Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and has made efforts to build a “bank of the first choice of customers” while providing a comprehensive range of financial products and services to 6,271 thousand corporate customers and 567 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of promoting inclusive finance, supporting targeted poverty relief, protecting environment and resources and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it regards controlling and resolving risks as its iron law. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the strategy of mega retail, mega asset management, mega investment banking as well as international and comprehensive development, and actively embraces the internet. The Bank unswervingly delivers specialized services, and pioneered a specialized business model, thus making it “a craftsman in large banking”.

The Bank was ranked the 1st place among the Top 1000 World Banks by The Banker, ranked 1st place in the Global 2000 listed by Forbes and topped the sub-list of commercial banks of the Global 500 in Fortune for the fifth consecutive year, and took the 1st place among the Top 500 Banking Brands of Brand Finance for the second consecutive year.
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In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Articles of Association</td>
<td>The Articles of Association of Industrial and Commercial Bank of China Limited</td>
</tr>
<tr>
<td>Bank ICBC (JSC)</td>
<td>Bank ICBC (Joint stock company)</td>
</tr>
<tr>
<td>Capital Regulation</td>
<td>Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC in June 2012</td>
</tr>
<tr>
<td>CBRC</td>
<td>China Banking Regulatory Commission</td>
</tr>
<tr>
<td>CIC</td>
<td>China Investment Corporation</td>
</tr>
<tr>
<td>Company Law</td>
<td>Company Law of the People’s Republic of China</td>
</tr>
<tr>
<td>CSRC</td>
<td>China Securities Regulatory Commission</td>
</tr>
<tr>
<td>Global Systemically Important Banks</td>
<td>Banks undertaking key functions with global features in the financial markets as released by the Financial Stability Board</td>
</tr>
<tr>
<td>Hong Kong Listing Rules</td>
<td>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</td>
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<tr>
<td>Huijin</td>
<td>Central Huijin Investment Ltd.</td>
</tr>
<tr>
<td>ICBC (Almaty)</td>
<td>Industrial and Commercial Bank of China (Almaty) Joint Stock Company</td>
</tr>
<tr>
<td>ICBC (Argentina)</td>
<td>Industrial and Commercial Bank of China (Argentina) S.A.</td>
</tr>
<tr>
<td>ICBC (Asia)</td>
<td>Industrial and Commercial Bank of China (Asia) Limited</td>
</tr>
<tr>
<td>ICBC (Brasil)</td>
<td>Industrial and Commercial Bank of China (Brasil) S.A.</td>
</tr>
<tr>
<td>ICBC (Canada)</td>
<td>Industrial and Commercial Bank of China (Canada)</td>
</tr>
<tr>
<td>ICBC (Europe)</td>
<td>Industrial and Commercial Bank of China (Europe) S.A.</td>
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<td>ICBC (Indonesia)</td>
<td>PT. Bank ICBC Indonesia</td>
</tr>
<tr>
<td>ICBC (London)</td>
<td>ICBC (London) PLC</td>
</tr>
<tr>
<td>ICBC (Macau)</td>
<td>Industrial and Commercial Bank of China (Macau) Limited</td>
</tr>
<tr>
<td>ICBC (Malaysia)</td>
<td>Industrial and Commercial Bank of China (Malaysia) Berhad</td>
</tr>
<tr>
<td>ICBC (Mexico)</td>
<td>Industrial and Commercial Bank of China Mexico S.A.</td>
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<tr>
<td>ICBC (New Zealand)</td>
<td>Industrial and Commercial Bank of China (New Zealand) Limited</td>
</tr>
<tr>
<td>ICBC (Peru)</td>
<td>ICBC PERU BANK</td>
</tr>
<tr>
<td>ICBC (Thai)</td>
<td>Industrial and Commercial Bank of China (Thai) Public Company Limited</td>
</tr>
<tr>
<td>ICBC (Turkey)</td>
<td>ICBC Turkey Bank Anonim Şirketi</td>
</tr>
<tr>
<td>ICBC (USA)</td>
<td>Industrial and Commercial Bank of China (USA) NA</td>
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<td>ICBC Credit Suisse Asset Management</td>
<td>ICBC Credit Suisse Asset Management Co., Ltd.</td>
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<td>ICBC International</td>
<td>ICBC International Holdings Limited</td>
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<tr>
<td>ICBC Investment</td>
<td>ICBC Financial Asset Investment Co., Limited</td>
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<tr>
<td>ICBC Leasing</td>
<td>ICBC Financial Leasing Co., Ltd.</td>
</tr>
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<td>ICBC Standard Bank</td>
<td>ICBC Standard Bank PLC</td>
</tr>
<tr>
<td>ICBC-AXA</td>
<td>ICBC-AXA Assurance Co., Ltd.</td>
</tr>
<tr>
<td>ICBCFS</td>
<td>Industrial and Commercial Bank of China Financial Services LLC</td>
</tr>
<tr>
<td>IFRSs</td>
<td>The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance of the People’s Republic of China</td>
</tr>
<tr>
<td>PBC</td>
<td>The People’s Bank of China</td>
</tr>
<tr>
<td>PRC GAAP</td>
<td>Accounting Standards for Business Enterprises promulgated by the Ministry of Finance</td>
</tr>
<tr>
<td>Securities and Futures Ordinance of Hong Kong</td>
<td>Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)</td>
</tr>
<tr>
<td>SEHK</td>
<td>The Stock Exchange of Hong Kong Limited</td>
</tr>
<tr>
<td>SSE</td>
<td>Shanghai Stock Exchange</td>
</tr>
<tr>
<td>Standard Bank</td>
<td>Standard Bank Group Limited</td>
</tr>
<tr>
<td>State Council</td>
<td>The State Council of the People’s Republic of China</td>
</tr>
<tr>
<td>The Bank/The Group</td>
<td>Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries</td>
</tr>
</tbody>
</table>
Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2017 Annual Report of the Bank and its abstract have been considered and approved at the meeting of the Board of Directors of the Bank held on 27 March 2018. There were 16 directors eligible for attending the meeting, of whom 15 directors attended the meeting in person and 1 director by proxy, namely, Mr. Cheng Fengchao appointed Mr. Fei Zhoulin to attend the meeting and exercise the voting right on his behalf.

The 2017 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors’ reports being issued.

The Board of Directors of the Bank proposed distributing cash dividends for ordinary shares of RMB2.408 (pre-tax) for each ten shares for 2017. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2017. The Bank did not convert capital reserve to share capital.

The Board of Directors of Industrial and Commercial Bank of China Limited
27 March 2018

Mr. Yi Huiman, Legal Representative of the Bank, Mr. Gu Shu, President in charge of finance of the Bank, and Mr. Zhang Wenwu, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Annual Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank’s financial position, business performance and development. The statements are made based on existing plans, estimates and forecasts, and bear upon future external events or the Group’s future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Bank is primarily exposed to credit risk, market risk, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed “Discussion and Analysis — Risk Management” for detailed information.

(This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.)
Legal name in Chinese
中國工商銀行股份有限公司（“中國工商銀行”）

Legal name in English
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal Representative
Yi Huiman

Registered address and office address
No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588

Principal place of business in Hong Kong
33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives
Gu Shu and Guan Xueqing

Board Secretary and Company Secretary
Guan Xueqing
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected media for information disclosure

Website designated by CSRC for publication of the annual report in respect of A shares
www.sse.com.cn

The “HKEXnews” website of SEHK for publication of the annual report in respect of H shares
www.hkexnews.hk

Legal advisors
Mainland China
King & Wood Mallesons
40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong, China
Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong

Linklaters
10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars
A Share
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3/F China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

H Share
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong
Telephone: 852-28628555
Facsimile: 852-28650990

Location where copies of this annual report are kept
Board of Directors’ Office of the Bank

Place where shares are listed, and their names and codes
A Share
Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Offshore Preference Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC USD_PREF1
Stock code: 4603

Stock name: ICBC EUR_PREF1
Stock code: 4604

Stock name: ICBC CNH_PREF1-R
Stock code: 84602

Domestic Preference Share
Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Name and office address of auditors
Domestic auditors:
KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing, China
CPAs (Practicing): Song Chenyang and He Qi

International auditors:
KPMG
8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong
Financial Highlights

(Financial data and indicators in this annual report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

<table>
<thead>
<tr>
<th>Annual operating results (in RMB millions)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>522,078</td>
<td>471,846</td>
<td>507,867</td>
<td>493,522</td>
<td>443,335</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>139,625</td>
<td>144,973</td>
<td>143,391</td>
<td>132,497</td>
<td>122,326</td>
</tr>
<tr>
<td>Operating income</td>
<td>675,654</td>
<td>641,681</td>
<td>668,733</td>
<td>634,858</td>
<td>578,901</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>186,194</td>
<td>193,112</td>
<td>220,835</td>
<td>218,674</td>
<td>204,140</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>127,769</td>
<td>87,894</td>
<td>86,993</td>
<td>56,729</td>
<td>38,321</td>
</tr>
<tr>
<td>Operating profit</td>
<td>361,691</td>
<td>360,675</td>
<td>360,905</td>
<td>359,455</td>
<td>336,440</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>364,641</td>
<td>363,279</td>
<td>363,235</td>
<td>361,612</td>
<td>338,537</td>
</tr>
<tr>
<td>Net profit</td>
<td>287,451</td>
<td>279,106</td>
<td>277,720</td>
<td>276,286</td>
<td>262,965</td>
</tr>
</tbody>
</table>

Net profit attributable to equity holders of the parent company

Net cash flows from operating activities

As at the end of reporting period (in RMB millions)

| Total assets                               | 26,087,043 | 24,137,265 | 22,209,780 | 20,609,953 | 18,917,752 |
| Total loans and advances to customers      | 14,233,448 | 13,056,846 | 11,933,466 | 11,026,331 | 9,922,374  |
| Allowance for impairment losses on loans   | 340,482    | 289,512    | 280,654    | 257,581    | 240,959    |
| Investment                                | 5,756,704  | 5,481,174  | 5,009,963  | 4,433,237  | 4,322,244  |
| Total liabilities                         | 23,945,987 | 22,156,102 | 20,409,261 | 19,072,649 | 17,639,289 |
| Due to customers                          | 19,226,349 | 17,825,302 | 16,281,939 | 15,565,601 | 14,620,825 |
| Due to banks and other financial institutions | 1,706,549 | 2,016,799  | 2,265,860  | 1,539,239  | 1,269,255  |

Equity attributable to equity holders of the parent company

| Share capital                             | 356,407    | 356,407    | 356,407    | 353,495    | 351,390    |
| Net core tier 1 capital(1)                | 2,030,108  | 1,874,976  | 1,701,495  | 1,486,733  | 1,266,841  |
| Net tier 1 capital(1)                     | 2,110,060  | 1,954,770  | 1,781,062  | 1,521,233  | 1,266,859  |
| Net capital base(1)                       | 2,406,920  | 2,127,462  | 2,012,103  | 1,812,137  | 1,572,265  |
| Risk-weighted assets(1)                   | 15,902,801 | 14,564,617 | 13,216,687 | 12,475,939 | 11,982,187 |

Per share data (in RMB yuan)

| Net asset value per share(2)              | 5.73       | 5.29       | 4.80       | 4.23       | 3.63       |
| Basic earnings per share                  | 0.79       | 0.77       | 0.77       | 0.78       | 0.75       |
| Diluted earnings per share                | 0.79       | 0.77       | 0.77       | 0.78       | 0.74       |

Credit rating

| S&P(3)                                    | A         | A         | A         | A         | A         |
| Moody's(3)                                | A1        | A1        | A1        | A1        | A1        |

Notes:

(1) Calculated in accordance with the Capital Regulation.

