 2022 and April 6, 2020, respectively, and such shares can be listed and traded on the market from April 7, 2022 and April 7, 2020, respectively.

(III) According to relevant rules of CSRC, the Proposal on Current Period Dilutive Effect of the Non-Public Issuance of A Shares and Replenishment Measures were considered and approved on the first provisional general meeting of the Company in 2016 (for details, please refer to the announcement on the resolutions of the general meeting dated August 16, 2016). The proposal specified replenishment measures in respect of the potential dilutive effect that the non-public issuance of A shares may cause on current period returns of ordinary shareholders, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources, advancing the reforms in each business line, and exploring diversified profit sources. In addition, the directors and senior management made undertakings in respect of effectively implementing such replenishment measures. During the reporting period, the Company and its directors and senior management did not violate any of the aforementioned undertakings.

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. Appropriation of funds 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 2016 annual general meeting, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the 2017 annual report, review the semi-annual report and provide internal control and audit services with the total audit fee amounting to RMB9.90 million, which included fees and expenses on transportation, accommodation, stationery, communication and printing as well as related taxes, of which RMB8.25 million was for audit and review of financial statements and RMB1.65 million was for internal control audit.

Currently, Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit services to the Company for 7 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. As at the end of the reporting period, there were 273 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 RMB2.622 billion.

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

During the reporting period, the Company, its directors, supervisors, senior management, and the largest shareholder were not subject to any inspection by authoritative agencies, any compulsory measures by judicial authorities or discipline inspection departments, any referral to judicial authorities, criminal prosecution, inspection or administrative punishment by CSRC, deprivation of market access, identity as inappropriate candidates, major administrative punishment by environmental, safety supervision, taxation or other administrative management authorities, open condemnation of security exchanges, or any other punishment by regulators that may have significant impact upon the Company's operation.

During the reporting period, the Company was not subject to any administrative regulatory measures of CSRC or its dispatched agencies, and was not required to rectify any matter in a limited period of time.

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 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 28, 2016.

(II) 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 Shares 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.

(III) 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 interbank 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.

(IV) On the 4th meeting of the 9th session of the Board of Directors, the Proposal of Extending a Series of Related Party Transaction Lines to Fujian Yango Group Limited, the Proposal of Extending Related Party Transaction Line to Fujian Investment and Development Group Co., Ltd., and the Proposal of Extending Related Party Transaction Line to Xiamen International Bank were considered and approved, where the Company agreed to extend RMB13.9 billion related party transaction line to Fujian Yango Holdings and its related parties, including related party transaction credit line of RMB12.5 billion and related party transaction non-credit line of RMB1.4 billion; the Company agreed to extend RMB12.9 billion related party transaction line to Fujian Investment and Development Group Co., Ltd., including related party transaction credit line of RMB5 billion and related party transaction non-credit line of RMB7.9 billion; and the Company agreed to extend RMB16.9 billion related party transaction line to Xiamen International Bank, including related party transaction credit line of RMB12 billion and related party transaction non-credit line of RMB4.9 billion; all of which are extended 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 August 30, 2017.

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 RMB16 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 2017. The Company's external guarantee business was approved by PBOC and CBRC and 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 RMB120.259 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 did not experience any contract dispute that exerts significant impact upon the Company's operation and management.

X. Description of other major issues

(I) 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 Limited 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 7, 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.

(II) Change in registered capital: CBRC has approved the change in the Company's registered capital to RMB20,774,190,751. The Company has amended related provisions of the articles of association accordingly, and completed relevant alternation registration procedures in industrial and commercial administrations. For details, please refer to the Company's announcement dated July 27, 2017.

(III) Capital addition in subsidiary: as considered and approved at the 4th meeting of the 9th session of the Board of Directors, the Company added RMB2 billion to the capital of its wholly-owned subsidiary Industrial Financial Leasing Co., Ltd. After such capital addition, the registered capital of Industrial Leasing increased to RMB9 billion from RMB7 billion. For details, please refer to the Company's announcement dated August 30, 2017.

(IV) Building Fuzhou operating center: as considered and approved at the 6th meeting of the 9th session of the Board of Directors, the Company planned to build the Group's Fuzhou operating center on the No.218 plot of Wusi Road, Gulou District, Fuzhou, which is expected to cost about RMB3.906 billion. Relevant constructions are in progress. For details, please refer to the Company's announcement dated February 13, 2018.

XI. Performance of social responsibilities

(I) Poverty alleviation work

1.Targeted poverty alleviation plan

The Company's basic strategy for targeted poverty alleviation work is strictly carrying out the implementation opinions of the General Office of the CPC Central Committee and the General Office of the State Council regarding the crucial poverty alleviation works in very poor regions. We insisted on using the incremental financial capitals to meet needs in very poor regions at first, and providing the incremental financial services to very poor regions at first. In addition, we enhanced our support for key areas such as recorded poor households, poverty alleviation industrial projects, as well as improvement projects, infrastructure construction projects and basic public service projects in poor countryside, so as to help poor regions to boost productivity and eliminate poverty.

General objectives: the Company formulated a poverty alleviation work mechanism to provide sustainable financial services to very poor regions, and enhanced credit support for very poor regions. It beefed up the support for poor regions through internal credit resources adjustment. The Company looks to become a pioneer and benchmark in poverty alleviation field on the back of the Bank-to-Bank Platform, green finance and its other business characters.

Main tasks: in conjunction with the implementation opinions of the General Office of the CPC Central Committee and the General Office of the State Council regarding the crucial poverty alleviation works in very poor regions, the Company clarified the poverty alleviation work direction, enhanced the financial support for poverty alleviation development and targeted poverty alleviation work, and improved the availability of financial services in poor regions.

Guarantee measures: the Company has established a leader team for the financial poverty alleviation work with the Chairman as the team leader, held the work meeting of the Head Office Financial Poverty Alleviation Leader Team and formulated the financial poverty alleviation work measures. The Company enhanced and implemented relevant accountabilities systems, clarified work requirements in the extending of targeted poverty alleviation loans, and strengthened the positive guidance.

2.Summary of targeted poverty alleviation plan in 2017

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 RMB5.536 billion, representing an increase of RMB2.410 billion or 77.07% as compared with the beginning of the period. The balance of the targeted poverty alleviation loans in terms of units totaled RMB4.242 billion, representing an increase of RMB2.221 billion or 109.84% over the beginning of the period, of which, the balance of targeted poverty alleviation loans in terms of projects totaled RMB3.036 billion, representing approximately 2.7 times the opening balance; and the balance of targeted poverty alleviation loans in terms of individuals totaled RMB1.294 billion, or the number of loans of 3,144.

3.Effects of targeted poverty alleviation

Unit: RMB million

Indicator	Amount and its implementation
I. General information	
1. Fund	5,536
2. Number of people served or facilitated by the targeted poverty alleviation financial loans	130,520
II. Itemized input	
1. Poverty alleviation through industrial development	
Number of targeted poverty alleviation industrial loans	54
Amount of targeted poverty alleviation industrial loans	1,206
Number of people facilitated by targeted poverty alleviation industrial loans	837
2. Poverty alleviation project loan	
Number of targeted poverty alleviation project loans	28
Amount of targeted poverty alleviation project loans	3,036
Number of people served by targeted poverty alleviation project loans	126,576
3. Other investments	1,294

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 2018 will be as follows:

First, we will optimize the outlet layout based on actual needs in very poor regions, maintain stability of current outlets and strive for an expansion in current outlet coverage, and actively promote service upgrade in existing outlets.

Second, the Company will continue to promote the rapid development of featured business of the "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 Lhasa Branch in Tibet Autonomous Region, increasing the financial support to western region.

Third, on the premise of controllable risks, the Company will vigorously develop credit card loan business, increase credit card loan balances, and achieve rapid growth in credit loan balance in very poor regions. It will increase the credit supply to very poor regions, enhance the relending management in very poor regions and further tilt the relending to poverty alleviation works.

Fourth, the Company will strengthen the financial publicity and education in very poor regions, enhance local consumers' awareness and abilities of identifying and preventing financial risks and using financial tools, and boost the financial consumer rights protection in very poor regions.

Fifth, 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 support the development of ethnic trading and ethnic brand enterprises by taking advantage of local conditions, so as to guarantee the special needs of ethnic people for production and living and increase the support efforts for industrial poverty alleviation.

(II) Consumer rights and interests protection

During the reporting period, the Company actively constructed consumer rights protection system, diligently performed social responsibilities, improved consumer experiences, protected consumers' legal rights and interests, and effectively pressed on with the consumer rights and interests protection through relevant systems, mechanism, concepts and actions.

(III) The Company has disclosed the 2017 Sustainable Development Report of Industrial Bank. For details please refer to the website of Shanghai Stock Exchange.

(IV) Environmental performances and policies

During the reporting period, the Company has implemented the differentiated credit policy of "ensuring credit supply to some, controlling supply to some and cutting supply to some". By raising the entry threshold and adopting industry-specific quota and list-based management, the Company prevented and eliminated the risks posed by industries of "high pollution and high energy consumption" as well as overcapacity industries. In the meanwhile, the Company leveraged the group-wide strength to build a full green finance product portfolio comprising multi financial products. Through providing various financing and advisory services, the Company vigorously helped with the ecological civilization construction of China and contributed to the green development.

The Company has adhered to the four major principles of legal compliance, classified management, consistent improvement and sustainable development. It has kept perfecting its environmental and social risk management system, fully collected and utilized environmental and social risk information, promoted the construction of corporate environmental risk warning and classification mechanism, and strengthened the Group's environmental and social risk management abilities.

As the first Equator Bank in China, the Company has fully fulfilled its responsibilities of promoting the sustainability concept, and incorporated the sustainable development concepts into every aspect of its daily operation and management. It advocated low-carbon office by strengthening energy conservation reminding, and promoted green operation in electricity use, water use, paper use, waste recycling, use of energy-efficient and eco-friendly facilities as well as management. In addition, it has prompted more stakeholders to pay attention to and implement green development and contribute to the construction of beautiful China through diverse activities including regular green training, green consumption promotion and green welfare events. The Company has long persisted in the Equator Principles, and adopted environmental and social benefits as major assessment indicators for project operations. During the financing process, the Company performed full environmental and social risk management, and issued researches on sustainable finance, thereby driving comprehensive and sustainable development of the economy, society and environment.

For details, please refer to the 2017 Sustainable Development Report of Industrial Bank.

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 (%)	New shares issued	Sub-total	Number	Percentage (%)
I. Restricted shares	0	0	1,721,854,000	1,721,854,000	1,721,854,000	8.29
1. State-owned shares	0	0	430,463,500	430,463,500	430,463,500	2.07
2. Shares held by state-owned legal entities	0	0	794,701,800	794,701,800	794,701,800	3.83
3. Shares held by other domestic investors	0	0	496,688,700	496,688,700	496,688,700	2.39
Incl: Shares held by domestic non-state-owned legal persons	0	0	496,688,700	496,688,700	496,688,700	2.39
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	19,052,336,751	100	0	0	19,052,336,751	91.71
1. RMB ordinary shares	19,052,336,751	100	0	0	19,052,336,751	91.71
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**	**1,721,854,000**	**1,721,854,000**	**20,774,190,751**	**100**

Upon approval by 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 Limited and Fujian Investment and Development Group Co., Ltd., at the offering price of RMB15.10 per share. The registration procedures for such additional shares were completed with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on April 7, 2017.For details, please refer to the Company’s announcement dated April 11, 2017.

(II) Changes in shares subjected to trading moratorium

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the year	Number of shares released from restrictions in the year	Number of restricted shares increased in the year	Number of restricted shares as at the end of the year	Reasons for restriction in sale	Date of release from restrictions
The Finance Bureau of Fujian Province	0	0	430,463,500	430,463,500	Undertakings on the lock-up period of non-public offering	April 7, 2022
China National Tobacco Corporation	0	0	496,688,700	496,688,700		
Fujian Company of China National Tobacco Corporation	0	0	132,450,300	132,450,300		
Guangdong Company of China National Tobacco Corporation	0	0	99,337,700	99,337,700		
Yango Holdings Limited	0	0	496,688,700	496,688,700		April 7, 2020
Fujian Investment and Development Group Co., Ltd.	0	0	66,225,100	66,225,100		
Total	**0**	**0**	**1,721,854,000**	**1,721,854,000**	-	-

II. Issuance and listing of securities

(I) Issuance of securities during the reporting period

During the reporting period, the Company issued new RMB-denominated ordinary shares.

Unit: share; RMB Yuan

Ordinary shares	Date of issuance	Issuing price	Issuance size	Date of listing	Number of shares approved to be traded	Ending date of transaction
RMB ordinary shares	March 31, 2017	15.10	1,721,854,000	Shares subscribed by the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, and Guangdong Company of China National Tobacco Corporation will become tradeable on April 7, 2022, while shares subscribed by Yango Holdings Limited and Fujian Investment and Development Group Co., Ltd. will become tradable on April 7, 2020.	1,721,854,000	None

(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 239,610 shareholder accounts, and 259,828 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 (%)	Number of restricted shares held	Pledged or frozen shares	Nature of shareholders
The Finance Bureau of Fujian Province	430,463,500	3,902,131,806	18.78	430,463,500	0	State authority
China National Tobacco Corporation	496,688,700	1,110,226,200	5.34	496,688,700	0	State-owned legal person
PICC Property and Casualty Company Limited-traditional-common insurance product	0	948,000,000	4.56	0	0	State-owned legal person
China Securities Finance Corporation Limited	369,659,770	935,004,900	4.50	0	0	State-owned legal person
PICC Life Insurance Company Limited-participating-personal insurance (participating)	0	801,639,977	3.86	0	0	State-owned legal person
Tian'an Property Insurance Co., Ltd.-guaranteed win No. 1	337,126,354	798,420,149	3.84	0	0	Domestic non-state-owned legal person
Buttonwood Investment Platform LLC.	0	671,012,396	3.23	0	0	State-owned legal person
Yango Holdings Limited	496,688,700	496,688,700	2.39	496,688,700	Pledged 243,377,463	Domestic non-state-owned legal person
PICC Life Insurance Company Limited-universal-personal insurance (universal)	0	474,000,000	2.28	0	0	State-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	0	441,504,000	2.13	0	0	State-owned legal person

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling 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 floating shares held	Type of shares
The Finance Bureau of Fujian Province	3,471,668,306	RMB ordinary shares
PICC Property and Casualty Company Limited-traditional-common insurance product	948,000,000	RMB ordinary shares
China Securities Finance Corporation Limited	935,004,900	RMB ordinary shares
PICC Life Insurance Company Limited-participating-personal insurance (participating)	801,639,977	RMB ordinary shares
Tian'an Property Insurance Co., Ltd.-guaranteed win No. 1	798,420,149	RMB ordinary shares
Buttonwood Investment Platform LLC.	671,012,396	RMB ordinary shares
China National Tobacco Corporation	613,537,500	RMB ordinary shares
PICC Life Insurance Company Limited-universal-personal insurance (universal)	474,000,000	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	RMB ordinary shares
Tian'an Life Insurance Company Limited–traditional product	390,132,551	RMB ordinary shares

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling 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)Number of shares held by shareholders subject to trade restrictions as well as conditions of such restrictions

Unit: share

Name of holders of restricted shares	Number of restricted shares held	Availability for listing and trading of restricted shares		Condition of restrictions
		Date when shares become tradable	Number of new tradable shares	
The Finance Bureau of Fujian Province	430,463,500	April 7, 2022	430,463,500	These shares could not be transferred within 60 months from the day when the offering was completed (except otherwise required by the competent regulators on the expired and transferred shares and the shareholding qualification of the transferee).
China National Tobacco Corporation	496,688,700		496,688,700	
Fujian Company of China National Tobacco Corporation	132,450,300		132,450,300	
Guangdong Company of China National Tobacco Corporation	99,337,700		99,337,700	
Yango Holdings Limited	496,688,700	April 7, 2020	496,688,700	These shares shall not be transferable within 36 months after completion of the issuance and transfer of such shares shall be subject to relevant rules of CSRC and Shanghai Stock Exchange upon expiration of lock-up period.
Fujian Investment and Development Group Co., Ltd.	66,225,100		66,225,100	
Descriptions about the association between or concerted actions of the above shareholders	Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation are both subsidiaries of China National Tobacco Corporation.			

(V) Substantial shareholders

The Company has no controlling shareholder or de facto controller. Pursuant to the rules of Interim Measures for Equity Management of Commercial Banks, the substantial shareholders of the company were as follow:

1. The Finance Bureau of Fujian Province was the largest shareholder of the Company, holding 18.78% of the shares of the Company. It nominated directors to the Company and there was no case of pledge of the Company's shares. 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.

2. The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 12.90% of the shares of the Company. They nominated directors to the Company and there was no case of pledge of the Company's shares. The People’s Insurance Company (Group) of China Limited was the controlling shareholder of PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited, its actual controller was the Ministry of Finance of the People's Republic of China.

The People’s Insurance Company (Group) of China Limited held 0.84% of the Company's shares. Its precedent was the People’s Insurance Company of China established in 1996 upon approval of the Government Administration Council of China. 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 held 5.91% of the Company's shares. It 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.

PICC Life Insurance Company Limited held 6.14% of the Company's shares. 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, and the re-insurance of the aforesaid insurances, as well as the providing agency insurance on behalf of PICC and PICC Health Insurance Company Limited to the extent permitted by China Insurance Regulatory Commission.

3. China National Tobacco Corporation, Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation collectively held 9.68% of the shares of the Company. They nominated directors to the Company and there was no case of pledge of the Company's shares. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation were subsidiaries of China National Tobacco Corporation and their de facto controller was the Ministry of Finance of the People's Republic of China.

Founded in December 15, 1983, China National Tobacco Corporation held 5.34% of the shares of the Company. It's a wholly state-owned enterprise with a registered capital of RMB57 billion. Its registered office is in Beijing, and its legal representative is Ling Chengxing. Its business includes production and operation of tobacco monopoly products and operation and management of state-owned assets.

Founded in July 18, 2005, Fujian Tobacco Haisheng Investment Management Co., Ltd. held 2.13% of the shares of the Company. It has a registered capital of RMB2.647 billion. Its registered office is in Xiamen and its legal representative is Lu Xiaodong. Its businesses include investment management (except otherwise required by the laws and regulations), being entrusted to manage legally established hotels, and other business operations that do not involve prerequisite approval permission. Its controlling shareholder is Fujian Company of China National Tobacco Corporation.

Founded in October 20, 2011, China Tobacco Hunan Investment Management Co., Ltd. held 1.09% of the shares of the

Company. It has a registered capital of RMB0.2 billion. Its registered office is in Changsha and its legal representative is Deng Yongzhi. Its businesses include project investment, investment management and investment advisory (excluding finance, securities and futures advisory) permitted under the laws and regulations of the State; sales of paper; supply chain management; production, processing and sales of packaging product (except for printed matters). Its controlling shareholder is China Tobacco Hunan Industrial Co., Ltd.

Founded in November 29, 1995, Fujian Company of China National Tobacco Corporation held 0.64% of the shares of the Company. It has a registered capital of RMB137 million. Its registered office is in Fuzhou and its legal representative is Zhang Yongjun. Its businesses include operation of tobacco monopoly products (refer to the business license for validity period); asset management and comprehensive management. (items that are subject to the approval according to the law may only be carried out upon approval by relevant authorities)

Founded in August 31, 1989, Guangdong Company of China National Tobacco Corporation held 0.48% of the shares of the Company. It has a registered capital of RMB140 million. Its registered office was in Guangzhou and its legal representative was Liu Yiping. Its businesses include operation of cigarette, production and operation of tobacco, asset management and comprehensive management, export of tobacco monopoly products, supporting services for the export of tobacco monopoly products, and the operation of imported tobacco products in China.

4. Xishui Strong Year Co., Ltd. Inner Mongolia and Tian’an Property Insurance Co., Ltd. collectively held 4.68% of the shares and nominated directors to the Company. Xishui Strong Year Co., Ltd. Inner Mongolia was the controlling shareholder of Tian'an Property Insurance Co., Ltd., its controlling shareholders was Zhengyuan Investment Co., Ltd. and its de facto controller was Xiao Weihua.

Xishui Strong Year Co., Ltd. Inner Mongolia held 0.61% of the shares of the company, of which 33 million shares were pledged. It was founded on April 14, 1998 with a registered office in Wuhai, Inner Mongolia and a registered capital of RMB1.093 billion. Its legal representative is Guo Yufeng and its businesses include services for controlling company, the sales of mineral products, building materials products, chemical products, machinery equipment, hardware products, and electronic products; lease of machinery and equipment; and software development. Its controlling shareholder Zhengyuan Investment Co., Ltd. was founded on March 28, 2008 with a registered office in Baotou, Inner Mongolia and a registered capital of RMB1.340 billion. Its legal representative is Xiao Weihua.

Tian’an Property Insurance Co., Ltd. held 4.07% of the shares of the Company and there was no case of pledge of the Company's shares. It was founded on January 27, 1995 with a registered office in Shanghai and a registered capital of RMB17.764 billion. Its legal representative is Guo Yufeng and its businesses include various types of property insurance denominated in Renminbi and foreign currencies, liability insurance, credit insurance, marine insurance, accidental injury insurance, health insurance and financial service insurance; responsible for various reinsurance businesses and statutory insurance businesses; establishing agency relations and business relationships with insurance agencies both domestic and abroad to act as an agent for inspections, claims, recovery and other related matters; handle capital applications approved by China Insurance Regulatory Commission; and other businesses approved by China Insurance Regulatory Commission.

5. Yango Holdings Limited held 2.39% of the shares of the Company, of which 243 million shares were pledged. It nominated directors to the Company and it was a wholly-owned subsidiary of Yango Longking Group Co., Ltd. and its de facto controller were Lin Tengjiao and Wu Jie. It was founded on July 18, 2006 with a registered office in Fuzhou and a registered capital of RMB9.699 billion. Its legal representative was Wu Jie and its businesses include general business items, such as: the investment in information, hotel, tourism and education, investment management; the wholesale, purchase and sales of construction material, hardware electronics and appliances. Its controlling shareholder Yango LongKing Group Co., Ltd. was established on December 8, 2014 with a registered office in Shanghai and a register capital of 2.699 billion. Its legal representative was Wu Jie.

6. Longyan Huijin Development Group Co., Ltd. held 1.05% of the shares of the Company. It nominated supervisors to the Company and there was no case of pledge of the Company's shares. The company was funded by State-owned Asset Management Center of Longyan City and established on November 9, 2010. Its de facto controller is Longyan Municipal

Bureau of Finance. Its registered office was in Longyan, its register capital was RMB2 billion and its legal representative was Wang Lansheng. It's businesses include asset operation and management; non-security equity investments; urban infrastructure construction; financial leasing services; design, production, agent services and distribution of various domestic advertisements; items not requiring approval under the laws and regulations may be carried out at discretion.

7. Fujian Investment & Development Group Co., Ltd. held 0.75% of the shares of the Company. It nominated supervisors to the Company and there was no case of pledge of the Company's shares. The company was funded by State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government and established on April 27, 2009. The register office was in Fuzhou, the registered capital was RMB10 billion and the legal representative was Yan Zheng. Its businesses include the production and supply of electricity, gas and water, the investment and development of railway transportation and other industries or projects; investment in banks, securities, trusts, guarantees, venture capital, and key industries in the province as determined by the provincial government; investment in agriculture, forestry, hotel and mining industry; development of real estate; asset management. (items that are subject to the approval according to the law may only be carried out upon approval by relevant authorities)

8. Zhejiang Energy Group Co., Ltd., Zhejiang Zheneng Electric Power Co., Ltd. and Zhejiang Energy Group Finance Co., Ltd. collectively held 0.62% of the shares of the Company. They nominated directors to the Company and there was no case of pledge of the Company's shares. Zhejiang Energy Group Co., Ltd. was the controlling shareholder of Zhejiang Zheneng Electric Power Co., Ltd. and Zhejiang Energy Group Finance Co., Ltd. Its de facto controller was the State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government.