(2) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(3) The rating results are in the form of “long-term foreign currency deposits rating”.
# Financial Highlights

## Financial Indicators

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average total</td>
<td>1.14</td>
<td>1.20</td>
<td>1.30</td>
<td>1.40</td>
<td>1.44</td>
</tr>
<tr>
<td>assets*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on weighted</td>
<td>14.35</td>
<td>15.24</td>
<td>17.10</td>
<td>19.96</td>
<td>21.92</td>
</tr>
<tr>
<td>average equity**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest spread**</td>
<td>2.10</td>
<td>2.02</td>
<td>2.30</td>
<td>2.46</td>
<td>2.40</td>
</tr>
<tr>
<td>Net interest margin**</td>
<td>2.22</td>
<td>2.16</td>
<td>2.47</td>
<td>2.66</td>
<td>2.57</td>
</tr>
<tr>
<td>Return on risk-weighted</td>
<td>1.89</td>
<td>2.01</td>
<td>2.16</td>
<td>2.26</td>
<td>2.45</td>
</tr>
<tr>
<td>assets**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of net fee and</td>
<td>20.67</td>
<td>22.59</td>
<td>21.44</td>
<td>20.87</td>
<td>21.13</td>
</tr>
<tr>
<td>commission income to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating income*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost-to-income ratio**</td>
<td>26.45</td>
<td>27.40</td>
<td>26.69</td>
<td>27.93</td>
<td>28.80</td>
</tr>
<tr>
<td><strong>Asset quality (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-performing loans (“NPL”) ratio**</td>
<td>1.55</td>
<td>1.62</td>
<td>1.50</td>
<td>1.13</td>
<td>0.94</td>
</tr>
<tr>
<td>Allowance to NPL**</td>
<td>154.07</td>
<td>136.69</td>
<td>156.34</td>
<td>206.90</td>
<td>257.19</td>
</tr>
<tr>
<td>Allowance to total loans</td>
<td>2.39</td>
<td>2.22</td>
<td>2.35</td>
<td>2.34</td>
<td>2.43</td>
</tr>
<tr>
<td>ratio**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital adequacy (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Core tier 1 capital</td>
<td>12.77</td>
<td>12.87</td>
<td>12.87</td>
<td>11.92</td>
<td>10.57</td>
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<tr>
<td>adequacy ratio**(10)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Tier 1 capital adequacy</td>
<td>13.27</td>
<td>13.42</td>
<td>13.48</td>
<td>12.19</td>
<td>10.57</td>
</tr>
<tr>
<td>ratio**(10)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**(10)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity to total</td>
<td>8.21</td>
<td>8.21</td>
<td>8.11</td>
<td>7.46</td>
<td>6.76</td>
</tr>
<tr>
<td>assets ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets to</td>
<td>60.96</td>
<td>60.34</td>
<td>59.51</td>
<td>60.53</td>
<td>63.34</td>
</tr>
<tr>
<td>total assets ratio*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:  
(1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.  
(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.  
(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.  
(4) Calculated by dividing net interest income by the average balance of interest-generating assets.  
(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.  
(6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.  
(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.  
(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.  
(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.  
(10) Calculated in accordance with the Capital Regulation.

## Quarterly Financial Data

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(In RMB millions)</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Operating income</td>
<td>168,186</td>
<td>168,553</td>
<td>169,526</td>
<td>169,389</td>
</tr>
<tr>
<td>Net profit attributable</td>
<td>75,786</td>
<td>77,209</td>
<td>75,004</td>
<td>58,050</td>
</tr>
<tr>
<td>to equity holders of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the parent company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows from</td>
<td>109,306</td>
<td>237,236</td>
<td>370,254</td>
<td>54,068</td>
</tr>
<tr>
<td>operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Chairman’s Statement

Time is the most faithful recorder. In the past year of 2017, the 19th National Congress of the Communist Party of China erected a new milestone, Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era creates a mighty force that changes China, and the new era unlocks a new journey. For ICBC, 2017 was unusual, challenging and tough, marking the first full year since the new leadership of the Bank took office. Confronted by the cumulative effects of deepening interest rates liberalization, frequent breakout of various risk events, accelerated financial disintermediation and intensified inter-bank and cross-sector competition, we kept in mind the big picture, defended the bottom line and scored achievements with innovation-guided methodologies, better management and painstaking efforts, thus delivering a brilliant “answer sheet of ICBC”.

Time is weightless. However, the past year weighed heavy as we fought with all-out efforts.

In the past year, we fulfilled our responsibility as a big bank in serving the real economy. Under the principle of co-existence and common prosperity with the real economy, we integrated the Bank’s operation with the national strategy, and provided financial services in the bigger picture of supporting the real economy and the supply-side structural reform. The Bank strengthened support for key projects and programs in the “four regions” and the “three supporting belts”. We established the Inclusive Finance Department and took active steps to support small and micro businesses, “agriculture, rural areas, and rural residents”, “mass entrepreneurship and innovation” and poverty relief. We focused on “cutting overcapacity, reducing excess inventory and deleveraging” to reduce financial resources tied up by inefficient industries and enterprises. The annual increase in credits and non-credit financing (including local government bond investments) both exceeded RMB1 trillion, achieving better support of the real economy with financial resources.

In the past year, we, as a big bank, demonstrated our strong dedication to preventing and controlling financial risk. Adopting the holistic approach to national security, we focused on both “on-balance sheet and off-balance sheet” dimensions of businesses, strengthened control at the root and took more targeted actions, playing a fundamental role in safeguarding the economic and financial security as a big bank. We took tough steps and managed loans by experts, thus seeing quarter-over-quarter improvements in all the core indicators of asset quality. NPL ratio fell by 0.07 percentage points from last year to 1.55%, while allowance to NPL rose by 17.38 percentage points to 154.07%. We attached great importance to preventing and controlling cross risks, adhered to the principles of simplicity, transparency and controllability and never overstepped the redline in cross-market innovation and the bottom line of compliance.

In the past year, we behaved in such a way as a big bank is expected to do in innovation and transformation. We actively explored and practiced the rules underlying commercial banking, pursued reform, innovation and transformation in the light of prevailing trends, created value from services and survived through competitiveness. We made sustained efforts in mega retail, mega asset management and mega investment banking strategies, progressing steadily in internationalized and diversified development with multiple growth engines. We made coordinated efforts on reforms such as market-based interest rate setting, competitiveness enhancement in major cities, optimized layout of channels and staff structure adjustment and sped up FinTech development. These reforms reinvigorated business vitality and value creativity. The Group achieved RMB287.5 billion in net profit for the year, the best in the global banking industry. The Bank saw its market capitalization going up by over 40% in 2017, distributing the largest amount of cash dividends among A-share listed companies for ten consecutive years and boasting the highest brand value in the global financial industry.

2017 marked the Bank’s successful completion of its three-year plan and an end of its first arduous long march that witnessed our hard work in the past more than 30 years, in particular, our innovative practices in the past over ten years after listing. The Bank made “five historic strides” forward, from small to big, from local to global, from the verge of technical insolvency to the center of global finance, from a pursuer in the global market to a parallel runner or even a pacemaker in some fields, and from a learner in business development and corporate governance to a creator and leader. As the world’s largest bank, the Bank is vigorously marching into a new era.
Time has no color. However, the age of striving for a new era becomes colorful as we are drawing a new blueprint of development before the new starting line.

Standing in the new historical position and time coordinates, we have summarized a ten-point philosophy and strategy of bank governance to steer our course to the new era. Namely, we uphold Party building and scientific governance as the overarching principles, remain guided by strategies, follow the rules underlying commercial banking, remain customer-centric, adhere to reform-driven development, and unify tradition and innovation. We also combine uniform and category-based guidance, adhere to recreation of the Bank through IT revolution, carry on up-to-date risk management and strict bank governance, and integrate the “people-oriented” principle throughout business development and team building.

Standing in the new historical position and time coordinates, we are striving for a critical leap development from a traditional large bank to a modernized strong bank, aiming to build a world-class and modern financial enterprise with global competitiveness by adhering to the principles of “delivering excellence, adhering to our founding mission, customers’ favourite, leading in innovation, security and prudence, and people-oriented”. That is our vision for the new era. On that basis, we also envisage a higher goal to build a sustainable century-old bank. That is, ICBC will survive the tests of market changes, technological revolutions and economic cycles, standing tall and firm and winning an ever-lasting reputation internationally in a respectable manner.

Standing in the new historical position and time coordinates, we will repack our luggage for a new journey. Guided by the new three-year plan, we will take enhancing the ability to create value as the overarching principle, take the five major strategic projects as the focus, namely, serving the real economy, serving the broadest customer base, transforming and upgrading, leading in innovation and risk control enhancement, and progress along the long march of the new era.

The soul would have no rainbow had the eyes no tears. Great achievements belong to doers, not those who wait and see. The centenary foundation and mid-term vision will never come on its own as the four seasons do. We must carry forward the spiritual heritage and make sustained efforts to break new ground while upholding the “fighter + doer” culture with the makings of “reformer + innovator”. It is the best salute to the Bank’s history of over 30 extraordinary years, and the best commemoration of China’s 40th anniversary of reform and opening up, and the best answer sheet we can deliver to this great era, and to all of our investors.

The future has come. Let us define it with hard work.

Chairman: Yi Huiman
27 March 2018
President’s Statement

President  Gu Shu
Spring brings a fresh look to everything. We are delighted to report to you on the Bank’s operating results for the previous year. In 2017, the Bank achieved a net profit of RMB287.5 billion, representing an increase of 3.0% compared with last year, and 2.5 percentage points higher than the growth rate of last year. The total net profit remained the best in the global banking industry. The profit before provision reflecting the growth of the business reached RMB492.4 billion, representing an increase of 9.1%.

Profitability is the final result and comprehensive reflection of operation and management, and its improvement mainly comes from three aspects. First, the effect of transformational innovation. The rapid emergence of new growth momentum has become the main driving force for profit growth. For example, the contribution of operating income from mega retail and the financial markets businesses continued to increase; the net profit of overseas and controlled institutions increased by 12.6%. Second, the effect of quality improvement. The NPL ratio dropped by 0.07 percentage points from the end of the previous year to 1.55%, which was the first time to achieve the “single drop” since the “double increase” of non-performing ratio and non-performing loans in 2013. Third, the effect of cost control. Net interest margin (NIM) increased by 6 basis points to 2.22% from the previous year, and the improvement of the deposit structure effectively reduced interest payment costs. The cost-to-income ratio was 26.45%, remaining at a good level among our peers.

Despite being faced with complicated contradictions and increasing risks and challenges, the Bank was able to achieve the operation results better than planned, better than the same period of previous year and better than expected, and maintained a stable and steady development trend, benefitting from always being able to maintain clear minds and strategic composure, observe the overall trend, implement practical work, and coordinate efforts to carry out initiatives such as strengthening entities, controlling risk and promoting reform.

First, the Bank improved the quality and efficiency of serving the real economy. It closely centered on development of the real economy and the supply-side structural reform, improved the investment and financing integration service mechanism and business layout, enhanced the level of financial service provision, promoted the growth of real economy in terms of “volume”, “size” and “quality”, and promoted the virtuous cycle of the real economy and business development. During the year, RMB2.8 trillion loans were extended, of which RMB1.87 trillion was recovered and re-extended; the incremental volume of non-credit financing also exceeded RMB1 trillion. The Bank served the “13th Five-Year Plan”, “four regions”, “three supporting belts” and construction of Xiong’an New Area, and stepped up its support for key projects and programs. RMB1.14 trillion of domestic project loans were extended accumulatively, increased by RMB193 billion compared with the same period last year. It recently supported 123 “Going Global” projects with total loan amount of USD33.9 billion. The Bank successfully issued the Belt and Road green bonds and led the establishment of the Belt and Road Inter-bank Regular Cooperation Mechanism. It set up the Inclusive Finance Department, and demonstrated the assumption of responsibility as a big bank in areas such as supporting small and micro businesses, “agriculture, rural areas, and rural residents”, “business startups and innovation” and poverty relief. Small and micro loans increased by 9%, completing the “three not-less-than” regulatory target, and the outstanding loans for targeted poverty relief exceeded RMB100 billion. Overcapacity was reduced steadily and orderly; excessive inventory was reduced in line with the policies of different cities; deleveraging was supported with various measures so as to better serve the fundamental task of supply-side structural reform.

Second, the Bank strictly guarded the risk bottom line and the security line. The Bank has always regarded risk prevention and control as a must-win battle. Adhering to bank governance with strict discipline and governance by experts, the Bank coordinated risk management and control of credit risks and cross risks, on-balance sheet and off-balance sheet risks, domestic and overseas risks, and incremental volume and existing volume, and strengthened and consolidated the risk management in the “high-risk period” and “deep-water area”. The overall quality of credit assets improved. “Scissors difference” between overdue and non-performing loans fell by more than 50%, and the overdue rate dropped 0.64 percentage points while the allowance to NPL soared to 154.07%. The Bank improved the full-chain, full-type and full-coverage risk management system, strictly controlled the gatekeeping of cross risks, and defined and implemented new management requirements. It solidly carried out comprehensive remediation on various types of risks, strengthened the risk elimination and remediation accountability, and essentially achieved the regulatory target of “reduction of total number of incidents year-on-year and absence of major vicious incidents or risk events”.

President’s Statement
President’s Statement

Third, the Bank focused on strengthening the growth momentum through business transformation. The Bank insisted on both transforming and upgrading the traditional momentum for growth and cultivating and expanding new growth momentum, and consolidated the profit growth framework of multi-source power and multi-point support. Benefiting from the solid customer base and active service improvement strategy, domestic RMB deposits increased by RMB1.35 trillion despite increasingly tightened social liquidity, which created the best comparable record over the past ten years among the banking sector. The mega retail strategy continued to grow with the net increase of individual customers amounting to 38.00 million, which was the highest in recent years. Among them, the number of credit card customers increased to 88.59 million, making the Bank the largest domestic credit card issuing bank. The businesses of mega asset management and mega investment banking were in line with regulatory requirements and changes in the environment, maintaining sound and stable development. Among them, income of asset management business continued to increase, nearly 1,500 branded investment banking projects were completed, and the Bank ranked first by number of merger and acquisition deals in the Asia-Pacific region for four consecutive years. The Bank steadily promoted internationalized operations and diversified development, and the overseas service network extended to 419 institutions in 45 countries and regions.

Fourth, the Bank focused on stimulating business dynamism through reform and innovation. The reform presented comprehensive development force, in-depth advancement and multi-point breakthrough. Especially in implementing reforms in areas such as liberalization of interest rates, solving difficulties of troubled banks, improving competitiveness in key cities, personnel structure adjustment and optimization of outlet layout, as well as deepening innovation in terms of resource allocation, business authorization, evaluation and assessment, risk management and control and system processes, we further enhanced the vitality and creativity at all levels and in all fields. The Bank combined the development pattern of internet technology with the nature of financial services, and focused on building the “Intelligent Banking”. The Bank accelerated the innovation in FinTech, established the Internet Finance Department, implemented the e-ICBC 3.0 strategic upgrading and established the “Seven Innovative Laboratories”, which embodied the new image of the development of internet finance.

In 2017, the Bank maintained its globally leading position in various core indicators, and ranked the 1st place among the Top 1000 World Banks by The Banker, ranked 1st place in the Global 2000 listed by Forbes and topped the sub-list of commercial banks of the Global 500 in Fortune for the fifth consecutive year, and took the 1st place among the Top 500 Banking Brands of Brand Finance for the second consecutive year.

Looking ahead to the future, 2018 is the year of challenge, as well as inspiration and hope. ICBC shall forever maintain the original commitment and craftsmanship to continuously lead the industry against the ever-changing trends. ICBC shall generate new ideas, set up new goals and secure new arrangement. Upholding the “fighter + doer” spirit, ICBC shall follow the New Long March in the New Era, consolidate and develop stable and promising operating status and continue to create value for investors and customers!

President: Gu Shu
27 March 2018
ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In 2017, the global economy recovered at a faster speed, with the developed economies including the US, Europe and Japan accelerated growth synchronously, China and India grew faster than the other emerging economies, Brazil and Russia crawled out of recession, the developed economies, typically the US, tightened their monetary policies, and a majority of the emerging markets maintained stable yet slightly loose monetary policies. International financial markets experienced significant volatility, with global stock markets rising continuously and collectively, commodity prices picking up generally, and bond markets falling in choppy trading.

In 2017, the Chinese economy registered a stable but better-than-expected performance with good momentum for growth. China’s gross domestic product (GDP), consumer price index (CPI), retail sales of consumer goods, fixed asset investment and industrial added value of above-scale enterprises rose by 6.9%, 1.6%, 10.2%, 7.2% and 6.6% respectively, while total imports and exports rose by 14.2%.

PBC implemented a prudent and neutral monetary policy, and cultivated a monetary and financial environment suitable for maintaining stable growth, making structural adjustments, promoting reform, improving living standards, deleveraging, curbing bubbles, and guarding against risks. It utilized multiple instruments to keep liquidity in basic stability, cut reserve requirement ratios of targeted financial institutions for the purpose of encouraging inclusive finance, channeled financial resources into the key fields and weak links of the economic and social development, and improved the twin-pillar control framework consisting of the monetary policy and the macro-prudential policy. The market-based RMB exchange rate formation mechanism was further improved. Efforts were made to further promote the financial institution reform, fully implement the reform package of development and policy financial institutions, and deepen the foreign exchange administration mechanism reform. Efforts were also made to promote the facilitation of trade and investment, instruct on how capital and financial projects could use foreign exchanges reasonably and compliantly, and strengthen foreign exchange monitoring, analysis and risk prevention.

Both monetary credit and social financing expanded on a steady footing in general. At the end of 2017, the M2 balance was RMB167.68 trillion, representing an increase of 8.2%. The outstanding RMB loans reached RMB120.13 trillion, representing an increase of 12.7%. The balance of RMB deposits registered RMB164.10 trillion, representing an increase of 9.0%. Social financing increased by RMB19.44 trillion in 2017. Major stock indexes rose in volatile trading, with an increase of 6.6% and 8.5% in the Shanghai Composite Index and the Shenzhen Component Index respectively. The capitalization of the free float stocks on the Shanghai and Shenzhen stock markets increased by 14.2%. The total issuance amount of various bonds in the bond market reached RMB40.8 trillion, representing an increase of 12.2%. The bond trading price saw increased fluctuations, and the yield curve of T-bonds shifted upwards on a whole. The central parity of RMB against the US dollar was RMB6.5342 at the end of 2017, representing an accumulative appreciation of 6.16% for RMB.

Asset scale of the banking industry grew steadily, with the quality of credit assets remaining stable overall. At the end of 2017, the total assets of banking financial institutions (corporate) in China were RMB252.40 trillion, representing an increase of 8.68%. The balance of NPLs of commercial banks reached RMB1.71 trillion; NPL ratio was 1.74%; allowance to NPL was 181.42%; core tier 1 capital adequacy ratio (CAR), tier 1 CAR and CAR were 10.75%, 11.35% and 13.65% respectively.

Looking ahead to 2018, US economy growth is likely to keep leading the developed markets, the European economy will possibly grow stably, the Japanese economy will be subject to certain downward pressure, and the emerging markets will remain on a faster growth track. Along with the acceleration of shift from old to new growth drivers, the Chinese economy will become more resilient. The macro policies will focus on securing the victory in the “three tough battles” against material risks, poverty and pollution, and promoting high-quality development of economy. The monetary policy will remain prudent and neutral, regulate the “head gate” of money supply properly, and maintain reasonable growth of monetary credit and social financing. Besides, China will comprehensively employ a variety of instruments, strengthen pre-adjustments and fine-tuning, stabilize fluctuations in the market, and create a stable and slightly tight liquidity environment. China will remain steadfast to the active fiscal policy while adjusting and optimizing the fiscal expenditure structure and ensuring there are sufficient supports for key fields and projects such as the battle against poverty and pollution prevention and control. The structural reform on the supply side will deepen further with an emphasis on eliminating ineffective supplies, cultivating new growth momentum, and reducing cost.
Discussion and Analysis

FINANCIAL STATEMENT ANALYSIS

Income Statement Analysis

In 2017, with a focus on serving the real economy, the Bank deepened the operational transformation to enhance vitality and strictly controlled risks. While achieving positive interaction in terms of total amount, structure and quality, the Bank steadily increased the scale of assets and liabilities, stabilized and picked up the spread and enhanced the capacity of risk offsetting. In 2017, the Bank realized a net profit of RMB287,451 million, representing an increase of RMB8,345 million or 3.0% as compared to the previous year. Return on average total assets stood at 1.14%, and return on weighted average equity was 14.35%. Operating income amounted to RMB675,654 million, representing an increase of 5.3%, of which net interest income stood at RMB522,078 million, representing a growth of 10.6%; non-interest income reported RMB153,576 million, down by 9.6%. Operating expenses amounted to RMB186,194 million, representing a decrease of 3.6%, and the cost-to-income ratio was 26.45%. Allowance for impairment losses was RMB127,769 million, representing an increase of 45.4%. Income tax expense reduced by 8.3% to RMB77,190 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>Increase/ (decrease)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>522,078</td>
<td>471,846</td>
<td>50,232</td>
<td>10.6</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>153,576</td>
<td>169,835</td>
<td>(16,259)</td>
<td>(9.6)</td>
</tr>
<tr>
<td>Operating income</td>
<td>675,654</td>
<td>641,681</td>
<td>33,973</td>
<td>5.3</td>
</tr>
<tr>
<td>Less: Operating expenses</td>
<td>186,194</td>
<td>193,112</td>
<td>(6,918)</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Less: Impairment losses</td>
<td>127,769</td>
<td>87,894</td>
<td>39,875</td>
<td>45.4</td>
</tr>
<tr>
<td>Operating profit</td>
<td>361,691</td>
<td>360,675</td>
<td>1,016</td>
<td>0.3</td>
</tr>
<tr>
<td>Shares of profits of associates and joint ventures</td>
<td>2,950</td>
<td>2,604</td>
<td>346</td>
<td>13.3</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>364,641</td>
<td>363,279</td>
<td>1,362</td>
<td>0.4</td>
</tr>
<tr>
<td>Less: Income tax expense</td>
<td>77,190</td>
<td>84,173</td>
<td>(6,983)</td>
<td>(8.3)</td>
</tr>
<tr>
<td>Net profit</td>
<td>287,451</td>
<td>279,106</td>
<td>8,345</td>
<td>3.0</td>
</tr>
<tr>
<td>Attributable to: Equity holders of the parent company</td>
<td>286,049</td>
<td>278,249</td>
<td>7,800</td>
<td>2.8</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,402</td>
<td>857</td>
<td>545</td>
<td>63.6</td>
</tr>
</tbody>
</table>
Net Interest Income

In 2017, net interest income was RMB522,078 million, RMB50,232 million or 10.6% higher than that of last year, accounting for 77.3% of the Bank’s operating income. Interest income grew by RMB70,114 million or 8.9% to RMB861,594 million and interest expenses increased by RMB19,882 million or 6.2% to RMB339,516 million. Net interest spread and interest margin came at 2.10% and 2.22%, 8 basis points and 6 basis points higher than those of the previous year, respectively.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>Notes:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td><strong>Average balance</strong></td>
<td><strong>Interest income/expense</strong></td>
<td><strong>Average yield/cost (%)</strong></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>13,535,464</td>
<td>572,688</td>
<td>4.23</td>
</tr>
<tr>
<td>Investment</td>
<td>5,135,606</td>
<td>185,181</td>
<td>3.61</td>
</tr>
<tr>
<td>Due from central banks (2)</td>
<td>3,142,370</td>
<td>48,335</td>
<td>1.54</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (3)</td>
<td>1,651,391</td>
<td>55,390</td>
<td>3.35</td>
</tr>
<tr>
<td><strong>Total interest-generating assets</strong></td>
<td><strong>23,464,831</strong></td>
<td><strong>861,594</strong></td>
<td><strong>3.67</strong></td>
</tr>
<tr>
<td>Non-interest-generating assets</td>
<td>1,788,680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>(322,769)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>24,930,742</strong></td>
<td><strong>23,259,118</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>18,335,825</td>
<td>260,956</td>
<td>1.42</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (3)</td>
<td>2,668,436</td>
<td>58,418</td>
<td>2.19</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>613,804</td>
<td>20,142</td>
<td>3.28</td>
</tr>
<tr>
<td><strong>Total interest-bearing liabilities</strong></td>
<td><strong>21,618,065</strong></td>
<td><strong>339,516</strong></td>
<td><strong>1.57</strong></td>
</tr>
<tr>
<td>Non-interest-bearing liabilities</td>
<td>1,461,336</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>23,079,401</strong></td>
<td><strong>21,360,043</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td><strong>522,078</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net interest spread</strong></td>
<td></td>
<td><strong>2.10</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net interest margin</strong></td>
<td></td>
<td><strong>2.22</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the year and that at the end of the year.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.
Discussion and Analysis