Zhejiang Energy Group Co., Ltd. held 0.02% of the shares of the Company. It was established on March 21, 2001 with a registered office in Hangzhou and a registered capital of RMB10 billion. Its legal representative is Tong Yahui and its businesses include the operation of state-owned assets and state-owned shares of the group companies and their affiliated companies that are authorized by the state; industrial investment development; technical advisory services, technical advisory services for coal transportation information; production and supply of electric power; development and utilization of renewable energy; operation management of oil and gas; engineering technology and services; sale of steel, nonferrous metals, construction materials, machinery equipment, electrical cables, coal (without storage); international ship transportation (operating with license); domestic water transport (operating with license); electric machinery and equipment; new energy equipment manufacturer; private equity investment; investment consulting and asset management. (Without the approval of the financial and other regulatory authorities, it is not allowed to engage in financial services such as financing deposits, financing guarantees, and customer financing for the public) (items that are subject to the approval according to the law may only be carried out upon approval by relevant authorities)

Zhejiang Zheneng Electric Power Co., Ltd. held 0.57% of the shares of the Company. It was established on March 14, 1992 with a registered office in Hangzhou and a registered capital of RMB13.601 billion. Its legal representative is Sun Weiheng and its businesses include: electricity generation, operation controls; research and development of electric power and energy-saving technologies, technical advisory as well as the sales of energy-saving products; construction and supervision of electric power projects and power environmental protection projects; maintenance of electric equipment; power selling service (operating with license); sales of cooling, heat, hot water and steam; contractual energy management.(items that are subject to the approval according to the law may only be carried out upon approval by relevant authorities)

Zhejiang Energy Group Finance Co., Ltd. held 0.03% of the shares of the Company. It was established on August 25, 2006 with a registered office in Hangzhou and a registered capital of RMB971 million. Its legal representative is Wang Lina and its businesses include the operation of business approved by the CBRC in accordance with relevant laws, administrative regulations and other regulations; the business scope shall be as set on in the approval documents.

Matters Regarding Preferred Shares

I. Issuance and listing of preferred shares

Unit: share

Preferred shares	Stock abbreviation	Date of issuance	Issuing price (Yuan/ share)	Dividend rate (%)	Issuance size	Date of listing	Number of shares listed	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 5.40% 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	33
No. of shareholder accounts as at the end of the month prior to the disclosure of the annual report	33

(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	Domestic preferred shares	None	Others
Ping An Life Insurance Company of China-universal-personal insurance (universal)	0	21,254,000	8.17	Domestic preferred shares	None	Others
PICC Property and Casualty Company Limited-traditional-common insurance product	0	21,254,000	8.17	Domestic preferred shares	None	Others
The Finance Bureau of Fujian Province	-11,000,000	14,000,000	5.38	Domestic preferred shares	None	State authority
Bank of Communications Schroders	0	13,474,000	5.18	Domestic preferred shares	None	Others
Guangdong Finance Trust Co., Ltd.	0	12,198,000	4.69	Domestic preferred shares	None	Others
PICC Life Insurance Company Limited-participating-personal insurance (participating)	0	11,450,000	4.40	Domestic preferred shares	None	Others
BOCI Securities Limited	0	9,044,000	3.48	Domestic preferred shares	None	Others
Zhonghai Trust Co., Ltd.	0	7,944,000	3.06	Domestic preferred shares	None	Others
Bosera Funds	0	7,944,000	3.06	Domestic 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-personal insurance (universal), and Ping An Property and Casualty Insurance Company of China, Ltd. -traditional-common insurance product. Apart from that, the company was not aware of any connected relationship or concerted relationship among the above shareholders.

3. As at the end of the period, the Finance Bureau of Fujian Province held 3,902,131,806 ordinary shares of the Company. Apart from that, the company was not aware of any connected relationship or concerted relationship among the above shareholders and the top ten holders of ordinary shares.

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 2017 was from January 1, 2017 to December 31, 2017, 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

2017 was from January 1, 2017 to December 31, 2017, 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
2017	**1,482**	**100**
2016	1,482	100
2015	1,147	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

Pursuant to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.37–Presentation and Reporting of Financial Instrument and the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the Ministry of Finance of the People’s Republic of China and the main terms of the issued preference shares of the Company, the Company's issued preferred shares meet the requirements for being accounted as an equity instrument. Therefore, the Company's issued preferred shares were accounted for as an equity instrument.

VI. Adjustments regarding the mandatory conversion price

The initial mandatory 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 mandatory conversion prices in accordance with the specified formula.

Upon approval by the CSRC, the Company issued 1,721,854,000 A shares in a non-public way and handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares on April 7, 2017. 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/share to RMB9.80/share. 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 period	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	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	100.256	No
Chen Yichao	Director	Male	November 1950	July 1, 2015	December 18, 2019	0	0		Yes
Fu Anping	Director	Male	February 1963	June 20, 2016	December 18, 2019	0	0		Yes
Han Jingwen	Director	Male	June 1959	February 7, 2017	December 18, 2019	0	0		Yes
Xi Xinghua	Director	Male	October 1969	February 7, 2017	December 18, 2019	0	0		Yes
Lin Tengjiao	Director	Male	April 1968	July 17, 2017	December 18, 2019	0	0		Yes
Tao Yiping	Director	Male	April 1963	June 20, 2016	December 18, 2019	0	0	100.256	No
	President			April 28, 2016	December 18, 2019				
Chen Jinguang	Director	Male	November 1961	June 20, 2016	December 18, 2019	0	0	90.23	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	90.23	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	90.23	No
	Vice president			July 10, 2014	December 18, 2019				
	Secretary of the Board of Directors			November 26, 2015	December 18, 2019				
Paul M. Theil	Independent director	Male	May 1953	December 24, 2013	December 18, 2019	0	0	30	Yes
Zhu Qing	Independent director	Male	May 1957	August 26, 2014	December 18, 2019	0	0	30	No
Liu Shiping	Independent director	Male	April 1962	August 26, 2014	December 18, 2019	0	0	30	Yes
Su Xijia	Independent director	Male	September 1954	February 7, 2017	December 18, 2019	0	0	30	Yes
Lin Hua	Independent director	Male	September 1975	July 1, 2015	December 18, 2019	0	0	28	Yes
Jiang Yunming	Chairman of the Board of Supervisors	Male	October 1965	February 29, 2016	December 18, 2019	0	0	100.256	No
Xu Chiyun	Supervisor	Female	August 1968	October 15, 2013	December 18, 2019	0	0		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 period	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
He Xudong	Supervisor	Male	November 1977	December 19, 2016	December 18, 2019	0	0		Yes
Peng Jinguang	Supervisor	Male	August 1962	December 19, 2016	December 18, 2019	0	0		Yes
Li Jian	Supervisor	Male	September 1956	October 15, 2013	December 18, 2019	35,500	35,500	349.74	No
Lai Furong	Supervisor	Male	October 1968	October 19, 2007	December 18, 2019	0	0	346.46	No
Li Ruoshan	External supervisor	Male	February 1949	December 19, 2016	December 18, 2019	0	0	24	No
Ben Shenglin	External supervisor	Male	January 1966	December 19, 2016	December 18, 2019	0	0	22	No
Xia Dawei	External supervisor	Male	February 1953	May 23, 2016	December 18, 2019	0	0	24	No
Li Weimin	Vice president	Male	November 1967	December 27, 2012	December 18, 2019	50,000	50,000	90.23	No
Sun Xiongpeng	Vice president	Male	April 1967	August 25, 2016	December 18, 2019	0	0	90.23	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 RMB16,661,180.

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 2016 Annual Report of the Company has disclosed the annual remuneration of directors, supervisors and senior management members. Upon assessment and the confirmation by the authorized department, the remuneration of the directors, supervisors and senior management members who served full-time positions in the Company is hereby further disclosed as follows:

Name	Title	The remainder of 2016 pre-tax remuneration (RMB'0,000)
Gao Jianping	Chairman of the Board of Directors	6.656
Tao Yiping	Director and president	5.546
Chen Jinguang	Director and vice president	5.99
Xue Hefeng	Director and vice president	5.99
Chen Xinjian	Director, vice president, and secretary of the Board of Directors	5.99
Jiang Yunming	Chairman of the Board of Supervisors	6.54
Li Weimin	Vice president	5.99
Sun Xiongpeng	Vice president	3.51

4. 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 Company Limited	Secretary of the Party committee, vice chairman, president
Han Jingwen	China National Tobacco Corporation	Inspector of the Division of Financial Management and Supervision (Audit Division)
Xi Xinghua	Tian'an Property Insurance Co., Ltd.	General manager of Assets Management Department
Lin Tengjiao	Yango Holdings Limited	Chairman of the Board of Directors
Xu Chiyun	Longyan Huijin Development Group Co., Ltd.	Chairman of the Board of Supervisors
He Xudong	Zhejiang Energy Group Co., Ltd.	Deputy director of the Assets Operation Department
Peng Jinguang	Fujian Investment and Development Group Co., Ltd.	The deputy secretary of Party committee, general manager and vice chairman

(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 manages the general work of communist party committee and activities of the Board of Directors, and is in charge of the Office of the Party Committee and the Human Resource Department (Organization Department of the Party Committee).	Member of the 13th National Committee of the Chinese People's Political Consultative Conference

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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
Fu Anping	Doctor 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.	None
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 and head of the General Office, associate inspector, and Deputy Chief of State Tobacco Monopoly Bureau (China National Tobacco Corporation). He currently serves as the inspector of the Division of Financial Management and Supervision (Audit Division) of State Tobacco Monopoly Bureau (China National Tobacco Corporation).	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 Changcai 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
Lin Tengjiao	Master of Business Administration. He currently serves as the Chairman of the Board of Directors of Yango Holdings Limited.	Representative of the National People's Congress, vice chairman of the Fujian Federation of Industry and Commerce, chairman of the Yango University, Chairman of the Board of Directors of Yango City Group Co., Ltd., vice chairman of Fujian Star-net Communication Co., Ltd.
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 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 Inclusive Finance 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
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., Chairman of Zhong An Investment Management (Shenzhen) Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Shenzhen Longgang BOC Fullerton Community Bank Co., Ltd, independent director of Morgan Stanley Huaxin Fund Management Company Limited, director of Runhui Fund Management Co., Ltd. and president of Small Loans Industry Association of Shenzhen, vice president of China Micro-credit Companies Association, vice president of Shenzhen Venture Capital Association, and standing vice president of Shenzhen General Chamber of Commerce

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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 professor and PhD tutor at Renmin University of China.	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 chair 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 Aixin Life Insurance Co., Ltd. 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, honorary president of Z-Park Brand Innovation & Development Association, and vice president of Beijing Overseas Chinese Technology Entrepreneurship Association

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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
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), chairman of Beijing Zhongcheng Boyuan Assets Management Co., Ltd., chairman of Zhongrui Huaxin (Beijing) Assets Management Co., Ltd., part-time professor of Nankai University and Southwestern University of Finance and Economics, and an independent director of Generali Insurance Assets Management Company, Xiamen Rural Commercial Bank, and Beijing Jingneng Power Co., Ltd.
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., Zhejiang Zheneng Leqing Power Generation Co., Ltd., Zhejiang Zheneng Wenzhou Power Generation Co., Ltd., and Zhejiang Wenzhou Telulai Power Generation Co., Ltd. and Wenzhou Gas Power Generation Co., Ltd., and a supervisor of 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, deputy secretary of Party committee and vice chairman of Fujian Investment & Development Group Co., Ltd.	A director of Minxin Group Co., Ltd., and a director of Xiamen International Bank and Xiamen Air
Li Jian	University graduate, master degree, senior economist. 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, 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, member of the Standing Committee of the People's PCC and deputy director of the Economic Committee of Zhejiang Province, 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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xia Dawei	Master degree, professor, PhD tutor. 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 of Shanghai National Accounting Institute.	Director of academic committee 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, consultant professional of the Committee for Accounting Standards of the Ministry of Finance, honorary professor of The Chinese University of Hong Kong, part-time professor of School of Management of Fudan University, and a member of the committee of experts on listing company of the Shanghai Stock Exchange. Enjoys government allowance of the State Council. Independent directors of Baoshan Iron & Steel Co., Ltd., Guotai Jun'an Securities Co., Ltd., Lianhua Supermarkets Holdings Co., Ltd. and Juneyao Airlines Co., Ltd.
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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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 December 19, 2016, in the general election at the second extraordinary general meeting of the Company for 2016, Mr. Han Jingwen and Mr. Xi Xinghua were elected as directors of the 9th session of the Board of Directors, and Mr. Su Xijia was elected as an independent director of the 9th session of the Board of Directors. The director appointment qualifications of the above three new directors were approved by the CBRC on February 7, 2017.

2. On May 26, 2017, at the annual general meeting of the Company for 2016, Mr. Lin Tengjiao was elected as a director of the 9th session of the Board of Directors. The appointment qualification of Mr. Lin Tengjiao as a director was approved by the CBRC on July 17, 2017.

3. On April 16, 2018, Mr. Peng Jinguang tendered his resignation in writing to the Board of Supervisors due to job adjustment and resigned from the position of supervisor.

II. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	58,997
Number of the incumbent staff of main subsidiaries	2,636
Total number of the incumbent staff	61,633
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	547
Education level	
Types of education	Number
Master and above	9,753
Bachelor	44,673
College	5,994
Secondary technical school and below	1,213
Total	**61,633**
Professional occupation	
Types of professional occupation	Number
Management	3,619
Business	50,505
Support	7,509
Total	**61,633**

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 programs

The Company has promoted the overseas talent cultivation program as well as researched and established a "short-term exchange project for overseas talent cultivation" to create a talent cultivation system that meets the needs of the integrated and international strategic development on a group basis. Focusing on the enhancement of organizational capabilities and staff’s professional skills, the Company introduced new technologies, new tools and new methods to upgrade training to boost the new model of business development. We also created four platforms for training, namely basic operations, talent cultivation, knowledge sharing and problem resolution, to optimize and upgrade various brand training projects and promote the development of talents. During the reporting period, the Company won the "Excellent Enterprise for Talent Development Award " granted by the China Human Resources Development Research Association, the “Best Enterprise for Talent Development in China” awarded by the Training magazine, and the “Best Practice for Performance Improvement Award” granted by the International Society of Performance Improvement (ISPI)- China and other honors.

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, and created a modern corporate governance and operation mechanism where the general meeting, the Board of Directors, the Board of Supervisors, and the management each performs their duties and operates efficiently. 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 special committees actively performed their duties of assisting in decision making and supervising. The directors and supervisors continuously enhanced their capability and professionalism in fulfilling their duties through specific investigations and inspections. The management earnestly carried out the spirit of meetings of the Board of Directors and the Board of Supervisors and effectively 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 sustainable and steady 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 an annual general meeting through a combination of on-site meetings and online voting to consider and approve the proposals such as the report of the Board of Directors, the report of the Board of Supervisors, the financial budgets and final accounts, and the distribution scheme of profit. 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

The Board of Directors of the Company currently consists of 15 directors. By categories, it includes 10 non-executive directors (including 5 independent non-executive directors) and 5 executive directors. By geographical segments, there are 12 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, the Company further enhanced meeting preparation and planning to improve the quality and efficiency of corporate governance and operation. Five meetings of the Board of Directors were convened and 18 meetings were convened by various committees of the Board of Directors, of which 146 proposals were considered or received. The Board of Directors effectively played its role of decision-making in development of corporate strategies, 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, internal control and the duty-fulfillment of the Board of Directors and the senior management. During the reporting period, the Company held 5 meetings of the Board of Supervisors, in which 34 proposals were considered and received. The committees under the Board of Supervisors convened 2 meetings and considered and approved 5 proposals.

(IV) Senior management

The 6 senior management members of the Company consists of 1 president and 5 vice presidents. With the authorization by law and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of guiding the overall operation and management activities, specifically implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, 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 operation management committee, the assets & liabilities management committee, the risk management committee, the investment decision committee, the credit approval committee, the internal control committee, the major purchases committee, the business continuity management committee, the internal accountability committee and the financial science and technology committee.

(V) Related party transactions

During the reporting period, 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 Implementation Rules of Industrial Bank for Management of Related Party Transactions. 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. 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) Information disclosure and investor relations

The company has been continuously strengthening the information disclosure system and fulfilling its obligation of information disclosure. The Company strictly complies with relevant regulatory requirements and prepares and discloses periodical reports on a periodic basis to disclose major issues fairly and timely. We issued more than 30 temporary announcements and governance documents on resolutions of the meeting, non-public offering progress, profit distribution, related party transaction, changes in registered capital, establishment of branches, and capital increase of subsidiaries. We also strengthened the internal management of information disclosure affairs, and formulated the "Administrative Measures for Suspension and Exemption of Information Disclosure", organized employees to protect the confidentiality of inside information and register insiders, and regularly conducted self-examination of insider trading. We continued to carry out various forms of investor relations activities. To enhance the adequacy, professionalism and effectiveness of investor communicate, we conducted summary and analysis as well as thematic promotion of the Company's operation and development as well as featured business through comprehensively ways such as result recommendation, presidential closed meetings, securities brokers' meetings, institutional discussions, special research, and investor visits fully utilizing such means as the Shanghai Stock Exchange's "E interactive" platform and e-mail. We put emphasis on the interaction with and the information of the capital market and regularly prepared information reports such as the weekly and monthly reports on the capital market. We also paid close attention to media reports and market hot issues, and responded to and answered investors' concerns promptly.

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
2016 Annual General Meeting	May 26, 2017	The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)	May 27, 2017

III. The directors' performance of their duties

(I) The attendance of directors in the Board of Directors meetings and shareholders' meetings

During the reporting period, the Company convened 5 meetings of the Board of Directors, 4 of which were on-site meetings, and 1 was teleconference. The attendance records of directors in the Board of Directors meetings and general meetings are as follows:

Director 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	5	5	1	0	0	No	1
Chen Yichao	No	5	5	1	0	0	No	1
Fu Anping	No	5	4	3	1	0	No	0
Han Jingwen	No	5	5	1	0	0	No	0
Xi Xinghua	No	5	5	1	0	0	No	0
Lin Tengjiao	No	3	3	1	0	0	No	0
Tao Yiping	No	5	5	1	0	0	No	1
Chen Jinguang	No	5	5	1	0	0	No	0
Xue Hefeng	No	5	4	1	1	0	No	1
Chen Xinjian	No	5	4	1	1	0	No	1
Paul M. Theil	Yes	5	5	1	0	0	No	0
Zhu Qing	Yes	5	5	1	0	0	No	0
Liu Shiping	Yes	5	5	1	0	0	No	0
Su Xijia	Yes	5	5	1	0	0	No	0
Lin Hua	Yes	5	5	2	0	0	No	0

During the reporting period, there was no shareholder failing to attend the Board of Directors' meetings 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

During the reporting period, the committee deeply understood and actively conducted the tasks of transformation development in a new era. It assisted the Board of Directors in researching and formulating strategic plans and business strategies, also promoted the steady and healthy growth in various businesses. Centered on the main tasks of "stable development, strong foundation, risk prevention, and reform promotion", it carefully analyzed the implementation of the key indicators of the five-year plan, adhered to the principle of seeking progress while maintaining stability, actively yet prudently implemented various management reforms, and firmly promoted the business transformation. It strengthened the foundation of development and created business characteristics as well as enhanced the development quality by taking "enhancement of professionalism and improvement of efficiency" as the focus and "improving the system and mechanism" as the basic starting point. It strengthen the study and judgment of the macroeconomic situation and the movements of financial market, earnestly implemented regulatory policies, carried out adjustment of assets and liabilities structure in a coordinated manner, improved the differentiated authorization system, and increased the potential for sustainable development. It also implemented the idea of intensive management, rationally planned the use of the Group's capital and strengthened the allocation and controlling of risk assets constraints. A capital increase of RMB2.9 billion was made to Industrial Leasing, CIB Fund and Industrial Consumer Finance to increase the overall financial service level of the Group. It further strengthened the management and control of asset quality and the disposal of risk assets, intensified efforts in credit accountability mechanism and recovery of non-performing assets. The quality of assets was stable and improving, and the risk resistance capability was further enhanced. It implemented consolidation management of the Group, studied and formulated measures of consolidation management of the Group, strengthened the overall planning and standardization management of the group members and enhanced the Group's ability of coordinated development. It planned institution arrangements in a scientific manner, improved access standard of various institutions, orderly advanced the institution construction and enhanced communication among front-line cadres. It strengthened compliance operations, carried out the "Xing Hang Cheng" activities for the internal compliance control year. Furthermore, it improved compliance operations and supervision mechanism to further consolidate the compliance management foundation.

(II) The Risk Management Committee of the Board of Directors

During the reporting period, the committee gripped of the macro-economic environment development trends, comprehensively and further assessed the various risks faced by the Company's operations, regularly summarized and evaluated risk control measures for each period, put forward opinions on risk management, and promoted the Company's sound and compliant operations. It attached great importance to liquidity risks management, took into consideration changes in the monetary policy and market environment, focused on long-term safety development, emphasized the needs to further promote the business transformation of "light capital, high-efficiency", increased the proportion of core liabilities and medium and long-term liabilities, and strengthened the sense of stable operation. To improve the comprehensive risk management system and focus on risk in key fields: it recommended further strengthening the risk management and control of outsourcing business, improving the investment decision-making mechanism and related professional management members selection mechanism, and carrying out related business sorting, post-investment management and risk precaution; it recommended guarding against risks related to customers who were in different places and attaching importance to the risk of entrusted loans in the real estate industry; it recommended assessing the impact of policy changes on government financing business and new regulations on share reduction, and taking timely response measures; it recommended further strengthening the compliance risk management to balance the relationship between risk and profitability. It reinforced the assets quality management and control, scientifically reviewed the annual financial budget for writing-off of bad debts taking into consideration internal and external situation, requiring the collection of write-off accounts to be carried out on an ongoing basis, the methods of asset disposal to be continuously optimized, and asset quality management to be strengthened, so as to improve the Company's asset quality steadily. It emphasized the importance of information technology for the Bank's continuing operation, requiring the planning and construction of information technology to be further strengthened and the integration of technology and business to be accelerated on the basis of ensuring the safety of information technology systems and data so as to empower the information technology to support and lead business innovation.

(III) The Audit & Related Party Transaction Control Committee of the Board of Directors

During the reporting period, the audit & related party transaction control committee of the Board of Directors proactively performed duties, assisted the Board of Directors to continuously improve financial management, risk management, internal control and related party transaction management. It implemented the procedures for communication on the annual report, maintained sound communication with the auditors, supervised and guided the audit and review of financial reports, and conducted in-depth discussion on the latest form of auditors' report for the year 2017. It objectively evaluated the audit works of the external auditor and put forth the re-appointment proposal to the Board of Directors. It stressed the necessity of following the principle of “Stable, Reasonable, and Comparable” for financial audit, reported major and important matters in a timely manner, and carried out audit works in strict compliance with relevant rules and procedures. It reviewed the financial reports of each period and the annual budget and final accounts, fully recognized the Company's operating results, and put forward opinions or suggestions for the preparation of periodic reports, external audit arrangement, improvement of internal audit and other matters. It strengthened the guidance and supervision of works relating to internal audit, accountability, and internal control, requiring internal audit department to effectively carry out internal audit works on the stand of “independence and reasonable doubt” and with the aim of improving the system and creating value. Strictly following the principles of openness, fairness and transparency, it constantly strengthened the management of connected transactions and diligently reviewed the transaction amount of the connected transaction among Fujian Yango Group Limited, Fujian Investment & Development Group Co., Ltd. and Xiamen International Bank Co., Ltd. to ensure that major related party transactions do not harm the interests of the Company and the shareholders, especially small and medium shareholders.

(IV) The Nomination Committee of the Board of Directors

During the reporting period, the Nomination Committee of the Board of Directors earnestly performed the duties granted by the Articles of Association, diligently reviewed the qualifications of the director candidates, and proposed to the Board of Directors to add Mr. Lin Tengjiao as a director. The proposal was nominated by the Board of Directors and passed by the general meeting, and the qualifications were verified by the regulator.

(V) The Remuneration & Evaluation Committee of the Board of Directors

During the reporting period, 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 2016 by following the performance appraisal criteria and the assessment procedures, and formulated the 2016 Salary Distribution Plan for Senior Management Members and the 2013 Proposal on Evaluation and Disbursement Regarding Risk Fund for Senior Management Members. Meanwhile, the committee made conclusion to the duty-fulfillment of each director for the previous year, 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 held 18.78% of the shares of the Company as at the end of the reporting period, 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 report, which considered that the Company had maintained effective internal control regarding financial report in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2017.

Financial Statements

The Company's financial statements 2017 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Hu Xiaojun 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 person in charge of the accounting body.

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 24, 2018

Appendix: Auditors' Report and Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

AUDITORS' REPORT

De Shi Bao (Shen) Zi (18) No. P03234

TO THE SHAREHOLDERS OF INDUSTRIAL BANK CO., LTD.

I. Opinion

We have audited the financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and bank's balance sheets as at 31 December 2017, and the consolidated and bank's income statements, the consolidated and bank's cash flow statements, the consolidated and bank's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the financial statements of the Bank present fairly, in all material respects, the Bank's financial position as at 31 December 2017, and the results of its operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for the Opinion

We conducted our audit in accordance with China Standard on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters as the key audit matters that need to be communicated in our report:

1.Provision for impairment of loans and advances to customers and investments classified as receivables

Description of the matter:

At 31 December 2017, as stated in Note VIII, 8 to the financial statements, the loans and advances to customers comprise of loans and advances to enterprises and individuals, totalling RMB 2,430,695 million, with an impairment provision of RMB 81,864 million; as stated in Note VIII, 11, the investments classified as receivables totals RMB 1,930,348 million, with an impairment provision of RMB 16,966 million.