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

<table>
<thead>
<tr>
<th>Item</th>
<th>Comparison between 2017 and 2016</th>
<th>Increase/(decrease) due to</th>
<th>Net increase/(decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Volume</td>
<td>Interest rate</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td></td>
<td>37,001</td>
<td>(2,532)</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td>10,253</td>
<td>(2,370)</td>
</tr>
<tr>
<td>Due from central banks</td>
<td></td>
<td>3,365</td>
<td>292</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td></td>
<td>8,147</td>
<td>15,958</td>
</tr>
<tr>
<td>Changes in interest income</td>
<td></td>
<td>58,766</td>
<td>11,348</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td>21,672</td>
<td>(18,566)</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td></td>
<td>1,643</td>
<td>12,461</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td></td>
<td>3,037</td>
<td>(365)</td>
</tr>
<tr>
<td>Changes in interest expenses</td>
<td></td>
<td>26,352</td>
<td>(6,470)</td>
</tr>
<tr>
<td>Changes in net interest income</td>
<td></td>
<td>32,414</td>
<td>17,818</td>
</tr>
</tbody>
</table>

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB572,688 million, RMB34,469 million or 6.4% higher than those of the previous year, as affected by the increase in loans and advances to customers. Average yield of loans and advances to customers dropped by 2 basis points over the previous year.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average balance</td>
<td>Interest income</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>3,632,235</td>
<td>137,050</td>
</tr>
<tr>
<td>Medium to long-term loans</td>
<td>9,903,229</td>
<td>435,638</td>
</tr>
<tr>
<td>Total loans and advances to customers</td>
<td>13,535,464</td>
<td>572,688</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average balance</td>
<td>Interest income</td>
</tr>
<tr>
<td>Corporate loans</td>
<td>7,589,729</td>
<td>331,081</td>
</tr>
<tr>
<td>Discounted bills</td>
<td>418,935</td>
<td>16,503</td>
</tr>
<tr>
<td>Personal loans</td>
<td>4,230,587</td>
<td>182,589</td>
</tr>
<tr>
<td>Overseas business</td>
<td>1,296,213</td>
<td>42,515</td>
</tr>
<tr>
<td>Total loans and advances to customers</td>
<td>13,535,464</td>
<td>572,688</td>
</tr>
</tbody>
</table>

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average balance</td>
<td>Interest income</td>
</tr>
<tr>
<td>Corporate loans</td>
<td>7,077,009</td>
<td>323,952</td>
</tr>
<tr>
<td>Discounted bills</td>
<td>678,019</td>
<td>22,107</td>
</tr>
<tr>
<td>Personal loans</td>
<td>3,786,442</td>
<td>156,658</td>
</tr>
<tr>
<td>Overseas business</td>
<td>1,117,216</td>
<td>35,502</td>
</tr>
<tr>
<td>Total loans and advances to customers</td>
<td>12,658,686</td>
<td>538,219</td>
</tr>
</tbody>
</table>
Discussion and Analysis

Interest Income on Investment

Interest income on investment was RMB185,181 million, RMB7,883 million or 4.4% higher than that of the previous year, mainly because of the increase of the size of investment. Average yield of investment dropped by 4 basis points over the previous year.

Interest Income on Due from Central Banks

Interest income on due from central banks was RMB48,335 million, RMB3,657 million or 8.2% higher than that of the previous year, mainly because the increase in due to customers led to an increase in mandatory reserves.

Interest Income on Due from Banks and Other Financial Institutions

Interest income on due from banks and other financial institutions was RMB55,390 million, representing an increase of RMB24,105 million or 77.0% as compared to that of last year, principally due to the increase of 113 basis points in the average yield of due from banks and other financial institutions as affected by the rise of interest rates during the reporting period.

Interest Expense

Interest Expense on Deposits

Interest expense on deposits amounted to RMB260,956 million, representing an increase of RMB3,106 million or 1.2% as compared to that of last year, principally due to the expansion in the size of due to customers. The average cost of due to customers dropped by 11 basis points as a result of the repricing of deposits and changes in the maturity structure of deposits.

**ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS**

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average balance</td>
<td>Average cost (%)</td>
</tr>
<tr>
<td><strong>Corporate deposits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time deposits</td>
<td>4,052,540</td>
<td>90,893</td>
</tr>
<tr>
<td>Demand deposits(1)</td>
<td>5,494,567</td>
<td>36,989</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>9,547,107</td>
<td>127,882</td>
</tr>
<tr>
<td><strong>Personal deposits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time deposits</td>
<td>4,448,649</td>
<td>108,442</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>3,620,245</td>
<td>14,115</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>8,068,894</td>
<td>122,557</td>
</tr>
<tr>
<td><strong>Overseas business</strong></td>
<td>719,824</td>
<td>10,517</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td>18,335,825</td>
<td>260,956</td>
</tr>
</tbody>
</table>

Note: (1) Includes outward remittance and remittance payables.
Discussion and Analysis

- Interest Expense on Due to Banks and Other Financial Institutions

Interest expense on due to banks and other financial institutions was RMB58,418 million, RMB14,104 million or 31.8% higher than the previous year, principally attributable to the rise of interest rates during the reporting period which then resulted in the increase of 48 basis points in the average cost of due to banks and other financial institutions.

- Interest Expense on Debt Securities Issued

Interest expense on debt securities issued was RMB20,142 million, RMB2,672 million or 15.3% higher than that of last year, mainly due to the issuance of financial bonds and bills by overseas institutions during the reporting period. Please refer to “Note 38. to the Financial Statements: Debt Securities Issued” for the debt securities issued by the Bank.

Non-interest Income

In 2017, non-interest income was RMB153,576 million, RMB16,259 million or 9.6% lower than that of last year, accounting for 22.7% of the Bank’s operating income. Specifically, net fee and commission income dropped by 3.7% to RMB139,625 million, and other non-interest income decreased by 43.9% to RMB13,951 million.

### NET FEE AND COMMISSION INCOME

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>Increase/ (decrease)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank card business</td>
<td>38,692</td>
<td>37,670</td>
<td>1,022</td>
<td>2.7</td>
</tr>
<tr>
<td>Personal wealth management and private banking services</td>
<td>32,846</td>
<td>37,625</td>
<td>(4,779)</td>
<td>(12.7)</td>
</tr>
<tr>
<td>Settlement, clearing business and cash management</td>
<td>26,820</td>
<td>26,108</td>
<td>712</td>
<td>2.7</td>
</tr>
<tr>
<td>Investment banking business</td>
<td>23,189</td>
<td>25,024</td>
<td>(1,835)</td>
<td>(7.3)</td>
</tr>
<tr>
<td>Corporate wealth management services</td>
<td>18,984</td>
<td>20,440</td>
<td>(1,456)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Guarantee and commitment business</td>
<td>6,818</td>
<td>5,950</td>
<td>868</td>
<td>14.6</td>
</tr>
<tr>
<td>Asset custody business</td>
<td>6,731</td>
<td>6,893</td>
<td>(162)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Trust and agency services</td>
<td>1,805</td>
<td>1,907</td>
<td>(102)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Others</td>
<td>2,781</td>
<td>3,097</td>
<td>(316)</td>
<td>(10.2)</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>158,666</td>
<td>164,714</td>
<td>(6,048)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Less: Fee and commission expense</td>
<td>19,041</td>
<td>19,741</td>
<td>(700)</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>139,625</td>
<td>144,973</td>
<td>(5,348)</td>
<td>(3.7)</td>
</tr>
</tbody>
</table>

With a focus on satisfying the financial needs of consumers, the Bank continued to increase its offering of settlement business with favourable terms, actively promoted the implementation of inclusive finance, and continued to reduce fees and provide concessions to the real economy and consumers. In 2017, the Bank realized net fee and commission income of RMB139,625 million, RMB5,348 million or 3.7% lower than that of the previous year, as a result of multiple factors such as fluctuations in bonds and capital markets, regulatory oversight of insurance products and implementation of replacement of business tax with VAT during the reporting period, the yields from agency funds and insurance, private banking, investment and financing advisory, bond issuance and underwriting, corporate wealth management and other businesses witnessed a decline, while the Bank took the initiative to reduce fees and provide concessions.
OTHER NON-INTEREST RELATED GAIN

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>Increase/ (decrease)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net trading income</td>
<td>5,753</td>
<td>6,457</td>
<td>(704)</td>
<td>(10.9)</td>
</tr>
<tr>
<td>Net loss on financial assets and liabilities designated at fair value through profit or loss</td>
<td>(476)</td>
<td>(104)</td>
<td>(372)</td>
<td>N/A</td>
</tr>
<tr>
<td>Net gain on financial investments</td>
<td>2,641</td>
<td>4,545</td>
<td>(1,904)</td>
<td>(41.9)</td>
</tr>
<tr>
<td>Other operating income, net</td>
<td>6,033</td>
<td>13,964</td>
<td>(7,931)</td>
<td>(56.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,951</strong></td>
<td><strong>24,862</strong></td>
<td><strong>(10,911)</strong></td>
<td><strong>(43.9)</strong></td>
</tr>
</tbody>
</table>

Other non-interest related gain was RMB13,951 million, RMB10,911 million or 43.9% lower than that of the previous year. Specifically, the decrease in net gain on financial investments was mainly due to the decrease in spread income from available-for-sale bonds, and the decrease in other net operating income was mainly attributable to the decrease in net gain on exchange and exchange rate products and other factors.

Operating Expenses

OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>Increase/ (decrease)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>114,954</td>
<td>113,354</td>
<td>1,600</td>
<td>1.4</td>
</tr>
<tr>
<td>Premises and equipment expenses</td>
<td>27,562</td>
<td>28,414</td>
<td>(852)</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Taxes and surcharges</td>
<td>7,465</td>
<td>17,319</td>
<td>(9,854)</td>
<td>(56.9)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>2,114</td>
<td>2,059</td>
<td>55</td>
<td>2.7</td>
</tr>
<tr>
<td>Others</td>
<td>34,099</td>
<td>31,966</td>
<td>2,133</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>186,194</strong></td>
<td><strong>193,112</strong></td>
<td><strong>(6,918)</strong></td>
<td><strong>(3.6)</strong></td>
</tr>
</tbody>
</table>

The Bank continued to strengthen cost control and management and improve the structure of expenses. Operating expenses amounted to RMB186,194 million, a decrease of RMB6,918 million or 3.6% over the previous year.

Impairment Losses

In 2017, the Bank set aside an allowance for impairment losses of RMB127,769 million, an increase of RMB39,875 million or 45.4% as compared to that of last year. Specifically, the allowance for impairment losses on loans was RMB124,096 million, indicating an increase of RMB37,958 million or 44.1%. Please refer to “Note 26. to the Financial Statements: Loans and Advances to Customers” and “Note 15. to the Financial Statements: Impairment Losses on Assets Other than Loans and Advances to Customers” for details.

Income Tax Expense

Income tax expense was RMB77,190 million, RMB6,983 million or 8.3% lower than that of the previous year. The effective tax rate stood at 21.17%. Please see “Note 16. to the Financial Statements: Income Tax Expense” for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.


Segment Information

The Bank’s principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (Management of Value Accounting) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>Percentage (%)</th>
<th>2016</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>675,654</td>
<td>100.0</td>
<td>641,681</td>
<td>100.0</td>
</tr>
<tr>
<td>Corporate banking</td>
<td>332,264</td>
<td>49.2</td>
<td>314,398</td>
<td>49.0</td>
</tr>
<tr>
<td>Personal banking</td>
<td>247,919</td>
<td>36.7</td>
<td>238,133</td>
<td>37.1</td>
</tr>
<tr>
<td>Treasury operations</td>
<td>90,599</td>
<td>13.4</td>
<td>84,488</td>
<td>13.2</td>
</tr>
<tr>
<td>Others</td>
<td>4,872</td>
<td>0.7</td>
<td>4,662</td>
<td>0.7</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>364,641</td>
<td>100.0</td>
<td>363,279</td>
<td>100.0</td>
</tr>
<tr>
<td>Corporate banking</td>
<td>152,873</td>
<td>41.9</td>
<td>164,833</td>
<td>45.4</td>
</tr>
<tr>
<td>Personal banking</td>
<td>137,843</td>
<td>37.9</td>
<td>131,327</td>
<td>36.1</td>
</tr>
<tr>
<td>Treasury operations</td>
<td>72,713</td>
<td>19.9</td>
<td>66,856</td>
<td>18.4</td>
</tr>
<tr>
<td>Others</td>
<td>1,212</td>
<td>0.3</td>
<td>263</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Note: Please see “Note 53. to the Financial Statements: Segment Information” for details.

Please refer to the section headed “Discussion and Analysis — Business Overview” for the details on the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>Percentage (%)</th>
<th>2016</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>675,654</td>
<td>100.0</td>
<td>641,681</td>
<td>100.0</td>
</tr>
<tr>
<td>Head Office</td>
<td>73,787</td>
<td>10.9</td>
<td>70,265</td>
<td>11.0</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>117,132</td>
<td>17.3</td>
<td>113,430</td>
<td>17.7</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>88,516</td>
<td>13.1</td>
<td>79,974</td>
<td>12.5</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>126,006</td>
<td>18.8</td>
<td>123,491</td>
<td>19.2</td>
</tr>
<tr>
<td>Central China</td>
<td>81,341</td>
<td>12.0</td>
<td>79,703</td>
<td>12.4</td>
</tr>
<tr>
<td>Western China</td>
<td>100,795</td>
<td>14.9</td>
<td>97,032</td>
<td>15.1</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>28,632</td>
<td>4.2</td>
<td>28,451</td>
<td>4.4</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>59,445</td>
<td>8.8</td>
<td>49,335</td>
<td>7.7</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>364,641</td>
<td>100.0</td>
<td>363,279</td>
<td>100.0</td>
</tr>
<tr>
<td>Head Office</td>
<td>47,191</td>
<td>12.9</td>
<td>46,345</td>
<td>12.8</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>71,633</td>
<td>19.6</td>
<td>67,388</td>
<td>18.5</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>47,561</td>
<td>13.0</td>
<td>45,486</td>
<td>12.5</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>66,818</td>
<td>18.3</td>
<td>73,386</td>
<td>20.2</td>
</tr>
<tr>
<td>Central China</td>
<td>32,659</td>
<td>9.0</td>
<td>39,510</td>
<td>10.9</td>
</tr>
<tr>
<td>Western China</td>
<td>47,694</td>
<td>13.1</td>
<td>47,199</td>
<td>13.0</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>10,812</td>
<td>3.0</td>
<td>13,144</td>
<td>3.6</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>40,273</td>
<td>11.1</td>
<td>30,821</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Note: Please see “Note 53. to the Financial Statements: Segment Information” for details.
**Balance Sheet Analysis**

In 2017, the Bank timely adjusted its business strategy based on the external macroeconomic environment, improved the asset and liability structure, maintained coordinated development of deposit and loan business, and enhanced the efficiency of resource allocation for assets and liabilities. Taking development needs of the real economy into account, the Bank reasonably controlled the aggregate amount, direction and pace of lending. Closely monitoring the trends of the domestic and international financial markets, the Bank appropriately expanded its investment scale and optimized the structure of investment portfolios. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and refined the liability maturity structure, thereby ensuring a stable and sustainable growth of funding sources.

**Assets Deployment**

As at the end of 2017, total assets of the Bank amounted to RMB26,087,043 million, RMB1,949,778 million or 8.1% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB1,176,602 million or 9.0%, investment increased by RMB275,530 million or 5.0%, and cash and balances with central banks increased by RMB263,084 million or 7.9%.

**ASSETS DEPLOYMENT**

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (in RMB millions)</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Total loans and advances to customers</td>
<td>14,233,448</td>
<td>—</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses on loans</td>
<td>340,482</td>
<td>—</td>
</tr>
<tr>
<td>Net loans and advances to customers</td>
<td>13,892,966</td>
<td>53.2</td>
</tr>
<tr>
<td>Investment</td>
<td>5,756,704</td>
<td>22.1</td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>3,613,872</td>
<td>13.9</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>847,611</td>
<td>3.2</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>986,631</td>
<td>3.8</td>
</tr>
<tr>
<td>Others</td>
<td>989,259</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>26,087,043</strong></td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Loan**

In 2017, centered on serving the real economy and the supply-side structural reform, the Bank effectively integrated its own operations into the national strategy, and laid emphasis on improving the effectiveness and relevance of financial support economic development. The Bank also increased support for major national projects and major programs, and shouldered the responsibility as a big bank in areas such as supporting small and micro enterprises, “agriculture, rural areas, and rural residents”, “mass entrepreneurship and innovation” and poverty relief. Furthermore, the Bank actively supported the residents’ rational demands for housing financing. As at the end of 2017, total loans amounted to RMB14,233,448 million, RMB1,176,602 million or 9.0% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB12,431,326 million, RMB988,385 million or 8.6% higher than that at the end of 2016.
DISTRIBUTION OF LOANS BY BUSINESS LINE

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Corporate loans</td>
<td>8,936,864</td>
<td>62.8</td>
</tr>
<tr>
<td>Discounted bills</td>
<td>351,126</td>
<td>2.5</td>
</tr>
<tr>
<td>Personal loans</td>
<td>4,945,458</td>
<td>34.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,233,448</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Short-term corporate loans</td>
<td>2,802,542</td>
<td>31.4</td>
</tr>
<tr>
<td>Medium to long-term corporate loans</td>
<td>6,134,322</td>
<td>68.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,936,864</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Corporate loans rose by RMB796,180 million or 9.8% from the end of last year. Specifically, short-term corporate loans increased by RMB72,669 million or 2.7%; medium to long-term corporate loans increased by RMB723,511 million or 13.4%. With the continuous promotion of supply-side structural reform, the real economy was more dynamic and resilient, and showed more signs of recovery. Against such a backdrop, the demand for short-term and medium to long-term financing of enterprises both increased.

Discounted bills dropped by RMB368,867 million compared with the end of last year, mainly to meet the needs of asset-liability portfolios management and balance credit extension.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Residential mortgages</td>
<td>3,938,689</td>
<td>79.6</td>
</tr>
<tr>
<td>Personal consumption loans</td>
<td>255,783</td>
<td>5.2</td>
</tr>
<tr>
<td>Personal business loans</td>
<td>216,210</td>
<td>4.4</td>
</tr>
<tr>
<td>Credit card overdrafts</td>
<td>534,776</td>
<td>10.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,945,458</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Personal loans increased by RMB749,289 million or 17.9% than that at the end of last year. Specifically, residential mortgages grew by RMB697,851 million or 21.5%, mainly because the Bank actively supported the residents’ borrowing need for owner-occupied houses and improved housing in line with the national policy on property regulation. Personal consumption loans grew by RMB8,763 million or 3.5%, principally because the Bank grasped the opportunities brought by the development of internet-based finance. ICBC Easy Loan realized high-quality and rapid development. Credit card overdrafts increased by RMB82,737 million or 18.3%, primarily attributable to the continuous development of credit card installment business and a stable growth in the consumption volume of credit cards.

Please see “Discussion and Analysis — Risk Management” for detailed analysis of the Bank’s loans and their quality.
Investment

In 2017, in line with the development trend of financial markets, the Bank adjusted its investment strategy in a timely manner, actively supported the development of real economy and improved the efficiency and effectiveness of capital utilization. As at the end of 2017, investment amounted to RMB5,756,704 million, RMB275,530 million or 5.0% higher compared with the end of the previous year.

**INVESTMENT**

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>5,431,805</td>
<td>94.4</td>
</tr>
<tr>
<td>Bonds</td>
<td>5,373,733</td>
<td>93.4</td>
</tr>
<tr>
<td>Other debt instruments</td>
<td>58,072</td>
<td>1.0</td>
</tr>
<tr>
<td>Equity instruments and others</td>
<td>324,899</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,756,704</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Debt instruments amounted to RMB5,431,805 million, an increase of RMB235,270 million or 4.5% over the end of previous year, of which bonds increased by RMB211,708 million or 4.1%.

**DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS**

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Government bonds</td>
<td>3,286,729</td>
<td>61.2</td>
</tr>
<tr>
<td>Central bank bills</td>
<td>18,902</td>
<td>0.4</td>
</tr>
<tr>
<td>Policy bank bonds</td>
<td>996,669</td>
<td>18.5</td>
</tr>
<tr>
<td>Other bonds</td>
<td>1,071,433</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,373,733</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In terms of distribution by issuers, government bonds increased by RMB802,266 million or 32.3%; central bank bills decreased by RMB39,122 million or 67.4%; policy bank bonds went down by RMB322,781 million or 24.5%; and other bonds dropped by RMB228,655 million or 17.6%. The Bank stepped up the investment in local government bonds and treasury bonds in order to support the development of real economy, while under the influence of normal maturity of bonds and changes in the supply-demand structure of the bond market, the balances of central bank bills, policy bank bonds and other bonds declined by different extent during the reporting period.

**DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY**

<table>
<thead>
<tr>
<th>Remaining maturity</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Undated(^{(1)})</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Less than 3 months</td>
<td>281,658</td>
<td>5.2</td>
</tr>
<tr>
<td>3 to 12 months</td>
<td>561,566</td>
<td>10.5</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>2,819,961</td>
<td>52.5</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>1,710,548</td>
<td>31.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,373,733</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: \(^{(1)}\) Refers to overdue and impaired bonds.
Discussion and Analysis

**DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY**

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>Percentage (%)</th>
<th>At 31 December 2016</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB-denominated bonds</td>
<td>4,945,340</td>
<td>92.0</td>
<td>4,820,370</td>
<td>93.4</td>
</tr>
<tr>
<td>USD-denominated bonds</td>
<td>295,590</td>
<td>5.5</td>
<td>246,275</td>
<td>4.8</td>
</tr>
<tr>
<td>Other foreign currency bonds</td>
<td>132,803</td>
<td>2.5</td>
<td>95,380</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,373,733</td>
<td>100.0</td>
<td>5,162,025</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In terms of currency structure, RMB-denominated bonds rose by RMB124,970 million or 2.6%; USD-denominated bonds increased by the equivalent of RMB49,315 million or 20.0%; and other foreign currency bonds increased by an equivalent of RMB37,423 million or 39.2%. During the reporting period, the Bank balanced the risk and returns of foreign currency bond investment portfolios and timely increased the investment in foreign currency bonds.

**DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE**

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>Percentage (%)</th>
<th>At 31 December 2016</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>profit or loss</td>
<td>440,938</td>
<td>7.7</td>
<td>474,475</td>
<td>8.7</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>1,496,453</td>
<td>26.0</td>
<td>1,742,287</td>
<td>31.8</td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>3,542,184</td>
<td>61.5</td>
<td>2,973,042</td>
<td>54.2</td>
</tr>
<tr>
<td>Receivables</td>
<td>277,129</td>
<td>4.8</td>
<td>291,370</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,756,704</td>
<td>100.0</td>
<td>5,481,174</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As at the end of 2017, the Group held RMB1,425,105 million of financial bonds\(^1\), including RMB996,669 million of policy bank bonds and RMB428,436 million of bonds issued by banks and non-bank financial institutions, accounting for 69.9% and 30.1% of financial bonds, respectively.