The major accounting policies and significant accounting estimates and judgements used to determine the provision for impairment of loans and advances to customers and investments classified as receivables are set out in Note IV, 8 and Note V, 1 to the financial statements.

The determination of the recoverability of loans and advances to customers and investments classified as receivables requires significant judgements on the factors which mainly include the financial position of the borrower and guarantor, risks associated with collaterals and specific transaction.

In view of the significance of the total amount of loans and advances to customers and investments classified as receivables to the financial statements and the fact that the provision for impairment of loans and advances to customers and investments classified as receivables involves significant management judgement, we identified the provision for impairment of loans and advances to customers and investments classified as receivables as a key audit matter.

Audit response:

Our procedures on provision for impairment of loans and advances to customers and investments classified as receivables include:

(1) We understood and tested the design and operating effectiveness of the internal controls related to the impairment provision. These controls include both manual and automatic controls to identify the impairment of loans and advances to customers and investments classified as receivables in a timely manner, as well as the controls over impairment calculation model, including the data input and calculation of impairment provision.

(2) For loans and advances to customers and investments classified as receivables, we selected samples to perform credit review so as to assess whether an impairment has incurred and whether the Bank has identified such impairment in a proper and timely manner.

(3)For loans and advances to customers and investments classified as receivables that are assessed individually, we tested the management's forecast on future cash flows of the borrower, including the estimated recoverable amount from collaterals, and re-calculated the amount of impairment provision and compared it with the impairment provision assessed by the management, so as to assess whether a material misstatement exists.

(4)For loans and advances to customers and investments classified as receivables that are assessed collectively, we referred to industrial experience and market practices, and reviewed the applicability of the impairment model adopted by the management, and sampled and examined the historical data and the accuracy of the results of calculation.

2.Consolidation of structured entities

Description of the matter:

As stated in Note VIII, 50 to the financial statements, the structured entities include the financial products, fund, asset-backed securities, trust investment programs and assets management programs etc. that are issued, managed and/or invested by the Bank.

The management determines whether the Group is required to include the structured entities in the scope of the consolidated financial statements by assessing the Group's power to direct the decisions on structured entities, and the Group's exposure to variable returns in the structured entities as well as its ability to use its power to affect such variable returns. The Group determines whether it is acting as a principal or agent and whether the structured entities should be consolidated on the basis of the factors including scope of decision of the manager of the structured entities, the power of other parties, the rewards from rendering management service and the risk exposures of variable returns etc.

The major accounting policies and significant accounting estimates and judgements used to determine the whether to include the structured entities in the scope of consolidated financial statements or not are set out in Note IV, 5 and Note V, 7 to the financial statements.

In view of that the determination on whether the structured entities need to be included in the scope of the consolidated financial statements involves significant management judgement and has significant influence on the consolidated financial statements, we have identified the consolidation of structured entities as a key audit matter.

Audit response:

Our procedures on consolidation of structured entities include:

(1)We understood and assessed the internal controls related to the Bank's determination of the scope of consolidation of structured entities.

(2)We obtained the list of structured entities, and sampling checked related contracts, and assessed whether the Bank has control over the structured entities by performing the following audit procedures:

a.Analysed the contract terms and business structure, so as to understand the purpose of establishing the structured entities and the Bank's extent of involvement in the structured entities, and assessed the management judgement on whether the Bank has power over the structured entities;

b.Examined the terms in the structured entities' contracts that involve variable returns, including rate of management fee, expected rate of return etc., and checked them with relevant information used in management assessment; re-calculated the magnitude and variability of the Bank's variable returns in the structured entities based on the contract terms on variable returns.

c.Analysed the Bank's scope of decision, level of remuneration obtained for rendering management service to the structured entities, risk of variable returns for holding other interests in the structured entities and other parties' substantive rights, assessed whether the Bank is acting as a principal or agent in exercising the decision-making right, and compared the results of assessment with the results of management's assessment.

3.Derecognition of financial assets

Description of the matter:

As stated in Note XII, 3.1 and Note XII, 3.2 to the financial statements, the Bank had various types of financial assets transfer transactions, including asset securitization and transfer of non-performing loan.

The management analyse the contractual rights and obligations agreed in the financial assets transfer transactions so as to assess whether the financial assets transfer transactions meet the criteria of transfer of financial assets in relevant accounting standards, and assess whether the Bank has transferred substantially all the risks and rewards of the ownership of the financial assets, determine whether the criteria of derecognition of financial assets are satisfied; under the circumstance that the Bank neither transferred nor retained substantially all the risks and rewards of the ownership, analyse whether the Bank has lost the control over the financial assets, so as to determine whether the criteria of derecognition are satisfied.

The major accounting policies and significant accounting estimates and judgements used to determine the derecognition of financial assets are set out in Note IV, 8 and Note V, 8 to the financial statements.

In view of the management's significant judgement on whether the transferred financial assets can be derecognized, and the significant amount of related financial assets, we have identified the derecognition of financial assets as a key audit matter.

Audit response:

Our procedures on derecognition of financial assets include:

1.We understood and tested the design and operating effectiveness of management's internal controls over transfer of financial assets, including the design of transaction structure and review and approval of the terms of contract, approval of the model, key parameters and assumptions adopted to test the transfer of risks and rewards of the ownership, as well as the review and approval of the result of assessment of accounting treatment.

2.We obtained the list of transferred assets from the management, sampling checked the specific terms of financial assets transfer agreement and other related legal documents, so as to assess whether the Bank has transferred the right to receive the contractual cash flow of financial assets to another party, or whether the arrangement that the Bank receives the contractual cash flow and makes payment to another party satisfies the requirements of "pass-through test".

3.Based on the industrial experience and practice, we performed sampling check and assessed the key assumptions and parameters used by the management in the risks and rewards transfer model, including future cash flow forecast and discount rate under multiple economic scenarios. Meanwhile, we tested the accuracy of the data calculation of the model.

4.For financial assets that have been transferred and the Bank neither transferred nor retained substantially all the risks and rewards of the ownership, we sampling analysed the contractual terms, so as to assess whether the Bank has retained control over the transferred financial assets, and determine whether it has continuing involvement in the transferred financial assets.

IV. Other information

The Bank's management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. we have nothing to report in this regard.

V. Responsibilities of the Management and those Charged with Governance for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1)Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2)Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3)Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4)Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

(5)Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6)Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP	Chinese Certified Public Accountant
Shanghai, China	(Engagement Partner)
	Hu Xiaojun
	Chinese Certified Public Accountant
	Zhang Hua
	24 April 2018

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 CONSOLIDATED AND BANK'S BALANCE SHEETS

AT 31 DECEMBER 2017 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets					
Cash and balances with Central Bank	1	**466,403**	457,654	**466,392**	457,626
Deposits with banks and other financial institutions	2	**77,559**	56,206	**67,478**	43,273
Precious metals		**30,053**	17,431	**30,053**	17,431
Placements with banks and other financial institutions	3	**31,178**	16,851	**36,412**	22,109
Financial assets at fair value through profit or loss	4	**362,072**	354,595	**337,965**	357,893
Derivative financial assets	5	**28,396**	16,137	**28,396**	16,137
Financial assets purchased under resale agreements	6	**93,119**	27,937	**89,464**	25,330
Interest receivable	7	**30,406**	23,899	**29,258**	23,152
Loans and advances to customers	8	**2,348,831**	2,007,366	**2,341,397**	2,002,037
Available-for-sale financial assets	9	**504,221**	584,850	**516,016**	590,277
Held-to-maturity investments	10	**337,483**	249,828	**337,483**	249,828
Investments classified as receivables	11	**1,913,382**	2,102,801	**1,899,969**	2,095,593
Finance lease receivables	12	**103,495**	89,839	**-**	-
Long-term equity investments	13	**3,008**	2,418	**16,964**	14,106
Fixed assets	14	**14,874**	15,581	**10,607**	10,673
Construction in progress	15	**7,124**	6,390	**7,122**	6,388
Intangible assets		**551**	556	**514**	526
Goodwill	16	**532**	532	**-**	-
Deferred tax assets	17	**27,297**	23,456	**26,233**	22,576
Other assets	18	**36,858**	31,568	**12,844**	10,472
Total assets		**6,416,842**	**6,085,895**	**6,254,567**	**5,965,427**

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Liabilities					
Borrowing from Central Bank		**245,000**	198,000	**245,000**	198,000
Deposits from banks and other financial institutions	20	**1,446,059**	1,721,008	**1,449,053**	1,728,699
Placements from banks and other financial institutions	21	**187,929**	130,004	**85,149**	42,597
Financial liabilities at fair value through profit or loss	22	**6,563**	494	**5,725**	459
Derivative financial liabilities	5	**29,514**	16,479	**29,514**	16,479
Financial assets sold under repurchase agreements	23	**229,794**	167,477	**223,885**	165,691
Due to customers	24	**3,086,893**	2,694,751	**3,087,919**	2,694,843
Employee benefits payable	25	**14,037**	13,916	**12,684**	12,732
Tax payable	26	**8,128**	11,488	**7,427**	10,809
Interest payable	27	**41,293**	35,900	**39,945**	35,295
Debt securities issued	28	**662,958**	713,966	**648,032**	708,224
Other liabilities	29	**35,922**	28,002	**16,735**	11,732
Total liabilities		**5,994,090**	**5,731,485**	**5,851,068**	**5,625,560**
Equity					
Share capital	30	**20,774**	19,052	**20,774**	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	**75,011**	50,861	**75,260**	51,081
Other comprehensive income	47	**(1,067)**	1,085	**(1,017)**	1,105
Surplus reserve	33	**10,684**	9,824	**10,684**	9,824
General and regulatory reserve	34	**70,611**	69,878	**67,888**	67,744
Retained earnings	35	**214,977**	173,524	**204,005**	165,156
Equity attributable to equity holders of the Bank		**416,895**	350,129	**403,499**	339,867
Non-controlling interests in equity		**5,857**	4,281	**-**	-
Total equity		**422,752**	**354,410**	**403,499**	**339,867**
Total liabilities and equity		**6,416,842**	**6,085,895**	**6,254,567**	**5,965,427**

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 AND BANK'S INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	2017	2016	2017	2016
1. Operating income		**139,975**	157,087	**131,577**	149,822
Net interest income	36	**88,451**	112,319	**84,134**	107,671
Interest income	36	**252,644**	236,279	**243,275**	228,382
Interest expense	36	**(164,193)**	(123,960)	**(159,141)**	(120,711)
Net fee and commission income	37	**38,739**	36,552	**34,790**	32,539
Fee and commission income	37	**42,027**	38,682	**37,980**	34,775
Fee and commission expense	37	**(3,288)**	(2,130)	**(3,190)**	(2,236)
Investment income	38	**4,514**	11,836	**5,273**	12,619
Including: Income from investments in an associate		**292**	246	**272**	238
Losses from changes in fair values	39	**(622)**	(3,756)	**(70)**	(3,301)
Foreign exchange gains (losses)		**7,386**	(105)	**7,068**	79
Income from disposal of assets		**69**	27	**28**	26
Other income		**257**	-	**43**	-
Other operating income		**1,181**	214	**311**	189
2. Operating expenses		**(75,162)**	(93,678)	**(71,630)**	(90,597)
Business taxes and surcharges	40	**(975)**	(5,667)	**(886)**	(5,400)
General and administrative expenses	41	**(38,130)**	(36,401)	**(35,733)**	(34,353)
Impairment losses on assets	42	**(35,507)**	(51,276)	**(34,767)**	(50,510)
Other operating expenses		**(550)**	(334)	**(244)**	(334)
3. Operating profit		**64,813**	63,409	**59,947**	59,225
Add: Non-operating income	43	**373**	631	**285**	377
Less: Non-operating expenses	44	**(433)**	(115)	**(431)**	(110)
4. Total profit		**64,753**	63,925	**59,801**	59,492
Less: Income tax expenses	45	**(7,018)**	(9,598)	**(5,794)**	(8,518)

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017 UNIT: RMB Million

		The Group		The Bank	
	Note VIII	2017	2016	2017	2016
5. Net profit		**57,735**	54,327	**54,007**	50,974
(I) Categorized by the nature of continuing operation:					
1. Net profit from continuing operations		**57,735**	54,327	**54,007**	50,974
2. Net profit from discontinued operations		**-**	-	**-**	-
(II) Categorized by ownership:					
1. Net profit attributable to equity holders of the Bank		**57,200**	53,850	**54,007**	50,974
2. Non-controlling interests		**535**	477	**-**	-
6. Earnings per share:					
Basic earnings per share (RMB Yuan)	46	**2.74**	2.77	**-**	-
Diluted earnings per share (RMB Yuan)	46	**2.74**	2.77	**-**	-
7. Other comprehensive income	47	**(2,167)**	(4,628)	**(2,122)**	(4,518)
Other comprehensive income attributable to: Equity holders of the Bank		**(2,152)**	(4,600)	**(2,122)**	(4,518)
(1)Items that may be reclassified subsequently to profit or loss: Fair value (losses) gains on available-for-sale financial assets		**(3,004)**	(4,627)	**(2,974)**	(4,545)
(2)Items that will not be reclassified subsequently to profit or loss:Actuarial (losses) profits on defined benefit plans		**852**	27	**852**	27
Other comprehensive income attributable to non-controlling interests		**(15)**	(28)	**-**	-
8. Total comprehensive income		**55,568**	49,699	**51,885**	46,456
Total comprehensive income attributable to: Equity holders of the Bank		**55,048**	49,250	**51,885**	46,456
Non-controlling interests		**520**	449	**-**	-

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 AND BANK'S CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

UNIT: RMB Million

		The Group		The Bank	
	Note VIII	2017	2016	2017	2016
Cash flows from operating activities:					
Net increase in due to customers and deposits from banks and other financial institutions		**117,193**	166,123	**113,430**	171,028
Net increase in borrowing from banks and other financial institutions and financial assets sold under repurchase agreements		**120,242**	145,793	**100,746**	140,004
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreements		**8,314**	138,496	**9,053**	137,554
Net increase in borrowing from Central Bank		**47,000**	130,300	**47,000**	130,300
Cash receipts from interest, fee and commission		**164,915**	152,359	**153,873**	143,557
Other cash receipts relating to operating activities		**34,149**	26,041	**11,103**	3,747
Sub-total of cash inflows from operating activities		**491,813**	759,112	**435,205**	726,190
Net increase in loans and advances to customers		**370,643**	328,950	**370,109**	325,975
Net increase in finance leases		**16,602**	15,693	-	-
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**60,437**	24,907	**63,740**	18,465
Cash payments to interest, fee and commission		**132,525**	121,075	**128,300**	117,906
Cash payments to and on behalf of employees		**23,666**	19,930	**21,943**	18,886
Cash payments of various types of taxes		**22,266**	27,429	**19,912**	25,612
Other cash payments relating to operating activities		**28,316**	18,111	**3,162**	8,457
Sub-total of cash outflows from operating activities		**654,455**	556,095	**607,166**	515,301
Net cash flow from operating activities	48	**(162,642)**	203,017	**(171,961)**	210,889
Cash flows from investing activities					
Cash receipts from disposal/redemption of investments		**6,063,282**	4,141,695	**5,908,643**	3,957,618
Cash receipts from returns on investment income		**123,980**	115,688	**121,951**	116,168
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**5,280**	283	**586**	283
Other cash receipts relating to investing activities		**6,566**	459	**6,566**	458
Sub-total of cash inflows from investing activities		**6,199,108**	4,258,125	**6,037,746**	4,074,527

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017 UNIT: RMB Million

	Note VIII	The Group 2017	The Group 2016	The Bank 2017	The Bank 2016
Cash payments for investments		**5,923,105**	4,617,498	**5,767,370**	4,409,078
Cash payments for purchasing fixed assets, intangible assets and other long-term assets		**6,400**	6,758	**3,156**	2,184
Other cash payments relating to investing activities		**1,342**	-	**1,302**	-
Sub-total of cash outflows from investing activities		**5,930,847**	4,624,256	**5,771,828**	4,411,262
Net cash flow from investing activities		**268,261**	(366,131)	**265,918**	(336,735)
Cash flows from financing activities:					
Proceeds from capital contributions		**27,118**	103	**26,000**	-
Including: Proceeds from capital contributions from non-controlling shareholders of subsidiary		**1,118**	103	**-**	-
Proceeds from issuance of bonds		**1,459,687**	1,049,126	**1,447,826**	1,047,211
Other proceeds relating to financing activities		**1,609**	117	**-**	-
Sub-total of cash inflows from financing activities		**1,488,414**	1,049,346	**1,473,826**	1,047,211
Cash repayments of borrowings		**1,512,900**	734,521	**1,509,470**	733,550
Cash payments for distribution of dividends, profits or settlement of interest expenses		**42,430**	32,557	**42,084**	33,611
Including: Payments for distribution of dividends to non-controlling shareholders of subsidiary		**10**	-	**-**	-
Other cash payments relating to financing activities		**151**	-	**99**	-
Sub-total of cash outflows from financing activities		**1,555,481**	767,078	**1,551,653**	767,161
Net cash flow from financing activities		**(67,067)**	282,268	**(77,827)**	280,050
Effect of foreign exchange rate changes on cash and cash equivalents		**(1,294)**	1,557	**(1,286)**	1,553
Net increase in cash and cash equivalents	48	**37,258**	120,711	**14,844**	155,757
Add: Opening balance of cash and cash equivalents		**433,063**	312,352	**465,783**	310,026
Closing balance of cash and cash equivalents	48	**470,321**	433,063	**480,627**	465,783

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017

UNIT: RMB Million

		2017								
		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 2017		19,052	25,905	50,861	1,085	9,824	69,878	173,524	4,281	**354,410**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	57,200	535	**57,735**
(II) Other comprehensive income	47	-	-	-	(2,152)	-	-	-	(15)	**(2,167)**
Subtotal of (I) and (II)		-	-	-	(2,152)	-	-	57,200	520	**55,568**
(III) Capital contribution from shareholders		1,722	-	24,150	-	-	-	-	1,066	**26,938**
1. Contribution from shareholders		1,722	-	24,179	-	-	-	-	1,118	**27,019**
2. Others		-	-	(29)	-	-	-	-	(52)	**(81)**
(IV) Profit distribution		-	-	-	-	860	733	(15,747)	(10)	**(14,164)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	733	(733)	-	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(12,672)	(10)	**(12,682)**
3. Dividends paid to preference shareholders		-	-	-	-	-	-	(1,482)	-	**(1,482)**
4. Appropriation to surplus reserve		-	-	-	-	860	-	(860)	-	**-**
III. As at 31 December 2017		**20,774**	**25,905**	**75,011**	**(1,067)**	**10,684**	**70,611**	**214,977**	**5,857**	**422,752**

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017

UNIT: RMB Million

		2017								
		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 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 shareholders		-	-	-	-	-	-	(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**

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017

UNIT: RMB Million

		2017							
	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 2017		19,052	25,905	51,081	1,105	9,824	67,744	165,156	**339,867**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	54,007	**54,007**
(II) Other comprehensive income	47	-	-	-	(2,122)	-	-	-	**(2,122)**
Subtotal of (I) and (II)		-	-	-	(2,122)	-	-	54,007	**51,885**
(III) Capital contribution from shareholders		1,722	-	24,179	-	-	-	-	**25,901**
1. Contribution from shareholders		1,722	-	24,179	-	-	-	-	**25,901**
(IV) Profit distribution	-	-	-	-	-	860	144	(15,158)	**(14,154)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	144	(144)	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(12,672)	**(12,672)**
3. Dividends paid to preference shareholders		-	-	-	-	-	-	(1,482)	**(1,482)**
4. Appropriation to surplus reserve		-	-	-	-	860	-	(860)	**-**
III. As at 31 December 2017		**20,774**	**25,905**	**75,260**	**(1,017)**	**10,684**	**67,888**	**204,005**	**403,499**

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017

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 shareholders		-	-	-	-	-	-	(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**

The accompanying notes form part of the financial statements.

The financial statements on pages 123 to 265 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 2017

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 at 154 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; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services 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; Investment and assets management, participating the batch acquisition, transfer and disposal of non-performing assets of financial institutions within the province, acquisition, transfer and disposal of non-performing assets of non-financial institutions; other banking activities approved by the CBRC as well as other businesses permitted by the 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 2017, 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.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

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.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement 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 refer 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 purchased 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; When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the asset-backed securities, it shall determine whether it has retained control over the financial asset. If the Group has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the financial asset.

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 Hedge accounting

Upon initial designation of hedging relationship, the Group formally designates relevant hedging relationship and records the hedging relationship, risk management objective and strategy with formal documents. The content of the records includes the hedging instruments, hedged items or transactions, and the nature of hedged risk, as well as how does the Group assess the effectiveness of the hedging instruments to offset the changes in fair value or cash flows arising from the hedged risk to which the hedged item is attributable to. The Group anticipates that these hedges is highly effective in offsetting the changes in fair value, meanwhile, the hedge is assessed for effectiveness by the Group on an ongoing basis so as to determine whether the hedge is highly effective throughout the accounting periods for which the hedging relationship was designated.

8.9.1 Fair value hedges

The fair value hedge represents the hedge against the risks of changes in fair value of the Group recognized assets or liabilities, unrecognized firm commitments and the identifiable portion of such assets or liabilities, unrecognized firm commitments, where the change in fair value is caused by certain specific risk and will affect the profit or loss for the period. For fair value hedges, the fair value change gains or losses on the hedged item attributable to the hedged risk is recognised in profit or loss, with a corresponding adjustment to the carrying amount of the hedged item; the fair value change gains or losses on the hedging instruments attributable to the hedged risk is recognised in profit or loss, with a corresponding adjustment to the carrying amount of the hedging instruments.

For a hedged item of fair value hedge, if such item was previously measured at amortized cost, its carrying amount is adjusted using hedging accounting and then amortized over the period from the adjustment date to maturity date using the effective interest rate re-calculated at the adjustment date.

Where an unrecognized firm commitment is designated as the hedged item, the cumulative fair value change on such unrecognized firm commitment attributable to the hedged risk is recognized as an asset or liability, with relevant gain or loss recognized in the profit or loss for the period.

For fair value hedge of a firm commitment to purchase assets or undertake liabilities, the cumulative fair value change on such unrecognized firm commitment attributable to the hedged risk (already recognized as an asset or liability) is adjusted against the initial recognized amount of the assets obtained or liabilities assumed for performing the firm commitment.

When the hedging instrument is expired, sold, contractually terminated or exercised, or the hedging relationship no longer satisfy the criteria of hedging amounting, or the Group cancels the designation of the hedging relationship, the Group shall cease to use fair value hedging amounting. When the hedged item is terminated, the unamortized fair value is included in profit or loss for the period.

8.10 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.

8.11 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 changes 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 the 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 and machinery equipment	3-20 years	0-5	4.75-33.33
Transportation vehicles	5-25 years	0-15	3.8-20.00

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 purchased 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 offset against the carrying amount of related asset. For a government grant related to income, if the grant is a compensation for related costs 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 or losses 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.

A government grant related to the Group's daily activities is included in other income according to the economic business substance. A government not related to the Group's daily activities is included in non-operating income and expense.

For return of a government grant already recognised, if there is related deferred income, it 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 income from disposal of assets.

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

26. Significant changes in accounting policies

The Group has adopted *Accounting Standards for Business Enterprises No. 42-Non-Current Assets Held for Sale, Disposal Groups and Discontinued Operations* issued by MoF in 2017 and *Accounting Standard for Business Enterprises No.16 – Government Grants* revised by MoF in 2017 since 28 May 2017 and 12 June 2017 respectively. In addition, the financial statements are also prepared in accordance with *Notice on Revising the Format of Printing and Distributing Financial Statement of General Enterprises* (Cai Kuai (2017) No. 30, hereinafter referred to as *Cai Kuai No. 30 Document)* issued by MoF on 25 December 2017.

Non-current assets held for sale, disposal groups and discontinued operations

Specific provisions have been made by *Accounting Standards for Business Enterprises No.42-Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations* on classification and measurement of non-current assets held for sale and disposal groups, requiring a separate presentation of profit or loss from continuing operations and that of discontinued operations in income statement and detailed disclosures of non-current assets held for sale or disposal groups in the notes to the finical statements. Prospective application is required by the standard for treatment, which has no impact on the financial statements for comparative year.

Government grants

Before adoption of *Accounting Standards for Business Enterprises No.16-Government Grants (Revised)*, a government grant related to an asset of the Group is recognized as deferred income, and evenly amortized to non-operating income over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss for the periods in which the related costs or losses are recognized. If the grant is a compensation for related costs or losses already incurred, the grant is recognized immediately in profit or loss for the period.