**TOP 10 FINANCIAL BONDS HELD BY THE BANK**

<table>
<thead>
<tr>
<th>Debt securities</th>
<th>Nominal value</th>
<th>Annual interest rate</th>
<th>Maturity</th>
<th>Impairment loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy bank bonds 2008(^1)</td>
<td>15,350</td>
<td>4.95%</td>
<td>11 March 2018</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2011</td>
<td>14,001</td>
<td>4.49%</td>
<td>25 August 2018</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2012</td>
<td>11,400</td>
<td>4.04%</td>
<td>25 June 2022</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2011(^2)</td>
<td>11,375</td>
<td>4.25%</td>
<td>24 March 2018</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2010</td>
<td>11,050</td>
<td>3.51%</td>
<td>27 July 2020</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2012</td>
<td>10,580</td>
<td>3.94%</td>
<td>21 August 2019</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2011</td>
<td>10,505</td>
<td>4.62%</td>
<td>22 February 2021</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2014</td>
<td>10,410</td>
<td>5.75%</td>
<td>14 January 2019</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2012</td>
<td>10,140</td>
<td>3.76%</td>
<td>13 July 2019</td>
<td>–</td>
</tr>
<tr>
<td>Policy bank bonds 2012</td>
<td>9,770</td>
<td>4.32%</td>
<td>23 April 2019</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: (1) The bonds had been repaid on the maturity date.

\(^1\) Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bills.
Reverse Repurchase Agreements

The reverse repurchase agreements stood at RMB986,631 million, up RMB231,004 million or 30.6% from the end of last year. The increase was mainly attributed to lending to the market at proper scale on the prerequisite of ensuring the liquidity safety of the Bank itself at the end of the reporting period.

Liabilities

As at the end of 2017, total liabilities reached RMB23,945,987 million, an increase of RMB1,789,885 million or 8.1% compared with the end of last year.

<table>
<thead>
<tr>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 December 2017</strong></td>
</tr>
<tr>
<td><strong>Item</strong></td>
</tr>
<tr>
<td>Due to customers</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
</tr>
<tr>
<td>Repurchase agreements</td>
</tr>
<tr>
<td>Debt securities issued</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
</tr>
</tbody>
</table>

Due to Customers

Due to customers is the Bank’s main source of funds. As at the end of 2017, due to customers was RMB19,226,349 million, RMB1,401,047 million or 7.9% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB1,109,169 million or 11.7%; and the balance of personal deposits increased by RMB239,825 million or 2.9%. In terms of maturity structure, the balance of time deposits increased by RMB450,858 million or 5.2%, while the balance of demand deposits increased by RMB898,136 million or 10.0%.
Discussion and Analysis

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th></th>
<th>At 31 December 2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Corporate deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time deposits</td>
<td>4,487,885</td>
<td>23.3</td>
<td>4,176,834</td>
<td>23.4</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>6,069,804</td>
<td>31.6</td>
<td>5,271,686</td>
<td>29.6</td>
</tr>
<tr>
<td>Subtotal</td>
<td>10,557,689</td>
<td>54.9</td>
<td>9,448,520</td>
<td>53.0</td>
</tr>
<tr>
<td>Personal deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time deposits</td>
<td>4,559,714</td>
<td>23.7</td>
<td>4,419,907</td>
<td>24.8</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>3,820,392</td>
<td>19.9</td>
<td>3,720,374</td>
<td>20.9</td>
</tr>
<tr>
<td>Subtotal</td>
<td>8,380,106</td>
<td>43.6</td>
<td>8,140,281</td>
<td>45.7</td>
</tr>
<tr>
<td>Other deposits</td>
<td></td>
<td>1.5</td>
<td></td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>19,226,349</td>
<td>100.0</td>
<td>17,825,302</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: (1) Includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th></th>
<th>At 31 December 2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Head Office</td>
<td>60,261</td>
<td>0.3</td>
<td>69,210</td>
<td>0.4</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>3,647,025</td>
<td>19.0</td>
<td>3,456,697</td>
<td>19.4</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>2,687,969</td>
<td>14.0</td>
<td>2,397,059</td>
<td>13.4</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>5,119,148</td>
<td>26.6</td>
<td>4,795,528</td>
<td>26.9</td>
</tr>
<tr>
<td>Central China</td>
<td>2,735,523</td>
<td>14.2</td>
<td>2,561,772</td>
<td>14.4</td>
</tr>
<tr>
<td>Western China</td>
<td>3,169,147</td>
<td>16.5</td>
<td>2,881,274</td>
<td>16.2</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>1,021,205</td>
<td>5.3</td>
<td>986,703</td>
<td>5.5</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>786,071</td>
<td>4.1</td>
<td>677,059</td>
<td>3.8</td>
</tr>
<tr>
<td>Total</td>
<td>19,226,349</td>
<td>100.0</td>
<td>17,825,302</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In terms of currency structure, RMB deposits stood at RMB18,041,034 million, an increase of RMB1,318,283 million or 7.9% over the end of the previous year. The balance of foreign currency deposits was equivalent to RMB1,185,315 million, an increase of RMB82,764 million or 7.5%.

Repurchase Agreements

Repurchase agreements were RMB1,046,338 million, representing an increase of RMB457,032 million or 77.6% from the end of the previous year, mainly because the Bank appropriately adjusted the size of funds raised from the public market based on its internal and external liquidity status.
Debt Securities Issued

Debt securities issued amounted to RMB526,940 million, RMB169,003 million or 47.2% higher than that of last year, mainly due to the issuance of RMB88 billion of tier-2 capital bonds by the Bank and the issuance of debt securities by some domestic and overseas institutions during the reporting period. For details on the Bank’s debt securities issued, please refer to “Note 38. to the Financial Statements: Debt Securities Issued”.

Shareholders’ Equity

As at the end of 2017, shareholders’ equity amounted to RMB2,141,056 million in aggregate, RMB159,893 million or 8.1% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB157,740 million or 8.0% to RMB2,127,491 million. Please refer to the “Financial Statements: Consolidated Statement of Changes in Equity” for details.

For details on off-balance sheet items, please refer to “Note 48. to the Financial Statements: Commitments and Contingent Liabilities; Note 49. to the Financial Statements: Designated Funds and Loans”.

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB770,864 million, representing an increase of RMB531,643 million as compared to the previous year, mainly due to the increase of cash inflows from the increased repurchase agreements and cash inflows resulted from a decline of financial assets held for trading which resulted in cash outflows in the last year. Specifically, net cash outflows of operating assets dropped by RMB293,422 million and net cash inflows of operating liabilities grew by RMB142,744 million.

Net cash outflows from investing activities amounted to RMB489,258 million. Specifically, cash inflows were RMB2,158,683 million, representing an increase of RMB94,268 million, mainly due to the increased proceeds from the recovery of investment assets; and cash outflows were RMB2,647,941 million, representing a growth of RMB114,594 million, mainly due to the increase in cash payment generated from bond investment.

Net cash inflows from financing activities amounted to RMB81,835 million, of which, cash inflows were RMB944,746 million, mainly due to the issuance of RMB88 billion of tier-2 capital bonds by the Bank and the issuance of debt securities by some domestic and overseas institutions during the reporting period; and cash outflows were RMB862,911 million, mainly due to the repayment of debt securities.
Corporate Banking

The Bank actively supported the development of real economy, served the supply-side structural reform, and further promoted the full-spectrum corporate banking development strategy of “whole-market deployment, universal financing services, all-product coordination, omni-channel management, entire-team building, and strong linked marketing” on the basis of satisfying corporate customers’ needs, advancing both the quantity and quality of corporate banking business development.

- The optimization of corporate credit layout highlighted the financial services for the national strategies and the key fields and weak links of the real economy. The Bank actively strengthened the management of loans to industries with excess capacity, carried forward the cut of excess capacity steadily and orderly, and supported the sectors and enterprises with excess capacity in restructuring existing capacity, optimizing incremental capacity, and changing growth drivers.

- The corporate customer management and expansion was intensified in the four aspects, i.e. the “customer management mechanism, customer acquisition channel, customer loyalty enhancement, and customer experience improvement”. The Bank kept advancing the development of the corporate banking big data platform, and increased the supporting role of data for refining and intelligentizing customer expansion.

- The Bank optimized the building of the global marketing network, and constructed a basic working layer across the corporate line of all the domestic and overseas institutions and a flexible cross-border team for providing globally coordinated marketing services, composed of key business talents and experts of certain important overseas institutions to provide rapid responses to global financial services demands of customers.

- The Bank was awarded the title of the “Best Corporate Bank in China” by Global Finance for eight years in a row, and won the title of the “Best Bank for Renewable Energy” by Global Finance for the first time.

- At the end of 2017, the number of the Bank’s corporate customers increased by 487 thousand over the end of the previous year to 6,271 thousand. The balance of corporate loans reached RMB8,936,864 million, representing an increase of RMB796,180 million or 9.8% over the end of the previous year. The balance of corporate deposits hit RMB10,557,689 million, representing an increase of RMB1,109,169 million or 11.7%.

Domestic Corporate Loans by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation, storage and postal services</td>
<td>22.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>18.6%</td>
</tr>
<tr>
<td>Leasing and commercial services</td>
<td>12.1%</td>
</tr>
<tr>
<td>Production and supply of electricity, heat, gas and water</td>
<td>12.0%</td>
</tr>
<tr>
<td>Water, environment and public utility management</td>
<td>8.7%</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>7.6%</td>
</tr>
<tr>
<td>Real estate</td>
<td>6.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>3.0%</td>
</tr>
<tr>
<td>Mining</td>
<td>2.8%</td>
</tr>
<tr>
<td>Science, education, culture and sanitation</td>
<td>1.7%</td>
</tr>
<tr>
<td>Lodging and catering industry</td>
<td>1.5%</td>
</tr>
<tr>
<td>Others</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Corporate Deposits

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand Deposits</th>
<th>Time Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>89,294</td>
<td>60,698</td>
</tr>
<tr>
<td>2016</td>
<td>45,077</td>
<td>52,717</td>
</tr>
<tr>
<td>2017</td>
<td>41,768</td>
<td>60,698</td>
</tr>
</tbody>
</table>
Inclusive Finance

- With a multi-tiered, extensively-covered institutional system of inclusive finance in place, the Bank designated the Strategy Committee under the Board of Directors to take on the functions of the Inclusive Finance Development Committee, set up the Inclusive Finance Promotion Committee at the senior management and established the inclusive finance department at the branches.

- The Bank promoted the specialized business model of small and micro enterprise banking centers in an all-around way, and established 234 such centers, adopting batch-based, standardized and one-stop services mode to improve efficiency and capability.

- The Bank strengthened product innovation in reliance of internet, enriched scenario-based risk control and credit approval models, achieved online and intelligent credit review and approval, researched and developed online mortgages and online petty loan products.

- The Bank received the title of the “2017 SME Service Bank with Excellent Competitiveness” from China Business Journal.

### LOANS TO DOMESTIC SMALL (MICRO) AND MEDIUM-SIZED ENTERPRISES

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Loans to small (micro) and medium-sized enterprises</td>
<td>5,166,632</td>
<td>40.6</td>
</tr>
<tr>
<td>Medium-sized enterprises</td>
<td>2,947,049</td>
<td>23.2</td>
</tr>
<tr>
<td>Small and micro enterprises</td>
<td>2,219,583</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Notes: (1) “Percentage” refers to the proportion against domestic branch loans.

(2) Small and micro enterprises loans include loans granted to small and micro enterprises, loans to privately or individually-owned business and loans to small and micro enterprise owners.

Institutional Banking

- The Bank secured the opening of provincial accounts in 26 or 68% of the 38 central governments as well as provinces (autonomous regions or municipalities) which have commenced the pension insurance reform of governmental agencies and administrative institutions, ranked the first in the banking industry in terms of the new accounts opening for receipts and payments accounts, the special fiscal accounts and the occupational annuity fund pooling account.

- The Bank was in the first place in the banking industry in terms of the fiscal revenue and expenditure agency business, boasted the most extensive coverage and the largest volume of cross-province traffic fine payments, and was the largest investor in the local debt investment market by value.