After implementation of *Accounting Standards for Business Enterprises No.16-Government Grants (Revised)*, a government grant related to an asset of the Group is offset against the carrying amount of related assets. For a government grant related to income, if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the grant is a compensation for related costs and losses already incurred, the grant is immediately recognized in profit or loss for the period. A government grant related to the Group's daily activities is recognized as other income based on the economic business substance. A government grant not related to the Group's daily activities is recognized as non-operating income and expense.

The Group has accounted for the above changes in accounting policies prospectively, and such changes in accounting policies have no impact on the financial statements for the comparative year.

Presentation of profit or loss on disposal of assets

Prior to the release of *Cai Kuai No. 30 Document*, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets that are not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the *Cai Kuai No.30 Document*, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets construction in progress, and intangible assets not classified as held-for-sale are presented under the item of "income from disposal of assets". For the changes in aforesaid presentation items, the Group has retrospectively adjusted the comparative figures of prior year.

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

For structured entities managed or invested by the Group, assess whether the Group is acting as a principal or an agent so as to evaluate whether the Group has control over the structured entities. The Group determines whether it is acting as a principal or an agent and whether the structured entities should by consolidated by considering the factors including 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 the Group's subsidiaries is calculated and settled at the tax rate of 0% or 15% or 25%. Therein, the income tax rate for the Group's subsidiary Fujian Clearing Corp. is 15%; and the income tax rate for the Group's subsidiary CIB FINTECH is 0%.

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. Value-added tax

The value-added tax ("VAT") on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. The Group's tax rate is 3% to 17%.

According to the Supplementary *Notice on Issues relating to VAT Policies on Assets Management Products* (Cai Shui [2017] No.2) and *Notice on Issues relating to VAT Policies on Assets Management Products* (Cai Shui [2017] No.56) issued by MoF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3. Business tax

Up to 30 April 2016, business tax of the Bank's domestic branches and subsidiaries were levied at 5% of taxable revenue.

4. City maintenance and construction tax

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

5. Education surcharge

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

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 Million	Total shareholding by the Group			
				31/12/2017		31/12/2016	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.(1)	Tianjin	Financial leasing	9,000	**100**	**-**	100	-
China Industrial International Trust Limited	Fuzhou	Trust	5,000	**73**	**-**	73	-
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	700	**90**	**-**	90	-
Industrial Consumer Finance Co., Ltd.(1)	Quanzhou	Consumer finance	700	**66**	**-**	66	-
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	780	**-**	**100**	-	100
Industrial Futures Co., Ltd.(2)(4)	Ningbo	Merchandise, financial futures investment and consulting service	500	**-**	**100**	-	92.20

(1)In December 2017, the Bank increases the registered capital of its wholly-owned subsidiary Industrial Bank Financial Leasing Co., Ltd. by RMB 2 billion. After the capital increase, the registered capital of Industrial Bank Financial Leasing Co., Ltd. became RMB 9 billion. In December 2017, the Bank increased the registered capital of its holding subsidiary Industrial Consumer Finance Co., Ltd. by RMB 132 million in proportion to its shareholding. After the capital increase, the registered capital of Industrial Consumer Finance Co., Ltd. became RMB 700 million.

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

(3)In December 2017, 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 400 million. After the capital increase, the registered capital of Industrial Wealth Asset Management Co., Ltd. is RMB 780 million, with 100% shares held by CIB Fund Management Co., Ltd.

(4)In August 2017, the Bank's holding subsidiary China Industrial International Trust Limited acquired 7.8% equity of its subsidiary Industrial Futures Co., Ltd. at the price of RMB 82 million. Since then, China Industrial International Trust Limited holds 100% equity of Industrial Futures 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cash	**5,535**	5,806	**5,535**	5,806
Mandatory reserves (1)	**444,091**	384,801	**444,082**	384,784
Surplus deposit reserves (2)	**13,989**	66,508	**13,987**	66,497
Other reserve (3)	**2,788**	539	**2,788**	539
Total	**466,403**	**457,654**	**466,392**	**457,626**

(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 2017, the ratio of the Bank's RMB reserves is 15% (31 December 2016: 14.5%), the ratio of foreign reserves is 5% (31 December 2016: 5%). According to related regulations from the PBOC, foreign reserves are non-interest bearing. The Group's subsidies' 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 reserves 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Deposits with: Domestic banks	**61,425**	37,002	**51,427**	24,087
Other domestic financial institutions	**4,232**	2,177	**4,149**	2,159
Overseas banks	**11,918**	17,048	**11,918**	17,048
Subtotal	**77,575**	56,227	**67,494**	43,294
Less: Allowance for impairment losses	**(16)**	(21)	**(16)**	(21)
Net value	**77,559**	**56,206**	**67,478**	**43,273**

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Placements with: Domestic banks	**1,774**	249	**1,774**	249
Other domestic financial institutions	**12,396**	5,499	**17,630**	10,757
Overseas financial institutions	**17,068**	11,167	**17,068**	11,167
Subtotal	**31,238**	16,915	**36,472**	22,173
Less: Allowance for impairment losses	**(60)**	(64)	**(60)**	(64)
Net value	**31,178**	**16,851**	**36,412**	**22,109**

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Trading financial assets:				
Debt instrument investments:				
Government bonds	**22,335**	22,761	**11,079**	11,947
The Central Bank bills and policyfinancial bonds	**6,992**	7,072	**3,583**	2,953
Bonds issued by financial institutions	**4,869**	3,006	**3,373**	3,006
Corporate bonds	**67,834**	34,055	**47,144**	19,515
Non-negotiable certificates of deposit	**34,701**	21,043	**30,791**	12,226
Subtotal of debt instruments investments	**136,731**	87,937	**95,970**	49,647
Equity instrument investments:				
Funds	**216,485**	265,787	**237,256**	308,246
Trust plan of assembled funds	**-**	4	**-**	-
Stocks	**142**	165	**-**	-
Subtotal of equity instrument investment	**216,627**	265,956	**237,256**	308,246
Total of trading financial assets	**353,358**	353,893	**333,226**	357,893
Financial assets designated at fair value through profit and loss:				
Debt instrument investment	**8,302**	599	**4,739**	-
Equity instrument investment	**412**	103	**-**	-
Subtotal of financial assets desinated at fair value through profit and loss	**8,714**	702	**4,739**	-
Total	**362,072**	**354,595**	**337,965**	**357,893**

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					
	31/12/2017			31/12/2016		
		Fair Value			Fair Value	
	Notional amount	Assets	Liabilities	Notional mount	Assets	Liabilities
Interest rate derivatives	**1,911,173**	**4,590**	**3,800**	1,182,679	4,428	4,080
Exchange rate derivatives	**2,354,545**	**22,965**	**24,973**	1,101,859	10,293	11,039
Precious metal derivatives	**74,569**	**553**	**723**	60,037	1,319	1,347
Credit derivatives	**14,248**	**288**	**18**	11,060	97	13
Total		**28,396**	**29,514**		**16,137**	**16,479**

Fair value hedging

The Group uses the fair value hedges to hedge the influences of changes in fair value of financial assets caused by the changes of market interest rate. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments and available-for-sale bonds as the hedged item.

Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

UNIT: RMB Million

	The Group and the Bank					
	31/12/2017			31/12/2016		
		Fair Value			Fair Value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Derivatives designated as fair value hedging instruments:						
Interest rate swaps	**7,922**	**70**	**-**	-	-	-

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

UNIT: RMB Million

	The Group and the Bank	
	31/12/2017	31/12/2016
Net gain/(loss) from fair value hedge:		
Hedging instruments	**74**	-
Hedged item attributable to the hedged risk	**(83)**	-

6. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Bonds	**88,684**	8,261	**85,029**	5,654
Bills	**333**	3,902	**333**	3,902
Beneficial rights of trust and others (Note 1)	**4,102**	11,306	**4,102**	11,306
Credit assets (Note 2)	-	4,468	**-**	4,468
Total	**93,119**	**27,937**	**89,464**	**25,330**

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Deposits with Central Bank and financial institutions	**733**	339	**696**	267
Placements with banks and other financial institutions	**93**	133	**155**	193
Financial assets purchased under resale agreements	**49**	83	**45**	78
Loans and advances to customers	**6,686**	5,108	**6,566**	5,059
Bonds and other investments	**22,475**	18,092	**21,691**	17,516
Other	**370**	144	**105**	39
Total	**30,406**	**23,899**	**29,258**	**23,152**

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Personal loans and advances				
Residential and business mortgage loans	**603,047**	517,597	**603,047**	517,597
Credit cards	**186,256**	110,330	**186,256**	110,330
Others	**121,521**	122,611	**111,651**	116,896
Subtotal	**910,824**	750,538	**900,954**	744,823
Corporate loans and advances				
Loans and advances	**1,482,362**	1,271,347	**1,484,432**	1,271,548
Discounted bills	**37,509**	57,929	**37,509**	57,929
Subtotal	**1,519,871**	1,329,276	**1,521,941**	1,329,477
Gross loans and advances	**2,430,695**	2,079,814	**2,422,895**	2,074,300
Less: Allowance for impairment losses	**(81,864)**	(72,448)	**(81,498)**	(72,263)
- Individually assessed	**(16,378)**	(12,669)	**(16,378)**	(12,669)
- Collectively assessed	**(65,486)**	(59,779)	**(65,120)**	(59,594)
Loans and advances to customers	**2,348,831**	2,007,366	**2,341,397**	2,002,037

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

UNIT: RMB Million

	The Group				The Bank			
	31/12/2017		31/12/2016		31/12/2017		31/12/2016	
		(%)		(%)		(%)		(%)
Manufacturing	**335,445**	**13.80**	310,297	14.92	**335,445**	**13.84**	310,297	14.96
Leasing and commercial services	**226,770**	**9.34**	142,608	6.86	**230,410**	**9.51**	142,608	6.87
Retail and wholesale	**223,649**	**9.20**	196,681	9.46	**223,649**	**9.23**	196,681	9.48
Water, environment and public facilities administration	**163,577**	**6.73**	109,135	5.25	**163,577**	**6.75**	109,135	5.26
Real estate	**151,488**	**6.23**	164,351	7.90	**149,918**	**6.19**	164,351	7.92
Construction	**89,581**	**3.69**	86,707	4.17	**89,581**	**3.70**	86,707	4.18
Production and supply of power, gas and water	**65,503**	**2.69**	64,684	3.11	**65,503**	**2.70**	64,684	3.12
Transport, logistics and postal service	**72,413**	**2.98**	60,939	2.93	**72,413**	**2.99**	60,939	2.94
Extractive industry	**69,794**	**2.87**	66,644	3.20	**69,794**	**2.88**	66,644	3.21
Finance industry	**23,865**	**0.98**	12,717	0.61	**23,865**	**0.98**	12,917	0.62
Other corporate industries	**60,277**	**2.48**	56,584	2.71	**60,277**	**2.49**	56,585	2.74
Discounted bills	**37,509**	**1.54**	57,929	2.79	**37,509**	**1.55**	57,929	2.79
Personal loans	**910,824**	**37.47**	750,538	36.09	**900,954**	**37.19**	744,823	35.91
Gross loans and advances	**2,430,695**	**100.00**	**2,079,814**	**100.00**	**2,422,895**	**100.00**	**2,074,300**	**100.00**
Less: Allowance for impairment losses	**(81,864)**		(72,448)		**(81,498)**		(72,263)	
-Individually assessed	**(16,378)**		(12,669)		**(16,378)**		(12,669)	
-Collectively assessed	**(65,486)**		(59,779)		**(65,120)**		(59,594)	
Loans and advances to customers	**2,348,831**		2,007,366		**2,341,397**		2,002,037	

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

UNIT: RMB Million

	The Group				The Bank			
	31/12/2017		31/12/2016		31/12/2017		31/12/2016	
		(%)		(%)		(%)		(%)
Head office (Note 1)	**196,298**	**8.08**	127,488	6.13	**196,298**	**8.10**	127,488	6.15
Fujian	**302,458**	**12.44**	268,487	12.91	**304,296**	**12.56**	267,344	12.89
Beijing	**154,237**	**6.35**	130,925	6.30	**154,237**	**6.37**	130,925	6.31
Shanghai	**121,291**	**4.99**	116,401	5.60	**119,897**	**4.95**	115,133	5.55
Guangdong	**250,615**	**10.31**	217,880	10.48	**249,506**	**10.30**	217,144	10.47
Zhejiang	**161,574**	**6.65**	134,720	6.48	**160,923**	**6.64**	134,590	6.49
Jiangsu	**206,352**	**8.49**	167,291	8.04	**205,430**	**8.48**	166,844	8.04
Other (Note 2)	**1,037,870**	**42.69**	916,622	44.06	**1,032,308**	**42.60**	914,832	44.10
Gross loans and advances	**2,430,695**	**100.00**	**2,079,814**	**100.00**	**2,422,895**	**100.00**	**2,074,300**	**100.00**
Less: Allowance for impairment losses	**(81,864)**		(72,448)		**(81,498)**		(72,263)	
-Individually assessed	**(16,378)**		(12,669)		**(16,378)**		(12,669)	
-Collectively assessed	**(65,486)**		(59,779)		**(65,120)**		(59,594)	
Loans and advances to customers	**2,348,831**		2,007,366		**2,341,397**		2,002,037	

Note 1: Head office contains the credit card centre and the treasury operation centre.

Note 2: As at 31 December 2017, the Bank has 44 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Unsecured loans	**585,734**	411,300	**579,504**	405,786
Guaranteed loans	**582,000**	482,311	**581,250**	482,311
Collateralised loans	**1,225,452**	1,128,274	**1,224,632**	1,128,274
-Secured by mortgage	**977,266**	955,801	**976,446**	955,801
-Secured by collaterals	**248,186**	172,473	**248,186**	172,473
Discounted bills	**37,509**	57,929	**37,509**	57,929
Gross loans and advances	**2,430,695**	**2,079,814**	**2,422,895**	**2,074,300**
Less: Allowance for impairment losses	**(81,864)**	(72,448)	**(81,498)**	(72,263)
-Individually assessed	**(16,378)**	(12,669)	**(16,378)**	(12,669)
-Collectively assessed	**(65,486)**	(59,779)	**(65,120)**	(59,594)
Loans and advances to customers	**2,348,831**	2,007,366	**2,341,397**	2,002,037

(5)Overdue loans The Group:

UNIT: RMB Million

	The Group									
	31/12/2017					31/12/2016				
	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	2,546	2,742	546	61	**5,895**	2,144	2,289	469	20	**4,922**
Guaranteed loans	4,732	3,802	3,927	1,161	**13,622**	6,135	5,600	4,845	728	**17,308**
Collateralised loans	6,542	5,724	6,490	329	**19,085**	9,284	8,414	4,484	226	**22,408**
-Secured by mortgage	6,380	5,643	6,228	225	**18,476**	8,356	8,072	4,129	102	**20,659**
-Secured by collaterals	162	81	262	104	**609**	928	342	355	124	**1,749**
Total	**13,820**	**12,268**	**10,963**	**1,551**	**38,602**	**17,563**	**16,303**	**9,798**	**974**	**44,638**

UNIT: RMB Million

	The Bank									
	31/12/2017					31/12/2016				
	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	2,350	2,629	444	61	**5,484**	2,086	2,221	431	20	**4,758**
Guaranteed loans	4,732	3,802	3,927	1,161	**13,622**	6,135	5,600	4,845	728	**17,308**
Collateralised loans	6,542	5,724	6,490	329	**19,085**	9,283	8,414	4,484	226	**22,407**
-Secured by mortgage	6,380	5,643	6,228	225	**18,476**	8,355	8,072	4,129	102	**20,658**
-Secured by collaterals	162	81	262	104	**609**	928	342	355	124	**1,749**
Total	**13,624**	**12,155**	**10,861**	**1,551**	**38,191**	**17,504**	**16,235**	**9,760**	**974**	**44,473**

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	2017			2016		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	12,669	59,779	**72,448**	11,297	43,289	54,586
Charge for the year	22,313	6,308	**28,621**	27,380	18,996	46,376
Write-off/Transfer out	(20,482)	(1,047)	**(21,529)**	(25,903)	(2,944)	(28,847)
-Recoveries of loans and advances written off in previous years	2,837	707	**3,544**	819	595	1,414
-Unwinding of discount on allowance	(959)	(214)	**(1,173)**	(924)	(209)	(1,133)
Fluctuation in exchange rate	-	(47)	**(47)**	-	52	52
Closing balance	**16,378**	**65,486**	**81,864**	**12,669**	**59,779**	**72,448**

UNIT: RMB Million

The Bank	2017			2016		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	12,669	59,594	**72,263**	11,297	43,208	54,505
Charge for the year	22,313	6,116	**28,429**	27,380	18,892	46,272
Write-off/Transfer out	(20,482)	(1,031)	**(21,513)**	(25,903)	(2,944)	(28,847)
-Recoveries of loans and advances written off in previous years	2,837	702	**3,539**	819	595	1,414
-Unwinding of discount on allowance	(959)	(214)	**(1,173)**	(924)	(209)	(1,133)
Fluctuation in exchange rate	-	(47)	**(47)**	-	52	52
Closing balance	**16,378**	**65,120**	**81,498**	**12,669**	**59,594**	**72,263**

9.AVAILABLE-FOR-SALE FINANCIAL ASSETS

(1) Listed by types:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Available-for-sale debt instruments				
Government bonds	**116,726**	85,496	**116,726**	85,496
The Central Bank bills and policy financial bonds	**28,791**	17,973	**28,791**	17,973
Bonds issued by banks and other financial institutions	**98,679**	81,670	**99,099**	81,770
Corporate bonds	**139,941**	132,567	**139,381**	132,002
Non-negotiable certificates of deposit	**4,818**	60,636	**4,818**	60,636
Wealth management products	**2,848**	386	**-**	-
Trust fund plans and other equity instrument (Note 1)	**21,107**	157,458	**20,803**	157,259
Credit assets	**15,019**	89,165	**14,935**	89,089
Interbank deposits	**-**	50,550	**-**	50,550
Bonds	**4,575**	6,660	**4,575**	6,660
Funds	**1,513**	10,483	**1,293**	10,360
Others	**-**	600	**-**	600
Subtotal	**412,910**	536,186	**409,618**	535,136
Available-for-sale equity instruments:				
Measured at fair value	**89,471**	47,797	**106,094**	54,832
Measured at cost	**1,840**	867	**304**	309
Subtotal	**91,311**	48,664	**106,398**	55,141
Total available-for-sale financial assets	**504,221**	584,850	**516,016**	590,277

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Available-for-sale debt instrument:				
Amortized cost	**417,600**	537,691	**414,319**	536,648
Fair value	**412,910**	536,186	**409,618**	535,136
Accumulative appropriation to other comprehensive income	**(2,524)**	1,265	**(2,553)**	1,240
Accumulative appropriation to allowance for impairment losses	**(2,166)**	(2,770)	**(2,148)**	(2,752)
Available-for-sale equity instrument:				
Cost	**89,480**	47,573	**105,987**	54,554
Fair value	**89,471**	47,797	**106,094**	54,832
Accumulative appropriation to other comprehensive income	**(7)**	227	**107**	278
Accumulative appropriation to allowance for impairment losses	**(2)**	(3)	**-**	-
Total:				
Amortized cost of debt instruments/ cost of equity instrument	**507,080**	585,264	**520,306**	591,202
Fair value	**502,381**	583,983	**515,712**	589,968
Accumulative appropriation to other comprehensive income	**(2,531)**	1,492	**(2,446)**	1,518
Accumulative appropriation to allowance for impairment losses	**(2,168)**	**(2,773)**	**(2,148)**	**(2,752)**

(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	5
Huafu Securities Co., Ltd.	359	-	359	-	4.35	-
Zijin Mining Group Holding Group Finance Co., Ltd.	25	-	25	-	5.00	-
China Trust Registration Co. Ltd.	60	-	60	-	2.00	-
Shanghai Commercial Paper Exchange Corporation Ltd.	-	50	50	-	2.71	-
Others	342	923	1,265	-		-
Total	**867**	**973**	**1,840**	**-**		**5**

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	5
Others	228	(5)	223	-		-
Total	**309**	**(5)**	**304**	**-**		**5**

(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	2,770	3	2,773	2,752	-	2,752
Provision/(Reversal)	(597)	(1)	(598)	(597)	-	(597)
Exchange rate effect	(7)	-	(7)	(7)	-	(7)
Closing	**2,166**	**2**	**2,168**	**2,148**	-	**2,148**

10. HELD-TO-MATURITY INVESTMENTS

UNIT: RMB Million

	The Group and the Bank	
	31/12/2017	31/12/2016
Government bonds	**287,900**	210,232
The Central Bank bills and policy financial bonds	**746**	414
Bonds issued by banks and other financial institutions	**14,486**	9,055
Non-negotiable certificates of deposit	**11,349**	7,095
Corporate bonds	**23,133**	23,171
Subtotal	**337,614**	249,967
Less: Allowance for impairment losses	**(131)**	(139)
Net value	**337,483**	**249,828**

11.INVESTMENTS CLASSIFIED AS RECEIVABLES

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Government bonds	**397,626**	302,475	**397,626**	302,475
Bonds issued by banks and other financial institutions	**44,131**	8,306	**44,131**	8,306
Corporate bonds	**47,064**	42,333	**47,574**	43,092
Wealth management products (Note 1)	**85,173**	460,003	**85,173**	460,003
Trust fund plans and others (Note 2)	**1,356,354**	1,303,087	**1,342,377**	1,295,120
Credit assets	**896,775**	881,689	**887,491**	876,870
Paper assets	**110,435**	143,401	**110,435**	143,401
Bonds	**231,789**	140,258	**231,789**	140,258
Interbank deposits	**68,793**	20,063	**68,793**	20,063
Funds	**38,656**	3,999	**34,471**	1,013
Others	**9,906**	113,677	**9,398**	113,515
Subtotal	**1,930,348**	2,116,204	**1,916,881**	2,108,996
Less: Allowance for impairment losses	**(16,966)**	(13,403)	**(16,912)**	(13,403)
Net value	**1,913,382**	**2,102,801**	**1,899,969**	**2,095,593**

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	
	31/12/2017	31/12/2016
Finance lease receivables	**120,070**	103,464
Less: Unrealized financing income	**(13,153)**	(10,665)
Subtotal	**106,917**	92,799
Less: Allowance for impairment losses	**(3,422)**	(2,960)
- Individually assessed	**(355)**	(344)
- Collectively assessed	**(3,067)**	(2,616)
Net value	**103,495**	89,839

List as follows:

UNIT: RMB Million

	2017	2016
1st year subsequent to the balance sheet date	**36,028**	33,862
2nd year subsequent to the balance sheet date	**27,799**	26,375
3rd year subsequent to the balance sheet date	**23,177**	18,657
Subsequent periods	**33,066**	24,570
Subtotal	**120,070**	103,464
Unrealized financing income	**(13,153)**	(10,665)
Subtotal	**106,917**	92,799
Less: Allowance for impairment losses	**(3,422)**	(2,960)
- Individually assessed	**(355)**	(344)
- Collectively assessed	**(3,067)**	(2,616)
Net value	**103,495**	89,839
- Finance lease receivables due less than 1 year	**32,921**	29,403
- Finance lease receivables due more than 1 year	**70,574**	60,436

13. LONG-TERM EQUITY INVESTMENTS

Breakdown of long-term equity investments:

UNIT: RMB Million

The Group										
Investee	Accounting method	Initial investment	01/01/2017	Additions (reduction)	31/12/2017	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	1,931	726	2,657	14.72	14.72	not applicable	-	35
Chongqing Machinery and ElectronicsHolding Group Finance Company Limited [2]	Equity method	114	154	(154)	-	-	-	not applicable	-	30
Others	Equity method	352	333	18	351			not applicable	-	-
Total			**2,418**	**590**	**3,008**				**-**	**65**

UNIT: RMB Million

The Bank										
Investee	Accounting method	Initial investment	01/01/2017	Additions (reduction)	31/12/2017	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	1,931	726	2,657	14.72	14.72	not applicable	-	35
Industrial Bank Financial Leasing Co., Ltd. (Note VII) China Industrial	Cost method	5,000	5,000	2,000	7,000	100.00	100.00	not applicable	-	-
China 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	330	132	462	66.00	66.00	not applicable	-	20
Total			**14,106**	**2,858**	**16,964**				**-**	**55**

(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. On 17 March 2017, Bank of Jiujiang issued 484 million shares through private placement. The Bank subscribed 71.2 million shares at the price of RMB 6.87 per share. After the subscription, the Bank holds total 294.4 million shares in Bank of Jiujiang with its proportion of shareholding remained at 14.72% of the total share capital of Bank of Jiujiang after the capital increase. As the Bank sent a director to the Bank of Jiujiang and has significant influence over the Bank of Jiujiang, the equity investment is accounted for using the equity method.

(2)Chongqing Machinery and Electronics Holding Group Finance Company Limited is the investee 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. In May 2017, China Industrial International Trust Limited transferred all its equity in Chongqing Machinery and Electronics Holding Group Finance Company Limited.

(3)There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December 2017.

14. FIXED ASSETS

UNIT: RMB Million

	The Group				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
1/1/2017	9,853	1,059	8,878	3,061	**22,851**
Purchase	27	3	2,753	1,768	**4,551**
Transfers from constructions in progress	813	11	12	-	**836**
Sales/disposals	(3)	(14)	(5,578)	(49)	**(5,644)**
31/12/2017	10,690	1,059	6,065	4,780	**22,594**
Accumulated depreciation					
1/1/2017	2,264	414	4,289	300	**7,267**
Depreciation for the year	385	15	945	206	**1,551**
Eliminated on sales/disposals	(1)	(8)	(1,074)	(18)	**(1,101)**
31/12/2017	2,648	421	4,160	488	**7,717**
Net value					
1/1/2017	7,589	645	4,589	2,761	**15,584**
31/12/2017	8,042	638	1,905	4,292	**14,877**
Allowance for impairment losses					
1/1/2017	(3)	-	-	-	**(3)**
Charged for the year	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
31/12/2017	(3)	-	-	-	**(3)**
Net carrying amount					
1/1/2017	7,586	645	4,589	2,761	**15,581**
31/12/2017	**8,039**	**638**	**1,905**	**4,292**	**14,874**

Buildings cost RMB 1,265 million are in use but the legal ownership registrations were still in process as at 31 December 2017 (31 December 2016: RMB 1,256 million).

UNIT: RMB Million

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
1/1/2017	9,820	1,058	6,478	424	**17,780**
Purchase	25	2	751	62	**840**
Transfers from constructions in progress	813	11	9	-	**833**
Sales/disposals	(3)	(12)	(1,426)	(49)	**(1,490)**
31/12/2017	10,655	1,059	5,812	437	**17,963**
Accumulated depreciation					
1/1/2017	2,257	414	4,201	232	**7,104**
Depreciation for the year	381	15	735	50	**1,181**
Eliminated on sales/disposals	(1)	(8)	(905)	(18)	**(932)**
31/12/2017	2,637	421	4,031	264	**7,353**
Net value					
1/1/2017	7,563	644	2,277	192	**10,676**
31/12/2017	8,018	638	1,781	173	**10,610**
Allowance for impairment losses					
1/1/2017	(3)	-	-	-	**(3)**
Charge for the year	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
31/12/2017	(3)	-	-	-	**(3)**
Net carrying amount					
1/1/2017	7,560	644	2,277	192	**10,673**
31/12/2017	**8,015**	**638**	**1,781**	**173**	**10,607**

Buildings cost RMB 1,265 million are in use but the legal ownership registrations were still in process as at 31 December 2017 (31 December 2016: RMB 1,256 million).

15. CONSTRUCTION IN PROGRESS

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

UNIT: RMB Million

	The Group					
	31/12/2017			31/12/2016		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**3,678**	**-**	**3,678**	3,683	-	3,683
Operating building, Tianjin	**775**	**-**	**775**	724	-	724
Operating building, Head office	**546**	**-**	**546**	431	-	431
Operating building, Jinan	**457**	**-**	**457**	407	-	407
Operating building, Guangzhou	**365**	**-**	**365**	-	-	-
Operating building, Zhangzhou	**277**	**-**	**277**	-	-	-
Others	**1,026**	**-**	**1,026**	1,145	-	1,145
Total	**7,124**	**-**	**7,124**	**6,390**	**-**	**6,390**

UNIT: RMB Million

	The Bank					
	31/12/2017			31/12/2016		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**3,678**	**-**	**3,678**	3,683	-	3,683
Operating building, Tianjin	**775**	**-**	**775**	724	-	724
Operating building, Head office	**546**	**-**	**546**	431	-	431
Operating building, Jinan	**457**	**-**	**457**	407	-	407
Operating building, Guangzhou	**365**	**-**	**365**	-	-	-
Operating building, Zhangzhou	**277**	**-**	**277**	-	-	-
Others	**1,024**	**-**	**1,024**	1,143	-	1,143
Total	**7,122**	**-**	**7,122**	**6,388**	**-**	**6,388**

(2)Significant changes in construction in progress are as follows:

UNIT: RMB Million

	The Group				
	2017				
	1/1/2017	Additions (decrease)	Transfer to fixed assets	Transfer to long-term prepaid expenses	31/12/2017
Operating building, Lujiazui Shanghai	3,683	(5)	-	-	**3,678**
Operating building, Tianjin	724	51	-	-	**775**
Operating building, Head office	431	115	-	-	**546**
Operating building, Jinan	407	50	-	-	**457**
Operating building, Guangzhou	-	365	-	-	**365**
Operating building, Zhangzhou	-	277	-	-	**277**
Others	1,145	1,103	836	386	**1,026**
Total	**6,390**	**1,956**	**836**	**386**	**7,124**

UNIT: RMB Million

	The Bank				
	2017				
	1/1/2017	Additions (decrease)	Transfer to fixed assets	Transfer to long-term prepaid expenses	31/12/2017
Operating building, Lujiazui Shanghai	3,683	(5)	-	-	**3,678**
Operating building, Tianjin	724	51	-	-	**775**
Operating building, Head office	431	115	-	-	**546**
Operating building, Jinan	407	50	-	-	**457**
Operating building, Guangzhou	-	365	-	-	**365**
Operating building, Zhangzhou	-	277	-	-	**277**
Others	1,143	1,096	833	382	**1,024**
Total	**6,388**	**1,949**	**833**	**382**	**7,122**

16. GOODWILL

UNIT: RMB Million

	The Group				
Investee	1/1/2017	Additions	Deductions	31/12/2017	31/12/2017 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 2017, 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			
	31/12/2017		31/12/2016		31/12/2017		31/12/2016	
	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	92,601	23,150	81,995	20,499	89,601	22,400	79,544	19,886
Fair value changes of financial assets at fair value through profit or loss	643	161	412	103	643	161	412	103
Fair value changes of financial liability at fair value through profit or loss	20	5	-	-	2	1	-	-
Accrued but not paid employee benefits	12,014	3,004	11,757	2,940	10,977	2,744	10,951	2,738
Fair value changes of available-for-sale financial assets	2,558	640	46	11	2,446	612	-	-
Fair value changes of derivative financial instruments	1,277	319	287	71	1,277	319	287	71
Fair value changes of precious metals	-	-	695	174	-	-	695	174
Others	885	221	517	130	769	192	280	70
Deferred tax assets before offset	109,998	27,500	95,709	23,928	105,715	26,429	92,169	23,042
Deferred tax liabilities								
Difference of fixed asset impairment tax	(324)	(81)	(346)	(87)	(324)	(81)	(346)	(87)
Fair value changes of available-for-sale financial assets	(27)	(7)	(1,538)	(384)	-	-	(1,518)	(379)
Changes in the fair value of precious metals	(458)	(115)	-	-	(458)	(115)	-	-
Fair value changes of financial assets at fair value through profit or loss	-	-	(2)	(1)	-	-	-	-
Deferred tax liabilities before offset	(809)	(203)	(1,886)	(472)	(782)	(196)	(1,864)	(466)
Net amount after offset	109,189	27,297	93,823	23,456	104,933	26,233	90,305	22,576

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
	2017	2017
Opening balance of net value	**23,456**	**22,576**
- Deferred tax assets	**23,928**	**23,042**
- Deferred tax liabilities	**(472)**	**(466)**
Net changes of deferred tax recognised in income tax expenses	**2,835**	**2,666**
Net changes of deferred tax recognised in other comprehensive income	**1,006**	**991**
Closing balance of net value	**27,297**	**26,233**
- Deferred tax assets	**27,500**	**26,429**
- Deferred tax liabilities	**(203)**	**(196)**

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

18. OTHERS ASSETS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Other receivables	**15,496**	10,686	**7,289**	6,505
Prepaid purchase cost of finance lease assets	**15,753**	16,872	**-**	-
Foreclosed assets	**463**	424	**463**	424
Receivables to be settled and cleared	**170**	1,224	**170**	1,224
Assets with continuing involvement	**2,101**	-	**2,101**	-
Long term prepaid expenses	**1,463**	1,689	**1,409**	1,646
Net assets of defined benefit plan (Note VIII, 49.2)	**1,412**	673	**1,412**	673
Total	**36,858**	**31,568**	**12,844**	**10,472**

(1)Other receivables

Listed by aging:

UNIT: RMB Million

Account age	The Group				The Bank			
	31/12/2017		31/12/2016		31/12/2017		31/12/2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	**14,035**	**82.39**	9,047	76.16	**5,849**	**66.26**	4,877	63.35
1-2 years	**421**	**2.47**	2,351	19.79	**400**	**4.53**	2,340	30.40
2-3 years	**2,169**	**12.73**	185	1.56	**2,169**	**24.57**	185	2.40
Over 3 years	**409**	**2.41**	296	2.49	**409**	**4.64**	296	3.85
Subtotal	**17,034**	**100.00**	11,879	100.00	**8,827**	**100.00**	7,698	100.00
Less: Allowance for impairment losses	**(1,538)**		(1,193)		**(1,538)**		(1,193)	
Net value	**15,496**		**10,686**		**7,289**		**6,505**	

(2)Foreclosed assets

Analysed by category of the foreclosed assets:

UNIT: RMB Million

	The Group and the Bank	
	31/12/2017	31/12/2016
Buildings	**392**	396
Land use rights	**85**	48
Others	**3**	3
Subtotal	**480**	447
Less: Allowance for impairment losses	**(17)**	(23)
Net value	**463**	424

(3)Long term prepaid expenses

UNIT: RMB Million

	The Group				
	1/1/2017	Additions	Transferred from construction in progress	Amortization	31/12/2017
Leasehold improvements	1,569	84	385	(668)	**1,370**
Others	120	8	1	(36)	**93**
Total	**1,689**	**92**	**386**	**(704)**	**1,463**

UNIT: RMB Million

	The Bank				
	1/1/2017	Additions	Transferred construction in progress	Amortization	31/12/2017
Leasehold improvements	1,526	52	381	(643)	**1,316**
Others	120	8	1	(36)	**93**
Total	**1,646**	**60**	**382**	**(679)**	**1,409**

19. ALLOWANCE FOR IMPAIRMENT LOSSES ON ASSETS

UNIT: RMB Million

	The Group					
	2017					
	1/1/2017	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	31/12/2017
Allowance for impairment losses on deposits with banks and other financial institutions	21	-	-	(5)	-	**16**
Allowance for impairment losses on placements with banks and other financial institutions	64	(4)	-	-	-	**60**
Allowance for impairment losses on loans and advances to customers	72,448	28,621	2,371	(21,529)	(47)	**81,864**
Allowance for impairment losses on held-to-maturity investments	139	-	-	-	(8)	**131**
Allowance for impairment losses on for available-for-sale financial assets	2,773	(598)	-	-	(7)	**2,168**
Allowance for impairment losses on investments classified as receivables	13,403	6,290	-	(2,727)	-	**16,966**
Allowance for impairment losses on finance lease receivables	2,960	462	-	-	-	**3,422**
Allowance for impairment losses on fixed assets	3	-	-	-	-	**3**
Allowance for impairment losses on foreclosed assets	23	4	-	(10)	-	**17**
Allowance for impairment losses on prepaid purchase cost of finance lease assets	438	33	-	-	-	**471**
Allowance for impairment losses on other assets	1,193	699	(168)	(186)	-	**1,538**
Total	**93,465**	**35,507**	**2,203**	**(24,457)**	**(62)**	**106,656**

UNIT: RMB Million

	The Bank					
	2017					
	1/1/2017	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	31/12/2017
Allowance for impairment losses on deposits with banks and other financial institutions	21	-	-	(5)	-	**16**
Allowance for impairment losses on placements with banks and other financial institutions	64	(4)	-	-	-	**60**
Allowance for impairment losses on loans and advances to customers	72,263	28,429	2,366	(21,513)	(47)	**81,498**
Allowance for impairment losses on held-to-maturity investments	139	-	-	-	(8)	**131**
Allowance for impairment losses on available-for-sale financial assets	2,752	(597)	-	-	(7)	**2,148**
Allowance for impairment losses on investments classified as receivables	13,403	6,236	-	(2,727)	-	**16,912**
Allowance for impairment losses on fixed assets	3	-	-	-	-	**3**
Allowance for impairment losses on foreclosed assets	23	4	-	(10)	-	**17**
Allowance for impairment losses on other assets	1,193	699	(168)	(186)	-	**1,538**
Total	**89,861**	**34,767**	**2,198**	**(24,441)**	**(62)**	**102,323**

20. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Deposits from banks:				
Domestic banks	**315,782**	689,202	**315,782**	689,202
Foreign banks	**80,864**	53,199	**80,864**	53,199
Deposits from other financial institutions				
Other domestic financial institutions	**1,049,413**	978,607	**1,052,407**	986,298
Total	**1,446,059**	**1,721,008**	**1,449,053**	**1,728,699**

21. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Domestic banks	**139,711**	99,999	**39,100**	13,776
Other domestic financial institutions	**2,731**	4,571	**2,731**	4,571
Overseas banks	**45,487**	25,434	**43,318**	24,250
Total	**187,929**	**130,004**	**85,149**	**42,597**

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Trading financial liabilities:				
Sold financing bonds	**873**	459	**873**	459
Others	**123**	-	**123**	-
Financial liabilities assigned as at fair value through profit or loss	**5,567**	35	**4,729**	-
Total	**6,563**	**494**	**5,725**	**459**

23. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Bonds	**209,658**	143,440	**203,749**	141,654
Bills	**20,136**	24,037	**20,136**	24,037
Total	**229,794**	**167,477**	**223,885**	**165,691**

24. DUE TO CUSTOMERS

UNIT: RMB Million

	The Group	
	31/12/2017	31/12/2016
Demand deposits		
Corporate	**1,083,505**	969,658
Personal	**227,134**	215,305
Subtotal	**1,310,639**	1,184,963
Term deposits (including call deposits)		
Corporate	**1,373,402**	1,176,856
Personal	**194,172**	135,561
Subtotal	**1,567,574**	1,312,417
Guaranteed and margin deposits	**205,923**	194,657
Others	**2,757**	2,714
Total	**3,086,893**	**2,694,751**

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

UNIT: RMB Million

	The Group	
	31/12/2017	31/12/2016
Bank acceptances	**107,853**	106,059
Letters of credit	**14,486**	16,328
Guarantee	**14,124**	11,004
Others	**69,460**	61,266
Total	**205,923**	**194,657**

UNIT: RMB Million

	The Bank	
	31/12/2017	31/12/2016
Demand deposits		
Corporate	**1,084,291**	969,750
Personal	**227,134**	215,305
Subtotal	**1,311,425**	1,185,055
Term deposits (including call deposits)		
Corporate	**1,373,642**	1,176,856
Personal	**194,172**	135,561
Subtotal	**1,567,814**	1,312,417
Guaranteed and margin deposits	**205,923**	194,657
Others	**2,757**	2,714
Total	**3,087,919**	**2,694,843**

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

UNIT: RMB Million

	The Bank	
	31/12/2017	31/12/2016
Bank acceptances	**107,853**	106,059
Letters of credit	**14,486**	16,328
Guarantee	**14,124**	11,004
Others	**69,460**	61,266
Total	**205,923**	**194,657**

25. EMPLOYEE BENEFITS PAYABLE

UNIT: RMB Million

	The Group				The Bank			
	1/1/2017	Increase	Decrease	31/12/2017	1/1/2017	Increase	Decrease	31/12/2017
Salaries and bonus	12,228	17,628	(17,649)	**12,207**	11,120	16,126	(16,305)	**10,941**
Labor union expenditure and staff educational funds	1,345	695	(465)	**1,575**	1,311	652	(433)	**1,530**
Social insurance	167	2,263	(2,326)	**104**	148	2,057	(2,123)	**82**
Housing funds	45	940	(941)	**44**	41	881	(882)	**40**
Defined contribution plans	131	2,261	(2,285)	**107**	112	2,179	(2,200)	**91**
Total	**13,916**	**23,787**	**(23,666)**	**14,037**	**12,732**	**21,895**	**(21,943)**	**12,684**

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Income tax	**6,160**	11,077	**5,643**	10,413
Value added tax	**1,399**	132	**1,401**	136
City maintenance and construction tax	**82**	22	**72**	18
Others	**487**	257	**311**	242
Total	**8,128**	**11,488**	**7,427**	**10,809**

27. INTEREST PAYABLE

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Interest borrowing from Central Bank	**3,581**	1,565	**3,581**	1,565
Interest deposits from banks and other financial institutions	**7,589**	6,087	**7,599**	6,092
Interest of placements from banks and other financial institutions	**1,416**	732	**356**	200
Interest of debt securities issued	**4,505**	4,309	**4,237**	4,233
Interest of financial assets sold under repurchase agreements	**386**	200	**386**	200
Interest due to customers	**23,352**	22,679	**23,352**	22,679
Others	**464**	328	**434**	326
Total	**41,293**	**35,900**	**39,945**	**35,295**

28. DEBT SECURITIES ISSUED

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Long term subordinated bonds	**20,953**	20,951	**20,953**	20,951
Financial bonds	**97,530**	91,704	**86,471**	86,816
Secondary capital bonds	**51,930**	49,925	**49,930**	49,925
Non-negotiable certificates of deposit	**471,058**	536,722	**471,058**	536,722
Certificates of deposit	**19,620**	13,810	**19,620**	13,810
Asset-backed securities	**1,867**	854	**-**	-
Total	**662,958**	**713,966**	**648,032**	**708,224**

Note: Debt securities issued by the Group include long-term subordinated bonds, financial bonds, secondary capital bonds, non-negotiable certificates of deposit, certificates of deposit and asset-backed securities. The 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.

Detailed information for debt securities issued as follows:

UNIT: RMB Million

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	31/12/2017	31/12/2017
Long-term subordinate bonds				
09 CIB 02(1)	2009-09-09	Yearly	**7,995**	**7,995**
10 CIB debt(2)	2010-03-29	Yearly	**3,000**	**3,000**
11 CIB subordinated debt(3)	2011-06-28	Yearly	**10,000**	**10,000**
Less: unamortized issuance cost			**(42)**	**(42)**
Subtotal			**20,953**	**20,953**
Financial bonds				
15 CIB 01(4)	2015-01-19	Yearly	**30,000**	**30,000**
15 CIB leasing debt01(5)	2015-06-08	Yearly	**2,000**	**-**
15 CIB leasing debt02(5)	2015-10-20	Yearly	**3,000**	**-**
16 CIB green financial bond 01(6)	2016-01-28	Yearly	**10,000**	**10,000**
16 CIB green financial bond 02(6)	2016-07-14	Yearly	**20,000**	**20,000**
USD medium-term notes(7)	2016-09-21	Half-year	**4,574**	**4,574**
USD medium-term notes(7)	2016-09-21	Half-year	**1,960**	**1,960**
16 CIB green financial bond 03(6)	2016-11-15	Yearly	**20,000**	**20,000**
17 CIB leasing debt01(8)	2017-03-08	Yearly	**400**	**-**
17 CIB leasing debt02(8)	2017-05-19	Yearly	**2,000**	**-**
17 CIB leasing debt03(8)	2017-08-10	Yearly	**3,680**	**-**
Less: unamortized issuance cost			**(84)**	**(63)**
Subtotal			**97,530**	**86,471**
Secondary capital bonds				
14 CIB secondary(9)	2014-06-18	Yearly	**20,000**	**20,000**
16 CIB secondary(10)	2016-04-11	Yearly	**30,000**	**30,000**
17 CIB leasing secondary(11)	2017-09-15	Yearly	**2,000**	**-**
Less: unamortized issuance cost			**(70)**	**(70)**
Subtotal			**51,930**	**49,930**

(Continued)

UNIT: RMB Million

	The Group	The Bank
Category of bonds	31/12/2017	31/12/2017
Non-negotiable certificates of deposit		
Carrying value of Non-negotiable certificate of deposit(12)	**476,749**	**476,749**
Less: Unamortized issuance cost	**(5,691)**	**(5,691)**
Subtotal	**471,058**	**471,058**
Certificate of deposit		
Carrying value of certificate of deposit(13)	**19,554**	**19,554**
Accrued interest	**117**	**117**
Less: Unamortized issuance cost	**(51)**	**(51)**
Subtotal	**19,620**	**19,620**
Asset-backed securities		
Jinxin 2016 Series 1 leasing asset-backed security(14)	**74**	**-**
Jinxin 2017 Series 1 leasing asset-backed security(15)	**1,720**	**-**
CIB trust•Xingxin series 1 asset-backed special plan(16)	**73**	**-**
Subtotal	**1,867**	**-**
Total	**662,958**	**648,032**

(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.

(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 March 2017, May 2017 and August 2017, the Group's subsidiary China Industrial Finance Leasing Limited issued RMB 500 million, RMB 2,000 million and RMB 4,000 million three-year fixed interest rate financial bonds at the annual rate of 4.5%, 5% and 4.7% respectively. As at 31 December 2017, the Bank holds 17 CIB leasing debt01 of RMB 100 million and 17 CIB leasing debt03 of RMB 320 million issued by China Industrial Finance Leasing Limited in March 2017 and August 2017 respectively.

(9)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.

(10)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.

(11)In September 2017, the Group's subsidiary China Industrial Finance Leasing Limited issued RMB 2 billion 10-year secondary capital bonds with fixed interest rate and issuer's redemption right at the end of the 5th year. During the tenure of the bonds, the annual interest rate remains at 5.15%.

(12)As at 31 December 2017, the Group had 388 unpaid non-negotiable certificates of deposit with total amount of RMB 476,749 million, including 2 USD non-negotiable certificates deposit, of which the issued par value was USD 260 million (RMB 1,699 million) and the terms are within 1 year and 3 months; 386 RMB non-negotiable certificates of deposit, of which the issued par value is RMB 475,050 million, with RMB 452,258 million due within 1 year and the rest due in 2 to 3 years. The annual rate is 2.17% to 5.68%. Except for interest of 39 interest-bearing debts being paid quarterly, the interest of rest is paid upon maturity.

(13)As at 31 December 2017, Hong Kong branch had 50 unpaid non-negotiable certificates of deposit, of which the amount was RMB 19,554 million and terms are all less than 1 year. The amount of 17 HKD certificates was HKD 6,520 million (RMB 5,450 million); the amount of 19 USD certificates was USD 1,308 million (RMB 8,546 million). 9 RMB certificates with issued par value of RMB3,800 million; 5 GBP certificates with issued par value of GBP 200 million (RMB 1,758 million). The annual interest rate was between 0.89% and 5.05%. The interest of all certificates is paid upon maturity.

(14)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 2017, the existing amount of "Jin Xin 2016 Series 1 leasing asset-backed security" is RMB 313 million, including RMB 239 million held by the initiator. The amount held by the initiator has been offset in the consolidated financial statements.

(15)In May 2017, the Group's subsidiary, Industrial Bank Financial Leasing Co., Ltd. issued "Jin Xin 2017 Series 1 leasing asset-backed security" amounting RMB 4,721 million. As at 31 December 2017, the existing amount of "Jin Xin 2017 Series 1 leasing asset-backed security" is RMB 2,626 million, including RMB 801 million held by the initiator and RMB 105 million held by the Bank. The amount held by the initiator and the bank has been offset in the consolidated financial statements.

(16)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. As at 31 December 2017, the existing amount of " CIB Trust • Xingxin Series 1 Asset-backed Special Plan" is RMB 924 million, including RMB 71 million held by the initiator, China Industrial International Trust Limited and RMB 780 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Bank promissory notes	**119**	1,021	**119**	1,021
Items in the process of clearance and settlement	**2,111**	1,980	**2,111**	1,980
Dividend payables	**1**	1	**1**	1
Liabilities with continuing involvement	**2,101**	-	**2,101**	-
Wealth management and entrusted investment fund	**74**	138	**74**	138
Deferred income	**3,488**	3,175	**1,348**	1,125
Other payables	**28,028**	21,687	**10,981**	7,467
Total	**35,922**	**28,002**	**16,735**	**11,732**

30. SHARE CAPITAL

UNIT: RMB Million

	The Group and the Bank		
	1/1/2017	Change for the year	31/12/2017
Shares without limited sales restrictions RMB ordinary shares (A shares)	19,052	-	**19,052**
Shares with limited sales restrictions RMB ordinary shares (A shares)	-	1,722	**1,722**
Total shares	**19,052**	**1,722**	**20,774**

In the current year, the Bank issued A shares to Fujian Provincial Department of finance, China National Tobacco Corporation, China National Tobacco Corporation Fujian Branch, China National Tobacco Corporation Guangdong Branch, Sunshine Holdings Limited, Fujian Investment & Development Group., Ltd. by non-public offering of total 1,721,854,000 shares and raised fund totalling RMB 25,999,995,400.00. The aforesaid capital increase and share expansion have been verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP, which has issued capital verification report De Shi Bao (Yan) Zi (17) No. 00187. Fujian Provincial Department of finance, China National Tobacco Corporation, China National Tobacco Corporation Fujian Branch, China National Tobacco Corporation Guangdong Branch subscribed the shares of this non-public offering, which shall not be transferred within 60 months since the end date of the issuance. Sunshine Holdings Limited and Fujian Investment & Development Group., Ltd. subscribed the shares of this non-public offering, which shall not be transferred within 36 months since the end date of the issuance.