- The Bank actively promoted interbank business and maintained its position as the No. 1 in the market of banking institutions by the financial bonds it underwrote. It had seven new domestic correspondent banks and 13 cooperative banks on the bank-to-bank platform, and signed the cooperative agreements on entrusted sales of wealth management products with 14 banking institutions. The Bank became qualified for custody of crude futures and many other businesses abroad.

Settlement and Cash Management

- The Bank actively explored the new methods of combining corporate sector with internet-based finance, actively promoted product and service innovation in a user-centric way, accelerated the development of intelligent corporate customer services, and released the “intelligent account opening” service for corporate customers. The Bank expanded the customer scale, improved customer quality and cemented customer base via such platforms as Industrial and Commercial Enterprise Link, Small and Micro Enterprise Platform, ICBC e-Payment and Large-amount Fund Flow Monitoring.
**Discussion and Analysis**

- The innovation of global cash management services enabled the business to grow fully at home and abroad. The Bank proactively provided customers with a full package of financial solutions covering six product lines, namely, account information, collection and payment, liquidity management, investment and financing and risk management, constructed a three-level services structure covering the “Head Office, regional centers, domestic and overseas institutions”, enhanced the efficiency of customer marketing and service response in all regions, developed the integrated, professional RMB and foreign-currency financial services system in which the customer demand after accessing at any point abroad can be responded to all over the globe immediately, and strongly supported the global operation and development of enterprises.

- At the end of 2017, the Bank maintained 7,489 thousand corporate settlement accounts, representing an increase of 7.6% over the end of the previous year, and the volume of settlements reached RMB2,563 trillion, up 5.5% over the previous year. The Bank maintained its leading position in the business size. There were 1,381 thousand cash management customers and 6,388 global cash management customers. The latter represented an increase by 10.8% from last year.

**International Settlement and Trade Finance**

- The Bank promoted the expansion of international business customers, and launched the special marketing campaign of “customer expansion and quality improvement” over the enterprises in the customs system. The marketing over foreign sovereign customers was strengthened so that lots of such customers selected the Bank to do their bond settlement agency, foreign exchange trading agency, asset management and asset custody business.

- Efforts were made to accelerate the online transformation and innovation, and promote the deep integration of international business with internet. The Bank sped up its development in the international business e-system, and promoted the development and rollout of the cross-border remittance project of corporate internet banking. The Bank launched the non-local presentation of documents in the Bank-Enterprise Interlink System and the SWIFT direct connection, among other functions, for key customers, which enhanced the intensive business processing efficiency and the personalized customer services capability.

- In 2017, domestic branches disbursed an aggregate of USD66,730 million in international trade finance. International settlements registered USD2.8 trillion, of which USD1.1 trillion were handled by overseas institutions.

**Investment Banking**

- The Bank expanded its merger and acquisition advisory business by successfully carrying out domestic and foreign merger and acquisition projects such as Vanke’s acquisition of the asset package of Guangdong International Trust and Investment Co., Ltd., and Anhui Zhongding Group’s acquisition of the Germany-based Tristone Flowtech.

- The Bank developed the new business models of debt financing consultation by achieving a success in various structured financing and liquidity debt financing projects, e.g. rail transport construction in Guiyang and shantytown reconstruction in Urumqi.

- The Bank conducted the equity financing advisory business, improved the operational efficiency of state-owned assets, and successfully completed a batch of equity financing projects which were significantly influential in the market for China Internet Investment Fund, CASC Guochuang Fund, Lu’an Group and Zhongyundian.

- The Bank actively developed its bond underwriting business and underwrote 1,497 domestic and overseas debt financing instruments with a total value of RMB1,293,778 million as the lead underwriter throughout 2017. The bonds which the Bank underwrote as the lead underwriter in the domestic market account for 13.26% of the market share, preserving its No. 1 position in the market.
Personal Banking

In 2017, the Bank continued to push forward the mega retail strategy, and spared no effort to promote the transformation and upgrade of retail strategy intelligently by capturing the opportunity of residents’ consumption structure upgrade and increasing demand, actively using the internet thinking, and exploring how to achieve deep integration of new technologies such as big data and artificial intelligence with traditional banking business.

- The Bank further deepened the application of big data analytical technology, continued to improve and promote the customer profile function in an all-around manner, and formed an online and offline integrated system of precise marketing with multiple contact points.
- The Bank optimized and promoted the “ICBC Cloud Manager” services, and rendered a variety of specialized financial services, e.g. information consultation, product recommendation and inquiries, to customers remotely through ways such as ICBC Link, telephone and SMS.
- The Bank continued to deepen the innovation of “ICBC Salary Manager”’s function, a payroll payment agency product, and improved the level of customer services, it released some innovative personal deposit products, e.g. “Tian Tian Hui” “Salary Premium No. 3”.
- The Bank earnestly implemented the city-specific and differentiated residential mortgages policy, developed personal loan business stably, in order to meet the residents’ demand of funding for owner-occupied houses; it innovatively developed the personal consumption loan business by releasing successively personal consumption loan for home improvement, personal cultural consumption loan, personal loan for overseas study, and comprehensive personal home mortgage consumption loan, etc.
- The Bank strengthened fund agency products and business innovation, and co-published the market’s first-ever bank-customized fund index with China Securities Index Co., Ltd., which made the Bank’s fund agency business brand more influential; it found target customers with low risk appetite in view of the yield characteristics of treasury bond products; it stepped up cooperation with insurance companies, and promoted the transformation of insurance agency business. Sales of funds, treasury bonds and personal insurance products under agency arrangement totaled RMB923.2 billion, RMB65.3 billion and RMB136.4 billion respectively in 2017.
- At the end of 2017, personal financial assets totaled RMB13.0 trillion, representing an increase of RMB781.7 billion compared with the end of last year. Meanwhile, the Bank had 567 million personal customers, including 12.26 million personal loan customers, representing an increase of 37.58 million and 0.93 million respectively. The personal loans stood at RMB4,945,458 million, representing an increase of RMB749,289 million or 17.9%. The personal deposits arrived at RMB8,380,106 million, representing an increase of RMB239,825 million or 2.9%.

Private Banking

- Accelerated innovation in wealth management products independently developed by the private banking segment, released product as Lucky Bag series and Absolute Win series.
- Private banking business of overseas institutions experienced sustained growth, and were able to provide green account opening, asset allocation, credit facility and value-added services for customers in 21 overseas countries and regions. ICBC (Asia) and ICBC (Macau) increased their private banking customers to more than 1,000 successively.
- At the end of 2017, the Bank maintained 75,500 private banking customers, representing an increase of 5,431 or 7.7% from the end of the previous year. Assets under management amounted to RMB1.34 trillion, growing by RMB8239,825 million or 2.9%.
Discussion and Analysis

Bank Card Business

- The Bank earnestly implemented the account classification requirement, accelerated the transformation of mobile payment products, expanded the benefits of cards, and further enhanced payment security. The debit card business development was sound and good.
- The Bank successively released a series of new credit card products such as Tuniu Card, Constellation Card, Fighting Card, Car Lover Plus Card, Minions Card, Military Spirit Card and Teacher Card, which featured with precise positioning and diversified benefits.
- The Bank introduced “ICBC Easy Loan”, a purely credit-based online personal consumption loan product, which disbursed loans of RMB98,315 million accumulatively in 2017. The “ICBC Easy Loan” won the “Top 10 Internet Financial Products: Innovation Award” granted by The Chinese Banker.
- At the end of 2017, the Bank issued 908 million bank cards, representing an increase of 80.96 million cards compared with the end of the previous year. Among which, 765 million debit cards and 143 million credit cards were issued. Overdraft balance of credit cards rose by RMB82,737 million or 18.3% from the end of previous year to RMB534,776 million. In 2017, bank cards registered a consumption volume of RMB6.7 trillion, including RMB4.3 trillion of spending with debit cards and RMB2.4 trillion of spending with credit cards.

Asset Management Services

Seizing the opportunities arising from customers’ wealth increase and capital market growth, the Bank made efforts to establish a mega asset management business system across the whole value chain and leveraged its strength of the Group’s asset management, custody, pension businesses, and the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing and investment banking. Thus, the Bank rendered diversified and integrated professional services for its customers.

Wealth Management Services

- The Bank kept expanding the product lines of personal wealth management, innovatively rolled out “An Xiang Chang Ying”, “Xin An Li De”, “Cai Xin Tong”, etc. wealth management products, to give more choices to customers to satisfy their differentiated needs in investment cycle.
- The Bank developed wealth management services for corporate customers to serve the real economy and prevent and control financial risks. It launched “e-Moneylink” and “Free e” wealth management products for cash management targeted at medium, small and micro enterprises, improved the transaction interface on the internet banking, mobile banking and the financial service platform for small and micro enterprises to render better customer experience in wealth management services and to increase transaction efficiency. It also enhanced its capacity in preventing and controlling business risks with new technologies, and rolled out online verification services for product authenticity in an effort to safeguard customers’ funds security.
- ICBC Asset Management (Global) officially opened, which becomes the center in investment research, products, sales and risk control for ICBC’s global asset management business development.
- At the end of 2017, the balance of stock wealth management products increased by 11.4% compared with last year to RMB3,012,084 million, remaining the largest in the industry.

Asset Custody Services

- The Bank had developed a sound asset custody product and service system, and remained a market leader in respect of custody products, e.g. securities investment funds, insurance, banking wealth management, enterprise annuities, special fund accounts and global asset custody.
- The Bank successfully became the custodian of the first public FOF fund in the market, obtained the custody qualification for the first domestic occupational annuity fund pooling account and the entrustment of custodianship from International Monetary Fund QFII, INVESCO and Fidelity’s domestic WFOE privately offered funds.
- At the end of 2017, total net value of assets under the Bank’s custody amounted to RMB15.5 trillion.
Pension Services

- Relying on its advantages in diversified operation, the Bank constantly improved its pension services system which covered enterprise annuity, occupational annuity, social security fund, comprehensive pension security fund of enterprises and public institutions, individual pension and other fields.
- The Bank won the bid for the first national occupational annuity contract and 181 bids for enterprise annuity contracts, and renewed enterprise annuity contracts with a number of key customers.
- At the end of 2017, the pension funds under the Bank’s trusteeship amounted to RMB107.9 billion; the Bank managed 17.30 million individual pension accounts, and the pension funds under the Bank’s custody totaled RMB501.6 billion. The Bank led other banks in terms of the scale of enterprise annuity funds under the Bank’s trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank’s custody.

Financial Market Business

Money Market Activities

- On the RMB money market, while making active efforts in protecting its liquidity safety, the Bank reasonably arranged the lending scale to banking and non-banking financial institutions to enhance the fund use efficiency; it also vigorously developed bond lending business and put existing bonds to good use, thereby realising increase in both scale and returns.
- On the foreign-currency money market, the Bank endeavoured to generate more returns from fund operations, and increased the proportion of domestic inter-bank lending and borrowing whose returns are relatively higher; it further diversified its business products system, and engaged in the lending of highly-liquid USD-denominated bonds; it also actively tapped the non-banking inter-bank customers with controllable risk and relatively high returns.
- In 2017, domestic trading amount in the inter-bank market was RMB26.23 trillion, of which lending amounted to RMB18.58 trillion. The transaction volume in foreign-currency money markets recorded USD780.2 billion.

Investment

- With respect to investment in RMB bonds, the Bank, following the trend of market interest rate, scientifically formulated investment strategies, made unified arrangement for investment progress and pace, and improved the structure of underlying assets in investment; it also enlarged investment in government bonds and treasury bonds which occupy less economic capital, and actively supported the real economic development.
- With respect to investment in foreign currency bonds, against the higher cost of foreign currency funds and the narrower net interest margin of bond portfolio as a result of interest rate hikes by the U.S. Federal Reserve, the Bank stepped up active management of foreign currency bond portfolio, increased frequency of band operations and added spread earnings; it achieved significant development in the market making of foreign currency bonds, and served 44 Chinese inter-bank institutions, markedly enhancing the Bank’s influence in inter-bank foreign currency bond market.