As at 31 December 2017, the share capital of the Bank is RMB 207,74million (31 December 2016: RMB 19,052 million) with par value of RMB 1 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 Million share	Amount RMB million	Maturity Date	Conversion requirement	Condion
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							
	1/1/2017		Addition		Less		31/12/2017	
	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	
	31/12/2017	31/12/2016
Equities attributable to equity holders of parent company		
Equities attributable to ordinary shareholders of parent company	**390,990**	324,224
Equities attributable to other equity holders of parent company	**25,905**	25,905
Net profit	**1,482**	1,147
Total comprehensive income	**1,482**	1,147
Distributed dividend of the period	**(1,482)**	(1,147)
Accumulated retained dividend	**-**	-
Equities attributable to non-controlling interests in equity	**5,857**	4,281

32. CAPITAL RESERVE

UNIT: RMB Million

	The Group				The Bank			
	1/1/2017	Increase	Decrease	31/12/2017	1/1/2017	Increase	Decrease	31/12/2017
Share premium	50,828	24,179	(29)	**74,978**	51,048	24,179	-	**75,227**
Others	33	-	-	**33**	33	-	-	**33**
Total	**50,861**	**24,179**	**(29)**	**75,011**	**51,081**	**24,179**	**-**	**75,260**

33. SURPLUS RESERVE

UNIT: RMB Million

	The Group and the Bank	
	31/12/2017	31/12/2016
Statutory surplus reserve	**10,387**	9,527
Discretionary surplus reserve	**297**	297
Total	**10,684**	**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 2017, the Bank make appropriations to the statutory surplus reserves in respect of the deficit of statutory surplus reserves of prior year in less than 50% of the share capital of the Bank.

34. GENERAL AND REGULATORY RESERVE

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
General and regulatory reserve	**70,611**	69,878	**67,888**	67,744

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 2017, 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	
	2017	2016	2017	2016
Opening balance	**173,524**	141,656	**165,156**	135,478
Net profit for the year	**57,200**	53,850	**54,007**	50,974
Appropriations to statutory surplus reserve	**(860)**	-	**(860)**	-
Appropriations to general and regulatory reserve	**(733)**	(9,213)	**(144)**	(8,527)
Dividends distribution of ordinary shares	**(12,672)**	(11,622)	**(12,672)**	(11,622)
Dividends distribution of preference shares	**(1,482)**	(1,147)	**(1,482)**	(1,147)
Closing balance	**214,977**	**173,524**	**204,005**	**165,156**

(1) "2017 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 24 April 2018 and submitted for approval by the annual general meeting is as follows:

(i) Appropriation of RMB 860 million to statutory surplus reserve on the basis of the Bank's net profit for 2017 amounting to RMB 54,007. As at 31 December 2017, the proposed appropriation to statutory surplus reserve has been included in the surplus reserve.

(ii) Appropriation of RMB 144 million to general and regulation reserve. As at 31 December 2017, the proposed appropriation of general and regulation reserve has been included in the general risk reserve.

(iii) Distribute a cash dividend of RMB 6.50 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at issuance date of the financial statements.

(iv) The interest period of preference shares issued in 2014 is from 1 January 2017 to 31 December 2017 (the annual dividend rate is 6%), the interest period of preference shares issued in 2015 is from 1 January 2017 to 31 December 2017(the annual dividend rate is 5.4%), the preferred dividends payable is RMB 1,482 million in total.

The above profit distribution plan 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) "2016 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 27 April 2017 and approved by the annual general meeting on 26 May 2017 is as follows:

(i) Appropriation of RMB 8,527 million to general and regulation reserve. As at 31 December 2016, the proposed appropriation to general and regulation reserve has been included in the general risk reserve.

(ii) Distribute a cash dividend of RMB 6.10, 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 RMB 1,482 million in total.

As at 31 December 2017, the above-mentioned dividend distribution has been completed.

(3) Surplus reserve appropriated by subsidiaries

As at 31 December 2017, the balance of the Group's retained earnings includes surplus reserve appropriated by subsidiaries amounting to RMB 1,360 million (31 December 2016: RMB 1,074 million).

36. NET INTEREST INCOME

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Interest income				
Balances with Central Bank	**6,813**	5,898	**6,813**	5,898
Deposits with banks and other financial institutions	**1,991**	2,052	**1,809**	1,577
Placements with banks and other financial institutions	**1,337**	1,132	**1,545**	1,363
Financial assets purchased under resale agreements	**2,879**	4,511	**2,505**	4,450
Loans and advances to customers	**104,760**	95,505	**103,497**	94,845
Including: Corporate	**66,725**	63,544	**66,732**	63,558
Personal	**36,885**	29,346	**35,615**	28,672
Discounted bills	**1,150**	2,615	**1,150**	2,615
Bonds and other investment	**128,567**	121,147	**126,281**	119,355
Finance lease	**5,472**	4,923	**-**	-
Others	**825**	1,111	**825**	894
Total	**252,644**	236,279	**243,275**	228,382
Interest expense:				
Borrowing from Central Bank	**(7,105)**	(3,972)	**(7,105)**	(3,972)
Deposits from banks and other financial institutions	**(64,123)**	(49,291)	**(64,189)**	(49,360)
Placements from banks and other financial institutions	**(6,185)**	(3,605)	**(1,696)**	(641)
Financial assets sold under repurchase agreements	**(3,358)**	(2,058)	**(3,255)**	(2,022)
Due to customers	**(54,891)**	(42,313)	**(54,903)**	(42,313)
Debt securities issued	**(28,390)**	(22,569)	**(27,933)**	(22,362)
Others	**(141)**	(152)	**(60)**	(41)
Total	**(164,193)**	(123,960)	**(159,141)**	(120,711)
Net interest income	**88,451**	112,319	**84,134**	107,671
Including: Interest income accrued on impaired financial assets	**1,173**	1,133	**1,173**	1,133

37. NET FEE AND COMMISSION INCOME

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Fee and commission income				
Settlement and clearing fee	**1,190**	814	**1,190**	814
Bank card fee	**13,228**	7,947	**13,228**	7,947
Agency fee	**3,059**	4,537	**3,032**	4,517
Credit commitment fee	**1,673**	1,551	**1,673**	1,551
Transactional service fee	**602**	290	**602**	290
Custodian fee	**4,063**	4,345	**4,063**	4,345
Consultancy and advisory fee	**14,416**	15,243	**13,458**	14,346
Trust service fee	**1,631**	1,847	**-**	-
Lease service fee	**1,060**	1,086	**-**	-
Others	**1,105**	1,022	**734**	965
Subtotal	**42,027**	38,682	**37,980**	34,775
Fee and commission expense				
Settlement and clearing expenses	**(810)**	(427)	**(803)**	(427)
Bank card expenses	**(1,454)**	(1,200)	**(1,454)**	(1,200)
Inter-bank expenses	**(12)**	(26)	**(12)**	(26)
Others	**(1,012)**	(477)	**(921)**	(583)
Subtotal	**(3,288)**	(2,130)	**(3,190)**	(2,236)
Net fee and commission income	**38,739**	36,552	**34,790**	32,539

38. INVESTMENT INCOME

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Precious metal	**(687)**	8,361	**(687)**	8,361
Financial assets at fair value through profit of loss	**9,565**	4,162	**10,242**	4,641
Derivative financial instruments	**(6,464)**	(4,449)	**(6,464)**	(4,449)
Available-for-sale financial assets	**1,580**	3,496	**2,037**	3,808
Long-term equity investments (equity method)	**292**	246	**272**	238
Long-term equity investment (cost method)	**-**	-	**20**	-
Financial liabilities at fair value through profit of loss	**(32)**	20	**(32)**	20
Others	**260**	-	**(115)**	-
Total	**4,514**	**11,836**	**5,273**	**12,619**

39. LOSSES FROM CHANGES IN FAIR VALUE

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Precious metals	**1,153**	595	**1,153**	595
Financial assets at fair value through profit of loss	**(763)**	(627)	**(231)**	(172)
Derivative financial instruments	**(990)**	(3,723)	**(990)**	(3,723)
Financial liabilities at fair value through profit of loss	**(22)**	(1)	**(2)**	(1)
Total	**(622)**	**(3,756)**	**(70)**	**(3,301)**

40. BUSINESS TAXES AND SURCHARGES

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Business tax	**-**	4,132	**-**	3,943
City maintenance and construction tax	**589**	697	**558**	658
Education surcharge	**409**	471	**387**	443
Others	**(23)**	367	**(59)**	356
Total	**975**	**5,667**	**886**	**5,400**

41. GENERAL AND ADMINISTRATIVE EXPENSES

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Employee benefits	**23,787**	22,517	**21,895**	21,134
Depreciation and amortization	**2,052**	2,230	**1,949**	2,074
Lease expenses	**2,889**	2,741	**2,719**	2,631
Others	**9,402**	8,913	**9,170**	8,514
Total	**38,130**	**36,401**	**35,733**	**34,353**

42. IMPAIRMENT LOSSES ON ASSETS

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Loans and advances to customers	**28,621**	46,376	**28,429**	46,272
Investments classified as receivables	**6,290**	3,130	**6,236**	3,130
Available-for-sale financial assets	**(598)**	443	**(597)**	427
Finance lease receivables	**462**	950	**-**	-
Others	**732**	377	**699**	681
Total	**35,507**	**51,276**	**34,767**	**50,510**

43. NON-OPERATING INCOME

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Penalties and fines received	**29**	42	**29**	42
Gains from dormant accounts	**10**	13	**10**	13
Government grants	**105**	340	**36**	109
Others	**229**	236	**210**	213
Total	**373**	**631**	**285**	**377**

44. NON-OPERATING EXPENSES

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Losses on damage and retirement of non-current assets	**-**	1	**-**	1
Donation expenses	**21**	32	**20**	30
Penalties and fines paid	**389**	35	**389**	35
Others	**23**	47	**22**	44
Total	**433**	**115**	**431**	**110**

45. INCOME TAX EXPENSES

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Current income tax	**9,915**	17,175	**8,531**	15,830
Deferred income tax	**(2,835)**	(7,373)	**(2,666)**	(7,109)
Adjustment in respect of income tax of prior year	**(62)**	(204)	**(71)**	(203)
Total	**7,018**	**9,598**	**5,794**	**8,518**

The tax charges can be reconciled to the profit as follows:

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
Accounting profit	**64,753**	63,925	**59,801**	59,492
Tax calculated at applicable statutory tax rate of 25%	**16,188**	15,981	**14,950**	14,873
Adjustments:				
Income not subject to tax	**(9,511)**	(6,341)	**(9,399)**	(6,302)
Items not deductible for tax purposes	**403**	162	**314**	150
Adjustment in respect of income tax of prior year	**(62)**	(204)	**(71)**	(203)
Total	**7,018**	**9,598**	**5,794**	**8,518**

46. EARNINGS PER SHARE

	The Group	
	2017	2016
Current net profit attributable to ordinary shareholders of the Bank (RMB million)	**55,718**	52,703
Weighted average ordinary shares issued by the Bank (shares in million)	**20,344**	19,052
Basic and diluted earnings per share (RMB)	**2.74**	2.77

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 2017 and 2016.

47. OTHER COMPREHENSIVE INCOME

UNIT: RMB Million

	The Group						
	2017						
	31/12/2016	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	31/12/2017
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial profits/losses on defined benefit plans	(30)	852	-	-	852	-	**822**
Subtotal	(30)	852	-	-	852	-	**822**
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	1,119	(12,756)	8,731	1,006	(3,004)	(15)	**(1,885)**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	-	-	-	-	**(4)**
Subtotal	1,115	(12,756)	8,731	1,006	(3,004)	(15)	**(1,889)**
Total	**1,085**	**(11,904)**	**8,731**	**1,006**	**(2,152)**	**(15)**	**(1,067)**

UNIT: RMB Million

	The Bank				
	2017				
	31/12/2016	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31/12/2017
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial profits/losses on defined benefit plans	(30)	852	-	-	**822**
Subtotal	(30)	852	-	-	**822**
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	1,139	(12,706)	8,741	991	**(1,835)**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	-	-	**(4)**
Subtotal	1,135	(12,706)	8,741	991	**(1,839)**
Total	**1,105**	**(11,854)**	**8,741**	**991**	**(1,017)**

48. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

(1)Supplementary information to the cash flow statement

UNIT: RMB Million

	The Group		The Bank	
	2017	2016	2017	2016
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	**57,735**	54,327	**54,007**	50,974
Add: Impairment losses on assets	**35,507**	51,276	**34,767**	50,510
Depreciation of fixed assets	**1,551**	1,422	**1,181**	1,313
Amortization of intangible assets	**102**	89	**89**	81
Amortization of long-term prepaid expenses	**704**	719	**679**	680
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(70)**	(27)	**(29)**	(26)
Interest income of bonds and other investments	**(128,567)**	(121,147)	**(126,281)**	(119,355)
Interest income of impairment financial assets	**(1,173)**	(1,133)	**(1,173)**	(1,133)
Losses from changes in fair value	**622**	3,756	**70**	3,301
Investment income	**(4,514)**	(11,836)	**(5,273)**	(12,619)
Interest expense for debt securities issued	**28,390**	22,569	**27,933**	22,362
Increase in deferred tax assets	**(2,943)**	(6,593)	**(2,775)**	(6,333)
Increase (decrease) in deferred tax liabilities	**108**	(780)	**109**	(776)
(Increase) decrease in receivables of operating activities	**(437,550)**	(203,515)	**(427,653)**	(201,006)
Increase in payables of operating activities	**287,456**	413,890	**272,388**	422,916
Net cash flow from operating activities	**(162,642)**	203,017	**(171,961)**	210,889
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**470,321**	433,063	**480,627**	465,783
Less: Opening balance of cash and cash equivalents	**433,063**	312,352	**465,783**	310,026
Net increase of cash and cash equivalents	**37,258**	120,711	**14,844**	155,757

(2)Composition of cash and cash equivalents

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cash on hand	**5,535**	5,806	**5,535**	5,806
Balances with Central Bank that can be withdrawn on demand	**13,989**	66,508	**13,987**	66,497
Deposits with banks and other financial institutions with original maturity less than three months	**65,883**	43,428	**58,978**	36,966
Placements with banks and other financial institutions with original maturity less than three months	**20,921**	5,783	**20,921**	5,783
Financial assets purchased under resale agreements with original maturity less than three months	**88,202**	15,517	**85,362**	13,010
Investment with original maturity less than three months	**275,791**	296,021	**295,844**	337,721
Closing balance of cash and cash equivalents	**470,321**	**433,063**	**480,627**	**465,783**

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	
	2017	2016	2017	2016
Defined contribution plans	**2,261**	2,011	**2,179**	1,958

Amount of payable in the year-end:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Defined contribution plans	**107**	131	**91**	112

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.

In the Current year, the effect of defined benefit plans recognized as expenses is RMB 113 million; actuary gains included in other comprehensive income is RMB 852 million. The closing balance of net assets of defined benefit plans amounting to RMB 1,412 million, representing the fair value of the defined benefit plans assets net of the present value of defined benefit plans obligation, is charged to other assets. (Note VIII, 18).

As of 31 December 2017, the Group benefit plans set was in the period of the average benefit obligation for about 10-11 years (31 December 2016:11 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 4% as at 31 December 2017 (2016: 3.25%). Mortality assumptions is based on the men and women pension service table released by Chinese Insurance Regulatory Commission (China experience life table of life insurance "2010-2013"). The men and women workers retire at the age of 60 and retired at the age of 55 on average expected residual life for 25.34 years and 34.03 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 RMB38 million (an increase of RMB 39 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 2017 and 2016, 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 December 2017 and 31 December 2016, 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 2017 and 2016, the Group did not offer financial support to other structured entities excluded from the consolidation scope.

Up to 31 December 2017 and 31 December 2016, the information of unconsolidated structured entities initiated by the Group is listed below:

UNIT: RMB Million

	The Group		
	Scale	Scale	Type
	31/12/2017	31/12/2016	
Wealth management products	**1,152,282**	1,056,671	Commission income
Funds	**283,388**	139,157	Commission income
Asset-backed securities	**29,081**	27,453	Commission income
Trust plans	**915,867**	935,136	Commission income
Asset management plans	**293,106**	369,786	Commission income
Total	**2,673,724**	**2,528,203**	

In 2017, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB 14,550 million (2016: RMB14,958 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 2017 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 2017.

Up to 31 December 2017 and 31 December 2016, the information of unconsolidated structured entities in which the Group enjoys equity is listed below:

UNIT: RMB Million

	The Group							
	31/12/2017							
	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	-	216,511	81,489	-	-	298,000	298,000	Investment income
Wealth management products	-	3	2,848	-	84,614	87,465	87,465	Investment income, interest income
Trust plans	800	162	9,832	-	805,441	816,235	816,235	Investment income, interest income
Asset management plans	3,302	3,784	14,541	-	315,458	337,085	337,085	Investment income, interest income
Asset-backed securities	-	2,635	29,335	4	242,125	274,099	274,099	Investment income, interest income
Total	**4,102**	**223,095**	**138,045**	**4**	**1,447,638**	**1,812,884**	**1,812,884**	

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 at the reporting date as recognized in the balance sheet.

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 at the reporting date as recognized in the balance sheet.

IX. SEGMENT REPORTING

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and 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, Yinchuan 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											
	2017											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other region	Western region	Central region	Eliminations	Total
Operating income	50,903	17,563	7,359	7,767	9,959	2,153	3,438	14,263	11,406	15,164	-	**139,975**
Net interest income	19,741	12,557	6,234	6,208	8,198	1,397	2,286	8,771	9,737	13,322	-	**88,451**
Including:Net inter-segment interest income	(67,542)	7,681	10,112	9,333	11,666	976	402	6,639	9,903	10,830	-	**-**
Net fee and commission income	21,997	4,025	1,073	1,514	1,675	736	1,119	3,215	1,603	1,782	-	**38,739**
Other income	9,165	981	52	45	86	20	33	2,277	66	60	-	**12,785**
Operating expenses	(17,683)	(10,899)	(1,475)	(1,908)	(4,492)	(3,481)	(3,310)	(10,775)	(11,528)	(9,611)	-	**(75,162)**
Operating profit	33,220	6,664	5,884	5,859	5,467	(1,328)	128	3,488	(122)	5,553	-	**64,813**
Add:Non-operating income	44	106	5	20	19	18	15	20	92	34	-	**373**
Less:Non-operating expenses	(4)	(12)	(12)	(7)	(5)	(4)	(1)	(239)	(10)	(139)	-	**(433)**
Total profit	33,260	6,758	5,877	5,872	5,481	(1,314)	142	3,269	(40)	5,448	-	**64,753**
Less:Income tax expenses												**(7,018)**
Net profit												**57,735**
Segment assets	3,727,907	506,940	487,656	386,217	686,749	221,858	328,015	805,371	555,336	691,504	(2,008,008)	**6,389,545**
Including:Investment in an associate												**3,008**
Undistributed assets												**27,297**
Total assets												**6,416,842**
Segment liabilities	3,391,827	485,306	481,603	379,602	681,332	223,153	327,873	790,017	555,497	685,888	(2,008,008)	**5,994,090**
Undistributed liabilities												**-**
Total liabilities												**5,994,090**
Supplemental information												
Credit commitments	208,127	40,358	10,289	11,970	51,931	31,820	46,409	145,930	94,139	156,804	-	**797,777**
Depreciation and amortization	357	281	102	62	154	78	151	279	240	348	-	**2,052**
Capital expenditures	511	546	21	36	481	71	117	4,021	535	369	-	**6,708**

UNIT: RMB Million

The Group-continued												
2016												
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other region	Western region	Central region	Eliminations	Total
Operating income	76,310	14,244	3,895	5,041	6,770	5,129	6,274	14,744	11,431	13,249	-	**157,087**
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	7,318	468	115	91	32	17	28	49	50	48	-	**8,216**
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	44,601	2,341	1,828	2,687	1,684	628	2,687	4,364	632	1,957	-	**63,409**
Add:Non-operating income	67	64	12	28	23	17	34	249	42	95	-	**631**
Less:Non-operating expenses	(16)	(20)	(6)	(7)	(4)	(15)	(3)	(6)	(27)	(11)	-	**(115)**
Total profit	44,652	2,385	1,834	2,708	1,703	630	2,718	4,607	647	2,041	-	**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**

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
PICC Property and Casualty Company[1]	Incorporated Company	Beijing	148.29	Insurance services	Wu Yan
PICC 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
Fujian Tobacco Haisheng Investment Management Co., Ltd.[1]	Limited Company	Xiamen	26.47	Investment management	Lu Xiaodong
Hunan Tobacco Investment Management Co., Ltd.[1]	Limited Company	Changsha	2	Investment management	Deng Yongzhi
The People's Insurance Company (Group) of China Limited[1]	Incorporated Company	Beijing	424.24	Investment management and insurance services	Wu Yan
Fujian Company of China National Tobacco Corporation[1]	Owned by the whole people	Fuzhou	1.37	Sales of tobacco products	Zhang Yongjun
Guangdong Company of China National Tobacco Corporation[1]	Owned by the whole people	Guangzhou	1.40	Production and sales of tobacco products	Liu Yiping

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

	31/12/2017		31/12/2016	
Name of share holders	Shares Million Shares	Proportion (%)	Shares Million Shares	Proportion (%)
The Finance Bureau of Fujian Province	3,902	18.78	3,472	18.22
PICC Life Insurance Company Limited[1]	1,276	6.14	1,276	6.70
PICC Property and Casualty Company[1]	1,229	5.91	1,229	6.45
China National Tobacco Corporation[1]	1,110	5.34	614	3.22
Fujian Tobacco Haisheng Investment Management Co., Ltd.[1]	441	2.13	441	2.32
Hunan Tobacco Investment Management Co., Ltd.[1]	226	1.09	226	1.19
The People's Insurance Company (Group) of China Limited[1]	174	0.84	174	0.91
Fujian Company of China National Tobacco Corporation[1]	132	0.64	-	-
Guangdong Company of China National Tobacco Corporation[1]	99	0.48	-	-
Total	**8,589**	**41.35**	**7,432**	**39.01**

Notes: (1)Relationship between related parties: PICC Property and Casualty Company and PICC Life Insurance Company Limited are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion of shareholding is 12.89%. Fujian Tobacco Haisheng Investment Management Co., Ltd., Hunan Tobacco Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation are subsidiaries of China National Tobacco Corporation. The aggregate proportion of shareholding is 9.68%.

(2)Associates

For basic information and related information of associates refer to Note VIII, 13.

(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	2017	2016
The People's Insurance Company (Group) of China Limited and its subsidiaries	**128**	133
China National Tobacco Corporation and its subsidiaries	**25**	58
Associates	**87**	3
Other related parties	**197**	1
Total	**437**	**195**

2.2 Interest expense

UNIT: RMB Million

Related party	2017	2016
The Finance Bureau of Fujian Province and its subsidiaries	**296**	551
The People's Insurance Company (Group) of China Limited and its subsidiaries	**463**	80
China National Tobacco Corporation and its subsidiaries	**947**	1,545
Associates	**4**	6
Other related parties	**93**	34
Total	**1,803**	**2,216**

2.3 Fee and commission income

UNIT: RMB Million

Related party	2017	2016
The Finance Bureau of Fujian Province and its subsidiaries	**13**	10
The People's Insurance Company (Group) of China Limited and its subsidiaries	**14**	7
Associates	**-**	-
Others	**40**	2
Total	**67**	**19**

2.4 Fees and commission expense

UNIT: RMB Million

Related party	2017	2016
The People's Insurance Company (Group) of China Limited and its subsidiaries	**40**	**-**

2.5 General and administrative expenses-insurance

UNIT: RMB Million

Related party	2017	2016
The People's Insurance Company (Group) of China Limited and its subsidiaries	**19**	**11**

In 2017, the Bank received compensation of RMB 11 million from The people's Insurance Company (Group) of China Limited and its subsidiaries (2016: RMB 82 million).

2.6 General and administrative expenses- rental expense

UNIT: RMB Million

Related party	2017	2016
China National Tobacco Corporation and its subsidiaries	**24**	**22**

3. Unsettled amount of related party transactions

3.1 Deposits with banks

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
Other related parties	**307**	**29**

3.2 Derivative financial instruments

UNIT: RMB Million

Related party	Transaction type	31/12/2017		31/12/2016	
		Nominal amount	Assets/ Liabilities	Nominal amount	Assets/ Liabilities
The People's Insurance Company (Group) of China Limited and its subsidiaries	Interest Rate Derivative	**730**	**-**	730	(1)
Other related parties	Exchange Rate Derivative	**4,988**	**41**	16,734	(168)
Total		**5,718**	**41**	**17,464**	**(169)**

3.3 Interest receivable

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
The People's Insurance Company (Group) of China Limited and its subsidiaries	**52**	52
China National Tobacco Corporation and its subsidiaries	**-**	2
Associates	**26**	-
Other related parties	**69**	-
Total	**147**	**54**

3.4 Available-for-sale financial assets

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
Other related parties	**379**	**99**

3.5 Investments classified as receivables

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
The People's Insurance Company (Group) of China Limited and its subsidiaries	**2,400**	2,400
Associates	**5,330**	-
Other related parties	**4,488**	-
Total	**12,218**	**2,400**

3.6 Held-for-trading financial assets

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
Other related parties	**1,366**	**-**

3.7 Loans and advances to customers

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
China National Tobacco Corporation and its subsidiaries	**-**	1,600
Other related parties	**3,084**	313
Total	**3,084**	**1,913**

3.8 Deposits from banks and other financial institutions

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
Associates	**213**	423
Other related parties	**534**	3,751
Total	**747**	**4,174**

3.9 Due to customers

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
The Finance Bureau of Fujian Province and its subsidiaries	**13,409**	13,347
The People's Insurance Company (Group) of China Limited and its subsidiaries	**11,286**	10,990
China National Tobacco Corporation and its subsidiaries	**35,512**	45,043
Associates	**246**	-
Other related parties	**6,063**	263
Total	**66,516**	**69,643**

3.10 Interest payable

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
The Finance Bureau of Fujian Province and its subsidiaries	**201**	203
The People's Insurance Company (Group) of China Limited and its subsidiaries	**470**	43
China National Tobacco Corporation and its subsidiaries	**589**	928
Associates	**-**	1
Other related parties	**21**	3
Total	**1,281**	**1,178**

3.11 Credit line

UNIT: RMB Million

Related party	31/12/2017	31/12/2016
The People's Insurance Company (Group) of China Limited and its subsidiaries	**54,000**	54,000
China National Tobacco Corporation and its subsidiaries	**15,000**	15,000
Other related parties	**29,500**	-
Total	**98,500**	**69,000**

3.12 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 2,501 million and RMB 500 million (2016: RMB 1,500 million and RMB 1,622 million) respectively; the amount of bank acceptances and letters of guarantee held by other related parties are RMB 270 million and RMB 725 million (2016: RMB 0.00 and RMB 1,500 million) respectively.

4. Key management personnel remuneration

UNIT: RMB Million

	2017	2016
Salary and welfare	**17**	**15**

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 item

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	31/12/2017	31/12/2016
Credit card commitments	**208,127**	140,375
Letter of credit	**85,144**	79,402
Letters of guarantee	**120,259**	119,303
Bank acceptances	**384,247**	391,154
Total	**797,777**	**730,234**

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Authorized but not contracted for	**1**	-	**1**	-
Contracted but not paid for	**258**	2,082	**243**	2,064
Total	**259**	**2,082**	**244**	**2,064**

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Within one year	**1,945**	1,815	**1,826**	1,718
One to five years	**4,727**	3,868	**4,591**	3,737
Over five years	**1,076**	975	**1,066**	950
Total	**7,748**	**6,658**	**7,483**	**6,405**

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Bonds	**214,353**	149,137	**208,444**	147,351
Bills	**20,136**	24,037	**20,136**	24,037
Total	**234,489**	**173,174**	**228,580**	**171,388**

As at 31 December 2017 and 31 December 2016, included in 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.

(ii)At 31 December 2017, the Group and the Bank pledged RMB 2,031 million bonds to credit derivative transaction (31 December 2016: RMB 1,706 million).

5.2 Collateral accepted

At 31 December 2017, in the resale agreement, the Group and the Bank have pledged assets of RMB 0.00 (31 December 2016: RMB 3,956 million) that can be sold or transferred in other transactions when the counterparty is not in breach of the contract.

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 2017 and 31 December 2016, 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	
	31/12/2017	31/12/2016
Certificate treasury bonds and saving treasury bonds	**3,180**	**3,046**

The Group believes the Group's redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

(2) At 31 December 2017, The Group has announced but unissued bonds underwriting amount of RMB 500 million (31 December 2016: nil).

7. Fiduciary business

UNIT: RMB Million

	The Group and the Bank	
	31/12/2017	31/12/2016
Fiduciary deposits and loans	**564,990**	618,082
Fiduciary wealth management products	**1,152,282**	1,056,671
Fiduciary investments	**4,123**	**23,640**

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 refer 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				
	2017				
	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	354,595	(763)	-	-	**362,072**
Derivative financial assets	16,137	12,259	-	-	**28,396**
Available-for-sale financial assets	583,983	-	(2,531)	(598)	**502,381**
Total financial assets	**954,715**	**11,496**	**(2,531)**	**(598)**	**892,849**
Financial liabilities[(1)]	**(16,973)**	**(13,271)**	**-**	**-**	**(36,077)**

UNIT: RMB Million

	The Bank				
	2017				
	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	357,893	(231)	-	-	337,965
Derivative financial assets	16,137	12,259	-	-	28,396
Available-for-sale financial assets	589,968	-	(2,446)	(597)	515,712
Total financial assets	**963,998**	**12,028**	**(2,446)**	**(597)**	**882,073**
Financial liabilities[(1)]	**(16,938)**	**(13,251)**	**-**	**-**	**(35,239)**

(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				
	2017				
	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	17,005	-	-	-	**17,104**
Deposits with banks and other financial institutions	26,360	-	-	-	**15,632**
Placements with banks and other financial institutions	9,426	-	-	-	**13,789**
Financial assets at fair value through profit or loss	9,555	(79)	-	-	**41,418**
Derivative financial assets	9,729	(8,227)	-	-	**1,502**
Financial assets purchased under resale agreement	4,522	-	-	-	**-**
Loans and advances to customers	95,204	-	-	801	**145,478**
Available-for-sale financial assets	93,705	-	(274)	(65)	**105,884**
Investments classified as receivables	8,788	-	-	2	**23,708**
Held-to-maturity investments	7,482	-	-	-	**12,047**
Finance lease receivable	1,478	-	-	-	**1,227**
Other financial assets	1,960	-	-	-	**2,295**
Total of financial assets	**285,214**	**(8,306)**	**(274)**	**738**	**380,084**
Financial liabilities [1]	**(306,259)**	**9,953**	**-**	**-**	**463,562**

UNIT: RMB Million

	The Bank				
	2017				
	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	17,005	-	-	-	**17,104**
Deposits with from banks and other financial institutions	26,360	-	-	-	**15,632**
Placements with banks and other financial institutions	9,426	-	-	-	**14,351**
Financial assets at fair value through profit or loss	9,555	(79)	-	-	**41,418**
Derivative financial assets	9,729	(8,227)	-	-	**1,502**
Financial assets purchased under resale agreement	4,522	-	-	-	**-**
Loans and advances to customers	95,204	-	-	801	**145,478**
Available-for-sale financial assets	93,705	-	(274)	(65)	**105,884**
Investments classified as receivables	8,788	-	-	2	**23,708**
Held-to-maturity investments	7,482	-	-	-	**12,047**
Other financial assets	1,960	-	-	-	**2,295**
Total of financial assets	**283,736**	**(8,306)**	**(274)**	**738**	**379,419**
Financial liabilities (1)	**(306,259)**	**9,953**	**-**	**-**	**463,562**

(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 Assets securitization

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 consideration of transfer 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.

In 2017, included in the transferred assets, the Group transferred substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership of financial assets with carrying amount of RMB 32,903 million (2016: RMB 76,788 million) to other investors, and has derecognized such transferred financial assets. Meanwhile, the Group subscribe certain proportion of asset-backed securities. At 31 December 2017, the Group hold the aforesaid asset-backed securities of RMB 17,565 million (31 December 2016: RMB 13,111 million).

In 2017, included in the Group's transferred assets, the Group transferred substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership of finance lease receivable and investments classified as receivables with carrying amount of RMB 4,721 million (2016: RMB 3,580 million) to other investors, and has derecognized such transferred finance lease receivable and investments classified as receivables. At 31 December 2017, the Group held the aforesaid finance lease receivable and investments classified as receivables of RMB 2,939 million (31 December 2016: RMB 1,197 million) and RMB 924 million (31 December 2016: RMB 1,424 million) respectively, and received consideration of transferred assets amounting to RMB 1,867 million (31 December 2016: RMB 854 million), which are presented under " debt securities issued ".

In 2017, the Group's transferred assets include financial assets with carrying amount of RMB 14,600 million (31 December 2016: Nil), where the Group neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. At 31 December 2017, the Group continued to recognize the financial assets with carrying amount of RMB 2,101 million (31 December 2016: Nil) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Transfer of non-performing loans

In 2017, the Group disposed non-performing loans of the carrying amount amounting to RMB 5,851 million (2016: RMB 11,108 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.

3.3 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 2017 and 2016, 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			
	31/12/2017		31/12/2016	
	Bonds	Bills	Bonds	Bills
Assets carrying value	**214,353**	**20,136**	149,137	24,037
Liabilities carrying value	**209,658**	**20,136**	143,440	24,037

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 operation risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focusing on business operation as well as risk management, established pre-during-post events 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 in all the three major lines called enterprise financial line, retail financial line, investment bank and financial markets line. Each of the risk departments is responsible for the credit management in its own line, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority; meanwhile, the investment bank and financial market risk management department assigns interbank risk management and review office to the interbank business line for risk management and review and approval of the credit business of traditional interbank clients. 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 entities within advanced manufacturing, domestic consumption and livelihood sectors and national strategic emerging industries of the state. 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 completed the first comprehensive verification of internal rating. In 2017, in connection with the economic environment and the Company's actual demand of application etc., the Group optimized the non-retail rating model and established a stereoscopic rating structure which is of different clients and multi-dimension indexes and made up of 22 sub-models and promoted the ability to identify risks comprehensively. 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 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

Without considering any usable collaterals, and other credit enhancement measures, the max credit risk exposure of the Group and the Bank at balance sheet date is the sum of the carrying amounts of related financial assets (including derivative instrument and deducted equity instrument) in the balance sheet and the off-balance sheet items in Note XI 2. As at 31 December 2017, the max credit risk exposures of the Group and the Bank are RMB 6,815,370 million (31 December 2016: RMB 6,427,123 million) and RMB 6,609,727 million (31 December 2016: RMB 6,252,698 million) respectively.

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				
	31/12/2017				
	Loans and advances to customers	Inter-bank placements[(1)]	Investment[(2)]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	31,346	76	15,268	1,573	**48,263**
Allowance for impairment losses	(16,378)	(76)	(8,083)	(355)	**(24,892)**
Net value of assets	14,968	-	7,185	1,218	**23,371**
Collective assessment					
Total assets	7,308	-	-	-	**7,308**
Allowance for impairment losses	(5,154)	-	-	-	**(5,154)**
Net value of assets	2,154	-	-	-	**2,154**
Past due but not impaired:					
Total assets	9,031	1,133	1,913	3,303	**15,380**
Including:					
Within 90 days	8,951	-	1,328	789	**11,068**
90 to 360 days	80	-	480	1,239	**1,799**
360 days to 3 years	-	1,133	105	1,275	**2,513**
Collectively assessed allowance for impairment losses	(1,805)	-	(126)	(365)	**(2,296)**
Net value of assets	7,226	1,133	1,787	2,938	**13,084**
Neither past due nor impaired:					
Total assets	2,383,010	200,723	2,810,890	102,041	**5,496,664**
Collectively assessed allowance for impairment losses	(58,527)	-	(11,054)	(2,702)	**(72,283)**
Net value of assets	2,324,483	200,723	2,799,836	99,339	**5,424,381**
Total of net value of assets	**2,348,831**	**201,856**	**2,808,808**	**103,495**	**5,462,990**

UNIT: RMB Million

	The Group				
	31/12/2016				
	Loans and advances to customers	Inter-bank placements[1]	Investment[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**
Collectively assessed 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**
Collectively assessed 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 Bank			
	31/12/2017			
	Loans and advances to customers	Inter-bank placements[(1)]	Investment[(2)]	Total
Impaired:				
Individual assessment				
Total assets	31,346	76	15,238	**46,660**
Allowance for impairment losses	(16,378)	(76)	(8,065)	**(24,519)**
Net value of assets	14,968	-	7,173	**22,141**
Collective assessment				
Total assets	7,084	-	-	**7,084**
Allowance for impairment losses	(4,996)	-	-	**(4,996)**
Net value of assets	2,088	-	-	**2,088**
Past due but not impaired:				
Total assets	8,836	1,133	1,913	**11,882**
Including:				
Within 90 days	8,756	-	1,328	**10,084**
90 to 360 days	80	-	480	**560**
360 days to 3 years	-	1,133	105	**1,238**
Collectively assessed allowance for impairment losses	(1,786)	-	(126)	**(1,912)**
Net value of assets	7,050	1,133	1,787	**9,970**
Neither past due nor impaired:				
Total assets	2,375,629	192,221	2,749,819	**5,317,669**
Collectively assessed allowance for impairment losses	(58,338)	-	(11,000)	**(69,338)**
Net value of assets	2,317,291	192,221	2,738,819	**5,248,331**
Total of net value of assets	**2,341,397**	**193,354**	**2,747,779**	**5,282,530**

UNIT: RMB Million

	The Bank			
	31/12/2016			
	Loans and advances to customers	Inter-bank placements(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**
Collectively assessed 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**
Collectively assessed 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**

(1) Inter-bank placements include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

(2) Investments includes 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 2017, the fair value of collateral that related to loans past due but not impaired amounted to RMB 12,139 million (31 December 2016: RMB 17,776 million). The collateral includes land, properties, equipment and shares assets etc.

2)As at 31 December 2017, the fair value of collateral that related to loans individually assessed to be impaired amounted to RMB 26,517 million (31 December 2016: RMB 23,540 million). The collateral includes land, properties, equipment and shares assets.

3.5.2 The carrying value of foreclosed assets the Group obtained during 2017 amounted to RMB115 million (2016: RMB102 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. The Group included the rescheduled loans in the scope of key monitoring and closely tracking the changes in clients' operation and repayment ability after the reschedule so as to promote the quality and efficiency of the rescheduled loans. As at 31 December 2017, the carrying amount of rescheduled loans and advances to customers amounted to RMB 34,242 million (31 December 2016: RMB 38,954 million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB 3,377 million (31 December 2016: RMB 1,987 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					
	31/12/2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	444,872	-	-	-	21,531	**466,403**
Deposits with banks and other financial institutions	71,995	5,564	-	-	-	**77,559**
Placements with banks and other financial institutions	24,238	6,940	-	-	-	**31,178**
Financial assets at fair value through profit or loss	34,292	36,186	64,385	10,170	217,039	**362,072**
Derivative financial assets	-	-	-	-	28,396	**28,396**
Financial assets purchased under resale agreements	89,817	3,302	-	-	-	**93,119**
Loans and advances to customers	1,809,718	488,679	43,072	7,362	-	**2,348,831**
Available-for-sale financial assets	56,731	120,365	190,414	45,400	91,311	**504,221**
Investments classified as receivables	459,926	581,934	602,819	268,703	-	**1,913,382**
Finance lease receivables	100,370	2,395	593	137	-	**103,495**
Held-to-maturity investments	10,681	27,181	161,432	138,189	-	**337,483**
Other assets	17,540	1,890	166	321	43,320	**63,237**
Total financial assets	**3,120,180**	**1,274,436**	**1,062,881**	**470,282**	**401,597**	**6,329,376**
Financial liabilities:						
Borrowing from Central Bank	35,500	209,500	-	-	-	**245,000**
Deposits from banks and other financial institutions	1,140,642	305,417	-	-	-	**1,446,059**
Placements from banks and other financial institutions	171,287	16,642	-	-	-	**187,929**
Financial liabilities at fair value through profit or loss	3,685	2,040	-	-	838	**6,563**
Derivative financial liabilities	-	-	-	-	29,514	**29,514**
Financial assets sold under repurchase agreements	220,845	8,949	-	-	-	**229,794**
Due to customers	2,168,179	560,115	356,148	6	2,445	**3,086,893**
Debt securities issued	316,718	209,369	63,988	72,883	-	**662,958**
Other liabilities	-	-	-	-	71,626	**71,626**
Total financial liabilities	**4,056,856**	**1,312,032**	**420,136**	**72,889**	**104,423**	**5,966,336**
Net position	(936,676)	(37,596)	642,745	397,393	297,174	**363,040**

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 purchased 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 Bank					
	31/12/2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	444,861	-	-	-	21,531	**466,392**
Deposits with banks and other financial institutions	62,080	5,398	-	-	-	**67,478**
Placements with banks and other financial institutions	24,382	12,030	-	-	-	**36,412**
Financial assets at fair value through profit or loss	25,316	29,988	37,943	7,462	237,256	**337,965**
Derivative financial assets	-	-	-	-	28,396	**28,396**
Financial assets purchased under resale agreements	86,162	3,302	-	-	-	**89,464**
Loans and advances to customers	1,812,517	485,679	35,839	7,362	-	**2,341,397**
Available-for-sale financial assets	54,033	120,120	190,066	45,399	106,398	**516,016**
Investments classified as receivables	449,532	581,270	600,514	268,653	-	**1,899,969**
Held-to-maturity investments	10,681	27,181	161,432	138,189	-	**337,483**
Other assets	-	-	-	-	38,129	**38,129**
Total financial assets	**2,969,564**	**1,264,968**	**1,025,794**	**467,065**	**431,710**	**6,159,101**
Financial liabilities:						
Borrowing from Central Bank	35,500	209,500	-	-	-	**245,000**
Deposits from banks and other financial institutions	1,143,516	305,537	-	-	-	**1,449,053**
Placements from banks other financial institutions	68,507	16,642	-	-	-	**85,149**
Financial liabilities at fair value through profit or loss	3,685	2,040	-	-	-	**5,725**
Derivative financial liabilities	-	-	-	-	29,514	**29,514**
Financial assets sold under repurchase agreements	217,269	6,616	-	-	-	**223,885**
Due to customers	2,168,964	560,356	356,148	6	2,445	**3,087,919**
Debt securities issued	316,701	203,974	56,474	70,883	-	**648,032**
Other liabilities	-	-	-	-	53,231	**53,231**
Total financial liabilities	**3,954,142**	**1,304,665**	**412,622**	**70,889**	**85,190**	**5,827,508**
Net position	(984,578)	(39,697)	613,172	396,176	346,520	**331,593**

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 purchased 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**

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			
	31/12/2017		31/12/2016	
	Net interest income increase (decrease)	Other comprehensive income increase (decrease)	Net interest income increase (decrease)	Other comprehensive income increase (decrease)
+100 basis points	**2,446**	**(5,244)**	1,346	(5,446)
- 100 basis points	**(2,446)**	**5,522**	(1,346)	5,742

UNIT: RMB Million

	The Bank			
	31/12/2017		31/12/2016	
	Net interest income increase (decrease)	Other comprehensive income increase (decrease)	Net interest income increase (decrease)	Other comprehensive income increase (decrease)
+100 basis points	**2,711**	**(5,239)**	652	(5,437)
- 100 basis points	**(2,711)**	**5,517**	(652)	5,732

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 capital operation 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 capital operation 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			
	31/12/2017			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	449,299	16,716	388	**466,403**
Deposits with banks and other financial institutions	61,927	11,686	3,946	**77,559**
Placements with banks and other financial institutions	17,389	10,551	3,238	**31,178**
Financial assets at fair value through profit or loss	320,654	40,282	1,136	**362,072**
Derivative financial assets	26,894	980	522	**28,396**
Financial assets purchased under resale agreements	93,119	-	-	**93,119**
Loans and advances to customers	2,203,353	145,224	254	**2,348,831**
Available-for-sale financial assets	398,337	99,562	6,322	**504,221**
Investments classified as receivables	1,889,674	19,354	4,354	**1,913,382**
Finance lease receivables	102,268	1,227	-	**103,495**
Held-to-maturity investments	325,436	7,679	4,368	**337,483**
Other assets	60,942	2,049	246	**63,237**
Total financial assets	**5,949,292**	**355,310**	**24,774**	**6,329,376**
Financial liabilities:				
Borrowing from Central Bank	245,000	-	-	**245,000**
Deposits from banks and other financial institutions	1,360,795	74,865	10,399	**1,446,059**
Placements from banks and other financial institutions	117,683	59,913	10,333	**187,929**
Financial liabilities at fair value through profit or loss	1,834	4,729	-	**6,563**
Derivative financial liabilities	5,938	23,224	352	**29,514**
Financial assets sold under repurchase agreements	210,219	18,743	832	**229,794**
Due to customers	2,853,772	183,614	49,507	**3,086,893**
Debt securities issued	638,985	16,759	7,214	**662,958**
Other liabilities	68,548	2,757	321	**71,626**
Total financial liabilities	**5,502,774**	**384,604**	**78,958**	**5,966,336**
Net position	446,518	(29,294)	(54,184)	**363,040**

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 purchased 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

	The Bank			
	31/12/2017			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	449,288	16,716	388	**466,392**
Deposits with banks and other financial institutions	51,846	11,686	3,946	**67,478**
Placements with banks and other financial institutions	22,061	11,113	3,238	**36,412**
Financial assets at fair value through profit or loss	296,547	40,282	1,136	**337,965**
Derivative financial assets	26,894	980	522	**28,396**
Financial assets purchased under resale agreements	89,464	-	-	**89,464**
Loans and advances to customers	2,195,919	145,224	254	**2,341,397**
Available-for-sale financial assets	410,132	99,562	6,322	**516,016**
Investments classified as receivables	1,876,261	19,354	4,354	**1,899,969**
Held-to-maturity investments	325,436	7,679	4,368	**337,483**
Other assets	35,834	2,049	246	**38,129**
Total financial assets	**5,779,682**	**354,645**	**24,774**	**6,159,101**
Financial liabilities:				
Borrowing from Central Bank	245,000	-	-	**245,000**
Deposits from banks and other financial institutions	1,363,789	74,865	10,399	**1,449,053**
Placements from banks and other financial institutions	14,903	59,913	10,333	**85,149**
Financial liabilities at fair value through profit or loss	996	4,729	-	**5,725**
Derivative financial liabilities	5,938	23,224	352	**29,514**
Financial assets sold under repurchase agreements	204,310	18,743	832	**223,885**
Due to customers	2,854,798	183,614	49,507	**3,087,919**
Debt securities issued	624,059	16,759	7,214	**648,032**
Other liabilities	50,153	2,757	321	**53,231**
Total financial liabilities	**5,363,946**	**384,604**	**78,958**	**5,827,508**
Net position	415,736	(29,959)	(54,184)	**331,593**

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 purchased 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**

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	
	2017	2016
	Foreign exchange increase/ (decrease)	Foreign exchange increase/ (decrease)
5% appreciation	**(235)**	(2,435)
5% depreciation	**235**	2,435

UNIT: RMB Million

	The Bank	
	2017	2016
	Foreign exchange increase/ (decrease)	Foreign exchange increase/ (decrease)
5% appreciation	**(201)**	(2,362)
5% depreciation	**201**	2,362

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							
	31/12/2017							
	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	22,311	-	-	-	-	-	444,313	**466,624**
Deposits with banks and other financial institutions	53,703	17,504	907	6,708	-	-	16	**78,838**
Placements with banks and other financial institutions	-	18,207	6,202	7,113	-	-	60	**31,582**
Financial assets at fair value through profit or loss	216,630	13,293	16,055	38,291	80,958	25,664	986	**391,877**
Financial assets purchased under resale agreements	-	88,494	315	3,430	-	-	1,133	**93,372**
Loans and advances to customers	-	246,365	168,339	789,211	668,488	1,088,414	38,930	**2,999,747**
Available-for-sale financial assets	82,210	14,135	19,701	134,007	240,051	76,121	4,689	**570,914**
Investments classified as receivables	-	59,411	141,161	540,040	1,040,426	434,119	13,891	**2,229,048**
Financial lease receivables	-	2,290	6,409	26,036	71,470	10,419	3,446	**120,070**
Held-to-maturity investments	-	243	12,477	37,529	199,430	178,594	131	**428,404**
Other non-derivative financial assets	8,654	2,430	1,890	2,406	15,015	2,112	324	**32,831**
Total non-derivative financial assets:	**383,508**	**462,372**	**373,456**	**1,584,771**	**2,315,838**	**1,815,443**	**507,919**	**7,443,307**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	5,154	31,476	216,322	-	-	-	**252,952**
Deposits from banks and other financial institutions	464,357	431,095	253,602	314,982	-	-	-	**1,464,036**
Placements from banks and other financial institutions	-	139,203	32,445	16,992	-	-	-	**188,640**
Financial liabilities at fair value through profit or loss	756	1,673	2,066	2,082	81	-	-	**6,658**
Financial assets sold under repurchase agreements	-	208,957	12,841	9,026	-	-	-	**230,824**
Due to customers	1,436,517	453,409	295,874	576,424	406,982	7	-	**3,169,213**
Debt securities issued	-	112,841	186,118	224,346	101,603	84,060	-	**708,968**
Other non-derivative financial liabilities	19,981	563	749	2,379	4,332	1,890	439	**30,333**
Total non-derivative financial liabilities	**1,921,611**	**1,352,895**	**815,171**	**1,362,553**	**512,998**	**85,957**	**439**	**6,051,624**
Net position	(1,538,103)	(890,523)	(441,715)	222,218	1,802,840	1,729,486	507,480	**1,391,683**

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 purchased 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**

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 purchased 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							
	31/12/2017							
	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	22,311	-	-	-	-	-	444,302	**466,613**
Deposits with banks and other financial institutions	45,336	16,800	-	6,529	-	-	16	**68,681**
Placements with banks and other financial institutions	-	18,922	5,643	12,378	-	-	60	**37,003**
Financial assets at fair value through profit or loss	237,256	7,246	12,695	30,631	47,519	22,089	600	**358,036**
Financial assets purchased under resale agreements	-	85,104	13	3,430	-	-	1,133	**89,680**
Loans and advances to customers	-	245,587	166,947	783,227	668,380	1,088,414	38,519	**2,991,074**
Available-for-sale financial assets	106,094	8,710	18,306	130,830	233,466	76,048	3,124	**576,578**
Investments classified as receivables	-	54,953	139,896	536,113	1,036,281	434,063	13,891	**2,215,197**
Held-to-maturity investments	-	243	12,477	37,529	199,430	178,594	131	**428,404**
Other non-derivative financial assets	1,903	1,836	1,281	598	2,957	296	-	**8,871**
Total non-derivative financial assets:	**412,900**	**439,401**	**357,258**	**1,541,265**	**2,188,033**	**1,799,504**	**501,776**	**7,240,137**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	5,154	31,476	216,322	-	-	-	**252,952**
Deposits from banks and other financial institutions	466,413	431,209	254,317	315,108	-	-	-	**1,467,047**
Placements from banks and other financial institutions	-	36,423	32,445	16,992	-	-	-	**85,860**
Financial liabilities at fair value through profit or loss	-	1,673	2,066	2,082	-	-	-	**5,821**
Financial assets sold under repurchase agreements	-	205,857	11,943	6,688	-	-	-	**224,488**
Due to customers	1,437,302	306,623	295,874	712,887	406,983	7	-	**3,159,676**
Debt securities issued	-	112,841	186,001	218,405	93,134	81,545	-	**691,926**
Other non-derivative financial liabilities	10,565	450	558	1,119	510	84	-	**13,286**
Total non-derivative financial liabilities	**1,914,280**	**1,100,230**	**814,680**	**1,489,603**	**500,627**	**81,636**	**-**	**5,901,056**
Net position	(1,501,380)	(660,829)	(457,422)	51,662	1,687,406	1,717,868	501,776	**1,339,081**

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 purchased 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 from 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**

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					
	31/12/2017					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	23	30	209	591	3	**856**
Exchange rate derivatives	(661)	(1,217)	(1,744)	16	-	**(3,606)**
Other derivatives	-	223	17	31	(2)	**269**
Total	**(638)**	**(964)**	**(1,518)**	**638**	**1**	**(2,481)**

UNIT: RMB Million

	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**

(i) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives and precious metals forward with delivery precious metals. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	31/12/2017					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	327,630	226,750	378,064	19,935	-	**952,379**
- Cash outflow	(327,003)	(225,744)	(377,231)	(20,122)	-	**(950,100)**
Other derivatives						
- Cash inflow	3,659	18,053	26,794	726	-	**49,232**
- Cash outflow	(2,995)	(14,428)	(6,204)	-	-	**(23,627)**
Total	**1,291**	**4,631**	**21,423**	**539**	**-**	**27,884**

UNIT: RMB Million

	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**

5.2 Off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitment, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

UNIT: RMB Million

	The Group and the Bank							
	31/12/2017				31/12/2016			
	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	208,127	-	-	208,127	140,375	-	-	**140,375**
Letter of credit	85,048	96	-	85,144	79,091	311	-	**79,402**
Letter of guarantee	42,822	44,408	33,029	120,259	43,200	29,965	46,138	**119,303**
Bank acceptances	384,247	-	-	384,247	391,154	-	-	**391,154**
Total	**720,244**	**44,504**	**33,029**	**797,777**	**653,820**	**30,276**	**46,138**	**730,234**

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 "2016-2020 Group Development Strategy Plan" and "2016-2018 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 2017, 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 additional tailed core tier 1 capital bonds amounting RMB 26,000 million. After the capital supplementing, the Group's capital capacity was further strengthened, and risk resistance capacity and capacity of serving real economy are also further enhanced.

The Group implements capital intensive operation and management, and properly arrange and control the size of the total risk weighted assets of the whole bank, with the endogenous balance development of core tier 1 capital as the main target and on the basis of the annual business operation plan, capital retention capacity and assets and liabilities management strategies. Optimize risk-weighted asset amount allocation and governing system, and improve the evaluation on economic capital yield of each branch and subsidiary, and reasonably adjust the asset business structure, and promote harmonious development of in and off balance sheet activities.

According to related guidelines of the CBRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group promotes the implementation of new capital agreement, establishes the nearly completed first support work system and seriously implements various works, and monitors the capital adequacy of the Group and its legal person and capital application in real time. As at 31 December 2017, the net book value of the Group's core tier one capital, tier one capital and capital are RMB 391,425 million, RMB 417,360 million and RMB 526,117 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 is 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 change 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							
	31/12/2017				31/12/2016			
	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	216,627	145,445	-	**362,072**	265,802	88,793	-	**354,595**
Derivative financial assets	-	28,396	-	**28,396**	-	16,137	-	**16,137**
Available-for-sale financial assets	86,287	398,742	17,352	**502,381**	46,397	380,128	157,458	**583,983**
Total	**302,914**	**572,583**	**17,352**	**892,849**	**312,199**	**485,058**	**157,458**	**954,715**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	756	5,807	-	**6,563**	26	468	-	**494**
Derivative financial liabilities	-	29,514	-	**29,514**	-	16,479	-	**16,479**
Total	**756**	**35,321**	**-**	**36,077**	**26**	**16,947**	**-**	**16,973**

UNIT: RMB Million

	The Bank							
	31/12/2017				31/12/2016			
	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	237,256	100,709	-	**337,965**	308,246	49,647	-	**357,893**
Derivative financial assets	-	28,396	-	**28,396**	-	16,137	-	**16,137**
Available-for-sale financial assets	106,094	392,490	17,128	**515,712**	54,832	377,877	157,259	**589,968**
Total	**343,350**	**521,595**	**17,128**	**882,073**	**363,078**	**443,661**	**157,259**	**963,998**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	-	5,725	-	**5,725**	-	459	-	**459**
Derivative financial liabilities	-	29,514	-	**29,514**	-	16,479	-	**16,479**
Total	**-**	**35,239**	**-**	**35,239**	**-**	**16,938**	**-**	**16,938**

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 2017 and in 2016.

Information of Level 2:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2017	Fair value in 31/12/2016	Valuation Tech	Inputs
Financial assets:				
Debt instrument investments	540,591	467,194	Discounted cash flow method	Yield rate of bonds
Equity instrument investments	3,596	1,727	Discounted cash flow method	Weighted average capital cost
Derivative financial instruments	28,396	16,137	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**572,583**	**485,058**		
Financial liabilities:				
Debt instrument investments	5,807	468	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	29,514	16,479	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**35,321**	**16,947**		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2017	Fair value in 31/12/2016	Valuation Tech	Inputs
Financial assets:				
Debt instrument investments	493,199	427,524	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	28,396	16,137	Discounted cash flow method Option Pricing Model	Credit of counter-party Credit premium, volatility
Total	**521,595**	**443,661**		
Financial liabilities:				
Debt instrument investments	5,725	459	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	29,514	16,479	Discounted cash flow method Option Pricing Mode	Credit of counter-party Credit premium, volatility
Total	**35,239**	**16,938**		

Information of Level 3:

UNIT: RMB Million

	The Group		
	Fair value in 31/12/2017	Fair value in 31/12/2016	Value Tech
Debt instrument investment	**17,352**	157,458	Discounted cash flow method

UNIT: RMB Million

	The Bank		
	Fair value in 31/12/2017	Fair value in 31/12/2016	Value Tech
Debt instrument investment	**17,128**	157,259	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 5.30%(31 December 2016: 5.24%), 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	
	31/12/2017	31/12/2016
Opening	**157,458**	201,689
Total profit and loss	**5,873**	6,399
Interest income	**5,873**	6,399
Bought/Sold	**(40,802)**	61,034
Settle	**(99,304)**	(105,265)
Closing	**17,352**	**157,458**
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	
	31/12/2017	31/12/2016
Opening	**157,259**	201,573
Total profit and loss	**5,693**	6,287
Interest income	**5,693**	6,287
Bought/Sold	**(40,829)**	60,871
Settle	**(99,302)**	(105,185)
Closing	**17,128**	157,259
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 Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets purchased 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			
	31/12/2017		31/12/2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to customers	**2,348,831**	**2,349,228**	2,007,366	2,008,311
Held-to-maturity investments	**337,483**	**335,885**	249,828	259,596
Investments classified as receivables	**1,913,382**	**1,899,068**	2,102,801	2,096,135
Total	**4,599,696**	**4,584,181**	**4,359,995**	**4,364,042**
Financial liabilities:				
Due to customers	**3,086,893**	**3,099,828**	2,694,751	2,698,569
Debt securities issued	**662,958**	**655,928**	713,966	712,117
Total	**3,749,851**	**3,755,756**	**3,408,717**	**3,410,686**

UNIT: RMB Million

	The Bank			
	31/12/2017		31/12/2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to customers	**2,341,397**	**2,341,794**	2,002,037	2,002,980
Held-to-maturity investments	**337,483**	**335,885**	249,828	259,596
Investments classified as receivables	**1,899,969**	**1,885,655**	2,095,593	2,088,927
Total	**4,578,849**	**4,563,334**	**4,347,458**	**4,351,503**
Financial liabilities:				
Due to customers	**3,087,919**	**3,100,854**	2,694,843	2,698,661
Debt securities issued	**648,032**	**641,002**	708,224	706,374
Total	**3,735,951**	**3,741,856**	**3,403,067**	**3,405,035**

Level of financial assets and liabilities measured not by fair value on balance sheet date:

UNIT: RMB Million

	The Group			
	31/12/2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,349,228	**2,349,228**
Held-to-maturity investments	-	335,885	-	**335,885**
Investments classified as receivables	-	468,806	1,430,262	**1,899,068**
Total	**-**	**804,691**	**3,779,490**	**4,584,181**
Financial liabilities:				
Due to customers	-	3,099,828	-	**3,099,828**
Debt securities issued	-	655,928	-	**655,928**
Total	**-**	**3,755,756**	**-**	**3,755,756**

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 Bank			
	31/12/2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	**-**	2,341,794	**2,341,794**
Held-to-maturity investments	-	335,885	-	**335,885**
Investments classified as receivables	-	469,316	1,416,339	**1,885,655**
Total	-	**805,201**	**3,758,133**	**4,563,334**
Financial liabilities:				
Due to customers	-	3,100,854	-	**3,100,854**
Debt securities issued	-	641,002	-	**641,002**
Total	-	**3,741,856**	**-**	**3,741,856**

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**

Quantitative information of level 2, 3 at fair value:

UNIT: RMB Million

	The Group			
	Fair value at 31/12/2017	Fair value at 31/12/2016	Valuation Technique	Inputs
Loans and advances to customers	**2,349,228**	2,008,311	Discounted cash flow method	Default rate, loss given default,discount rate
Held-to-maturity investments	**335,885**	259,596	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**1,899,068**	2,096,135	Discounted cash flow method	Default rate, loss given default,discount rate
Due to customers	**3,099,828**	2,698,569	Discounted cash flow method	Market deposit rate
Debt securities issued	**655,928**	712,117	Discounted cash flow method	Yield rate of bonds
Total	**8,339,937**	**7,774,728**		

UNIT: RMB Million

	The Bank			
	Fair value at 31/12/2017	Fair value at 31/12/2016	Valuation Technique	Inputs
Loans and advances to customers	**2,341,794**	2,002,980	Discounted cash flow method	Default rate, loss given default,discount rate
Held-to-maturity investments	**335,885**	259,596	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**1,885,655**	2,088,927	Discounted cash flow method	Default rate, loss given default,discount rate
Due to customers	**3,100,854**	2,698,661	Discounted cash flow method	Market deposit rate
Debt securities issued	**641,002**	706,374	Discounted cash flow method	Yield rate of bonds
Total	**8,305,190**	**7,756,538**		

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

As approved by China Banking Regulatory Commission and the People's Bank of China, the Bank issued four different types of mid-term notes totaling USD 1,658 million in international capital market, including three-year fixed interest rate USD bonds of USD600 million, with issue price of the yield rate of three-year U.S. Treasury Securities plus 115 base points and coupon rate of 3.500%; five-year fixed interest rate USD bonds of USD 250 million, with issue price of 3 month LIBOR plus 105 base points; and three-year EUR variable interest rate bonds totaling EUR 250 million, with issue price of three months EURIBOR plus 75 base points.

In February 2018, the Bank increased the registered capital of the holding subsidiary CIB Fund Management Co., Ltd. by RMB 450 million. After the capital increase, the registered capital of CIB Fund Management Co., Ltd. is RMB 1,200 million.

XV. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors of the Bank on 24 April 2018.

SUPPLEMENTARY INFORMATION

YEAR 2017

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	
	2017	2016
Gains and losses on the disposal of non-current assets	**70**	27
Government grants recognised in profit or loss	**362**	340
Recovery of assets written-off in previous years	**3,544**	1,414
Net non-operating income and expenses in addition to the above	**(166)**	176
Subtotal	**3,810**	1,957
Impact on income tax expenses	**(1,053)**	(501)
Total	**2,757**	**1,456**
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**2,736**	1,451
Total non-recurring profit or loss attributable to non-controlling interests	**21**	5
Net profit attributable to ordinary shareholders of the Bank,after deduction of non-recurring profit or loss	**52,982**	51,252

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")

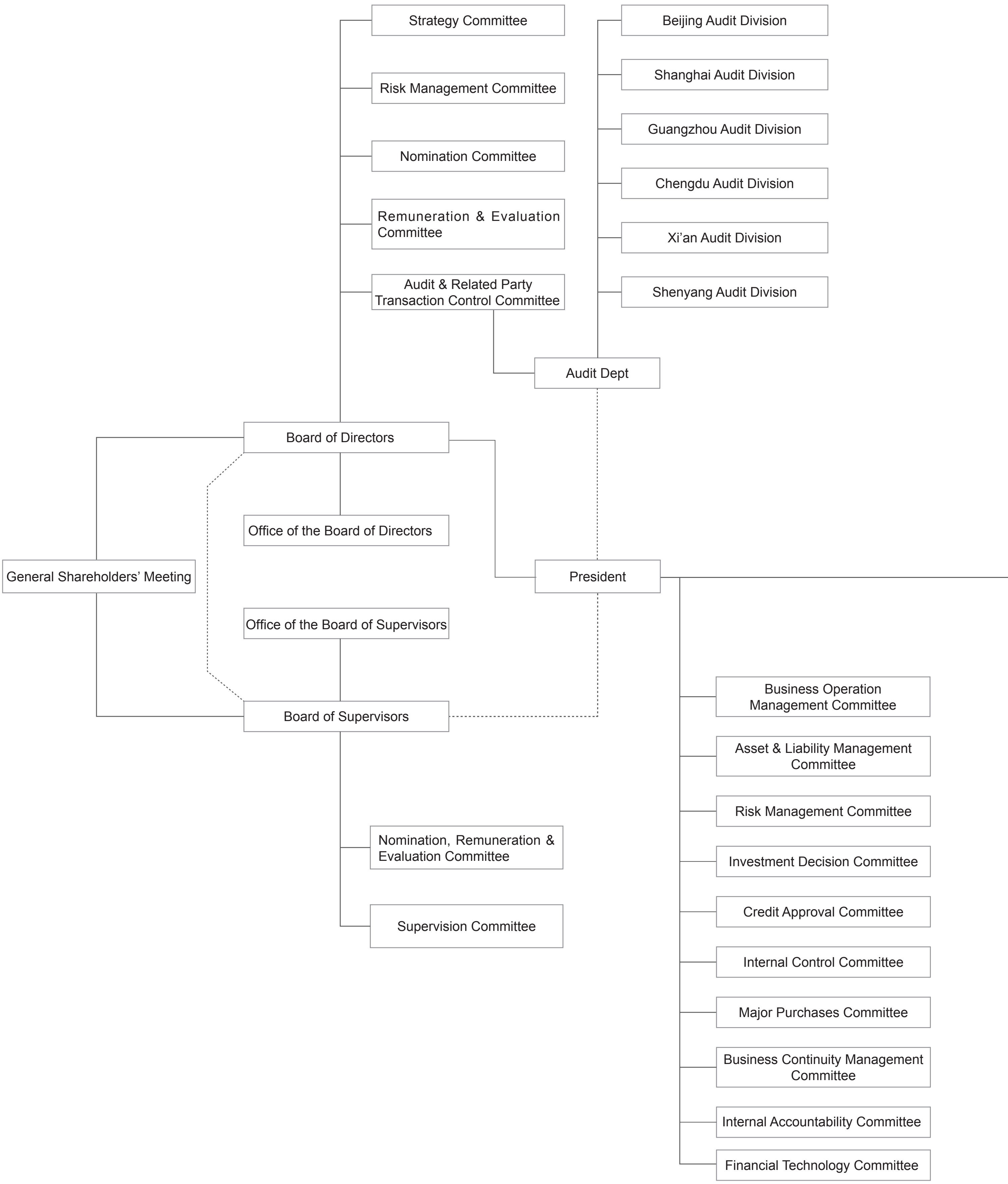
The related data is calculated in accordance with the provisions in the Rule *No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010).* In the related period, basic EPS is calculated by dividing net profit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

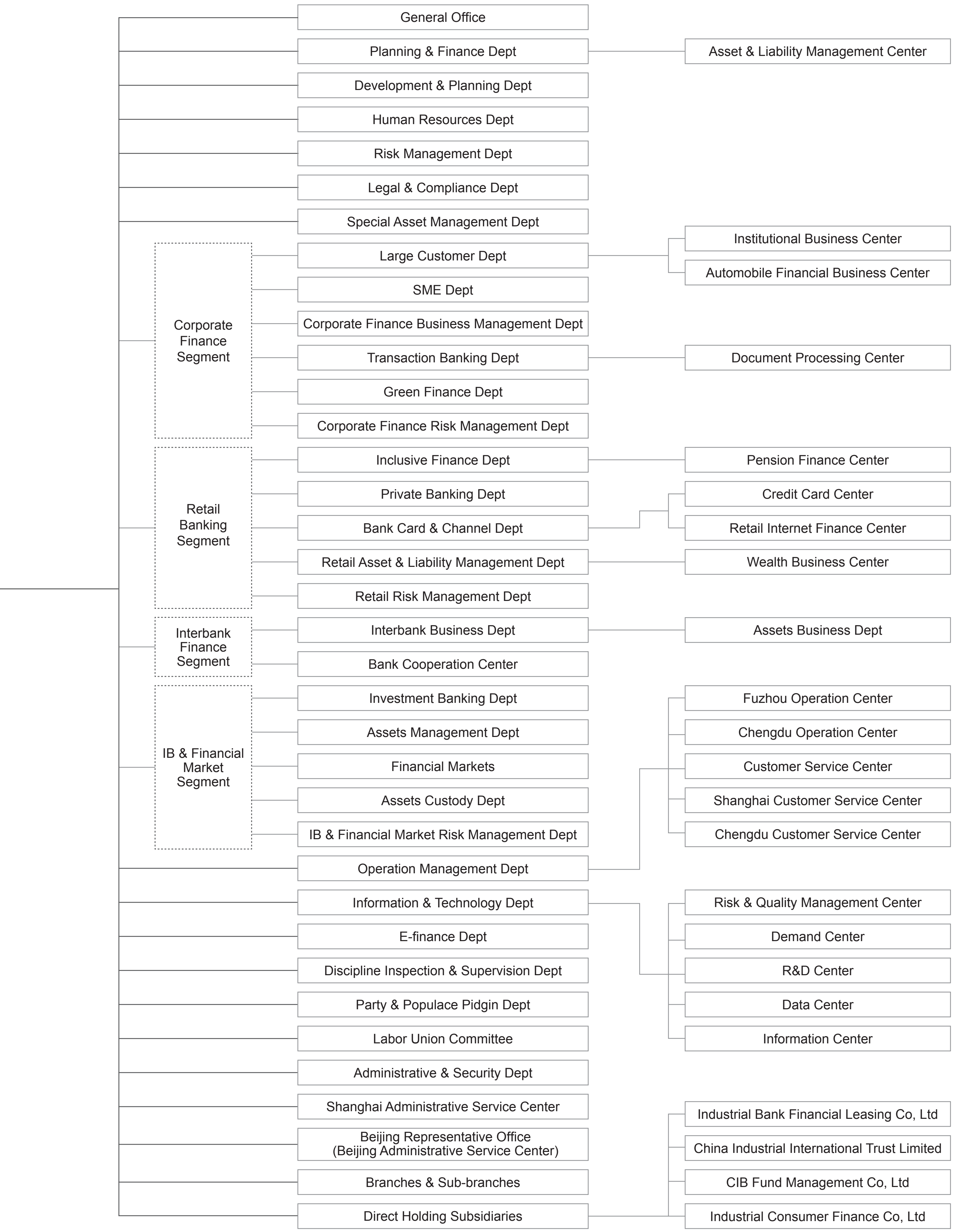
	The Group	
2017	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to ordinary shareholders of the Bank	15.35	2.74
Net profit attributable to s ordinary shareholders of the Bank,after deduction of non-recurring profit or loss	14.59	2.60

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 s ordinary shareholders of the Bank,after deduction of non-recurring profit or loss	16.80	2.69

The RMB26,000 million domestic preference shares of the Bank as 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 declared for distribution. Besides, it had no further influence on basic earnings per share and diluted earnings per share in 2017 and 2016.

The Company's Organizational Structure




General Office
Planning & Finance Dept
Asset & Liability Management Center
Development & Planning Dept
Human Resources Dept
Risk Management Dept
Legal & Compliance Dept
Special Asset Management Dept
Corporate Finance Segment
Large Customer Dept
Institutional Business Center
Automobile Financial Business Center
SME Dept
Corporate Finance Business Management Dept
Transaction Banking Dept
Document Processing Center
Green Finance Dept
Corporate Finance Risk Management Dept
Retail Banking Segment
Inclusive Finance Dept
Pension Finance Center
Private Banking Dept
Bank Card & Channel Dept
Credit Card Center
Retail Internet Finance Center
Retail Asset & Liability Management Dept
Wealth Business Center
Retail Risk Management Dept
Interbank Finance Segment
Interbank Business Dept
Assets Business Dept
Bank Cooperation Center
IB & Financial Market Segment
Investment Banking Dept
Assets Management Dept
Financial Markets
Assets Custody Dept
IB & Financial Market Risk Management Dept
Operation Management Dept
Fuzhou Operation Center
Chengdu Operation Center
Customer Service Center
Shanghai Customer Service Center
Chengdu Customer Service Center
Information & Technology Dept
Risk & Quality Management Center
Demand Center
R&D Center
Data Center
Information Center
E-finance Dept
Discipline Inspection & Supervision Dept
Party & Populace Pidgin Dept
Labor Union Committee
Administrative & Security Dept
Shanghai Administrative Service Center
Beijing Representative Office
(Beijing Administrative Service Center)
Branches & Sub-branches
Direct Holding Subsidiaries
Industrial Bank Financial Leasing Co, Ltd
China Industrial International Trust Limited
CIB Fund Management Co, Ltd
Industrial Consumer Finance Co, Ltd

This annual report is printed on PEFC certified paper.

兴业银行
INDUSTRIAL BANK CO.,LTD.

GREAT BANK LEADS TO A GREAT LIFE

Add: No. 154 Hudong Road, Fuzhou, Fujian, P.R.C
Tel: (86)591-87839338
Fax: (86)591-87842633
P. C: 350003
www.cib.com.cn