Financing

- In line with its fund operation and liquidity management needs, the Bank rationally arranged the scale and structure of its active liabilities including inter-bank borrowing from the inter-bank market, short-term time deposits with other banks and large-value CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- For details on the Bank’s CDs and debt securities issued, please refer to “Notes to the Financial Statements: 36. Certificates of Deposit; 38. Debt Securities Issued”.
Discussion and Analysis

Franchise Treasury Business

- The Bank’s franchise foreign exchange settlement and sales business focused on serving the real economy, especially helping exporters handle the foreign settlement and sales in goods trading. The volume of franchise foreign exchange settlement and sales hit USD422.8 billion in 2017.

- The Bank achieved steady development in foreign exchange trading business, and further consolidated its leading advantages in the money business in the Belt and Road and emerging markets. The volume of franchise foreign exchange trading stood at USD203.4 billion in 2017.

- The Bank was among the first in the banks to roll out the paper base metals and paper agricultural products non-stop trading products. It realized non-stop trading of all the paper products, and satisfied customers’ demands in investing in paper products for a long term, thus cementing the Bank’s market advantages in the Bank’s paper trading products. The paper trading amounted to RMB411.0 billion in 2017.

- The Bank provided customers with financial services on the basis of foreign exchange rate and interest rate risk management. In 2017, the volume of franchise foreign-currency derivatives transactions reached USD30.3 billion, increased by 77.9% compared with last year. The Bank was awarded the 2017 “House of the Year in China” by Asia Risk thanks to its eminent role in RMB internationalisation and promoting the building of derivative market in China.

- The Bank made great efforts in expanding the overseas institutional customers in franchise trading business, and established franchise trading cooperative relationships with 127 institutional customers from 36 countries and regions in the world; it also made steady progress in innovating the counter-based bond business by distributing the first-tranche of special bonds for remote relocation for poverty relief and the first green bonds for “Yangtze River watershed management” to investors in counter market, to give a hand in implementing the national strategies for poverty relief and green development.

Asset Securitization Business

- The Bank reinforced the asset securitization based on the actual conditions of business development. In 2017, the Bank issued seven tranches of securitization programs totaling RMB46,565 million. Among them, two tranches were non-performing credit card loans programs and two non-performing personal loans programs, and these programs helped the Bank with its NPL disposal and the improvement and adjustment of its credit structure; the Bank issued three tranches of residential mortgage securitization programs, thereby effectively supporting the new demands for residential loans.

Precious Metal Business

- The Bank made active efforts in adapting to market changes, accelerated the innovation in physical products, launched physical products crafted with new techniques and with affordable luxury theme, and sped up the building of supporting logistics system to satisfy the customer’s consumption demands for physical products with diversified themes, timely delivery and convenient services and enhance their consumption experience.

- The Bank promoted the integrated development of online and offline sale of physical products. The sales volume of physical products in “ICBC Precious Metal Flagship Store” under ICBC Mall increased over 100% from last year; it opened “ICBC Precious Metal Flagship Store” on JD. com, bringing precious metal physical products on sale on other e-commerce platform for the first time.

- The Bank conducted the financing for goods with gold prudently, which met demands of customers from the precious metal industry chain and actively supported the transformation, upgrade and development of the industry.

- The Bank sped up the internationalized development of precious metal business, set the gold benchmark price at the London Intercontinental Exchange (ICE), and engaged in the ICE price setting for over 500 times, thus accumulating its experience as market maker in the main international gold market and improving its influence internationally.

- In 2017, the sum of precious metal business transactions was RMB1.60 trillion. The Bank cleared RMB466.6 billion on behalf of the Shanghai Gold Exchange, up 14.8% from last year.
Internet-based Finance

The Bank advanced its e-ICBC 3.0 internet-based finance development strategies on all fronts, played a guiding role in leading innovation, upgraded and improved the overall architecture of internet-based finance with the information platform, open platform and service platform ICBC Link, online intelligent financial transaction service platform ICBC Mobile and integrated e-commerce and financial platform ICBC Mall as the main pillars and covering financial services, e-commerce, payment and social life. The Bank continued to render better customer experience, improved its risk prevention and control system to inject new vigor into the business transformation of the Bank.

ICBC Mall

- The Bank delivered better customer experience on the mobile clients of ICBC Mall, and developed the functions exclusive to the mobile client, including red packets sharing, fingerprint login, new mobile-client air ticket channel and sharing to social platforms.
- The Bank rolled out asset transaction platform, commodity matchmaking platform, travel mall, refueling and top-up, auto mall, wealth management product mall and other special platforms.
- The Bank created special business financing scenarios, and achieved new breakthroughs in public welfare and poverty relief, green and health, intelligent life, commodities, etc.
- The Bank signed contracts with 943 quality green food enterprises, a move enabling ICBC Mall to cover nearly all the green food enterprises with e-commerce operation and service capacity in China. Thus ICBC Mall became one of the most authoritative e-commerce platforms with the most comprehensive ranges of green food.
- In 2017, ICBC Mall achieved an accumulative transaction amount of RMB1.03 trillion.

ICBC Link

- The Bank rolled out “I’m right here at ICBC” annual statement big data portrait product, to leverage the big data’s advantages to offer value-added information services.
- The Bank established an integrated service platform, and went live group messaging tool, all-channel service assessment, private banking statement, paper precious metal transfer and other important functions to assist customer managers in giving better services.
- The Bank rolled out service public accounts covering 2,550 scenarios, and provided various convenient services such as UCAR, ofo bike sharing, umbrella sharing, payment of traffic fines, ETC travel fee-deduction notice, social security payment, campus card top-up and payment by scanning QR on VEM.
- At the end of 2017, ICBC Link had 114 million registered users.
Discussion and Analysis

ICBC Mobile

- The Bank launched the fingerprint and face scanning login and payment functions, and one-key transfer, QR code scanning login on internet banking, inquiry without login and other products and services.
- With professional security as the goal, the Bank rolled out the Mobile Banking Security Center, featuring online security check, account security lock and other functions. Thus active, intelligent, scenario-based and visible security service experience can be provided.
- The new version of corporate internet banking achieved the comprehensive upgrade in transaction procedure streamlining, convenient operation and friendly interaction by launching customized frequently-used functions, simplified menu, intelligent search and other functions.
- At the end of 2017, the number of ICBC Mobile customers reached 282 million.

Internet Financing

- The Bank adopted the whole-industry-chain financing model, extended the financing services to the end of industries, and met the financing demands of suppliers, dealers and the end individual customers.
- The Bank innovatively launched the financing product pledged with the assets in the online bill pool, further expanded the types of pledge for online pledge by corporate customers, and improved the functions in the internet financing system.
- At the end of 2017, internet financing balance exceeded RMB840 billion.

Payment

- The Bank rolled out the first QR code payment product in the banking industry, covering catering, shopping, express delivery and other small-amount payment scenarios. It also cooperated with Beijing and Wuhan subway groups on mobile payment, making it the first commercial bank in China that supports paying for subway ride by scanning QR code on mobile phone.
- The payment scenarios of “ICBC e-Payment” further expanded, covering scenarios such as payment of water, electricity, gas and heating bills and social security, thus making customers’ lives more convenient.
- The Bank is the first in the banking industry to launch a 7x24-trading wealth management product for corporate customers, “Corporate e-Moneylink”, on which corporate customers can conduct wealth management and investment on internet platforms.

Investment and Wealth Management

- The Bank innovatively launched the intelligent investment consultation product AI Investment in wealth management, which applied AI and big data technologies and quantitative investment models, and rendered customers with fund portfolio recommendation and dynamic position adjustment and other services.
- The Bank continued to improve the internet banking channel, added functions such as foreign exchange trading quotation, interest rate swaps, etc., and further increased the types of agency commodities trading for corporate customers. It had completed the building of a leading agency trading system for corporate customers in China which has multiple channels, a complete range of product lines, multiple models and whole-process management.
Channel Development and Service Enhancement

Channel Development

- The geographic distribution of outlets was constantly improved. The Bank continued to focus on “adjusting structure, improving business forms and efficiency”, and highlighted key branches, cities and outlets. It formulated the Plan for Improving Outlet Distribution for 2018-2020, constantly increased the match between outlet resources and customer demands, financial resources, and enhanced the capacity of service supply to key regions and main customer segments. It sped up the formulation of outlets community-based management system, and built bigger, better and stronger core outlets while scaling-down, refining and activating small-sized outlets to realize the synergy and complementation of the outlets in terms of business forms and functions.

- Intelligent service model was popularized at outlets comprehensively. The Bank made smooth progress in building intelligent outlets, continued to improve intelligent service processes and functions and drove the transformation of marketing services at outlets. It added the menu fuzzy inquiry, account opening for enterprises, face-recognition-assisted card issuance, security medium management and other intelligent service functions. It researched, developed and rolled out ATM for passbooks, portable intelligent terminal, upgraded intelligent receiving machine and other new equipment, which effectively improved customer experience in intelligent services.

- The outlets’ transformation towards integrated online and offline development was pushed ahead. The Bank continued to diversify and improve the entrances of new channels and related tools such as channel-based QR code, outlet WiFi, outlet mini programs, launched joint promotional activities for new products, and set up a fresh three-dimensional marketing model characterized by promotions on multiple interfaces such as staff, outlet, self-service equipment and mobile applications, and interconnections both online and offline.

- At the end of 2017, the Bank had 16,092 outlets, 27,196 self-service banks and 95,043 ATMs whose trading volume amounted to RMB11,861.1 billion. In 2017, the internet financial transaction amount\(^1\) hit RMB646 trillion; the number of internet financial transactions accounted for 94.86% of total transactions of the Bank, rising by 2.86 percentage points from last year.

Service Enhancement

Focusing on the overarching objective of “bank to the satisfaction of customers”, the Bank improved the customers’ satisfaction and experience by taking specific measures such as refining mechanisms, strengthening management and optimizing experience. As a result, the Bank steadily improved its service efficiency and services, and enjoyed better reputation among customers.

- The Bank refined mechanisms, and cemented the foundation of service management. It established a general framework for customer services to further improve the customer service management system. The Bank was the first in the banking industry to build and release the service culture system and make public the service philosophies “Customer-centric, Satisfactorily served, Employee-based and Consistently honest”. It organized and carried out three 100-day activities themed as enhancing services with Party-building in order to deliver better services with Party building and test the outcome of Party building with improvement in services.

\(^1\) The data sources of internet financial transaction amount and the number of internet financial transactions are the same as those of the E-banking transaction amount and the number of internet financial transactions disclosed in the previous annual reports.
Discussion and Analysis

- The Bank reinforced management and improved service management. It established a mechanism to monitor and assess customer comments under internal and external cooperation and from different dimensions in an effort to grasp the current situation and identify problems. It improved rules on service assessment, implemented the indicators for customer service evaluation in the whole retail business line, refined the service evaluation system across the professions in the mega retail segment, further specified the responsible bodies and reinforced targets and tasks. It formulated rules and regulations to regulate the management over the outsourced monitoring of outlets service quality.

- The Bank reformed the procedure, and provided one-stop services. It made available the parallel processing mechanism for multiple businesses which solved a thorny issue troubling the whole banking industry, i.e. at counter, customers had to complete multiple forms, sign their names many times and enter passwords again and again. In this way, customers could enjoy one-stop services which are convenient and fast.

- The Bank offered better experience, and customers were more satisfied with it. It built 150 five-star outlets and 500 four-star outlets in terms of services to erect the model and flagship shops for customers. Thanks to these efforts, the services were improved greatly. It enhanced routine supervision and guidance, and became more systemic and professional in service supervision and guidance.

Consumer Protection

- The Bank regarded consumer protection as the core philosophy and code of conduct in its operation and management, and embedded it into all links of operation and management. It paid close attention to the actual demands of consumers, and improved products and services from the perspective of consumers, thereby achieving the harmony of economic benefits and social value. It focused on serving customers and the real economy, and kept standardizing the service charge management so as to ensure efficient and high-quality financial products and services with reasonable price.

- The Bank attached great importance to customers’ comments and feedbacks, optimized customers’ experience in resolving their appeals, provided smooth channels for accepting complaints, streamlined the procedures for handling complaints, enhanced internal supervision management, and solved problems of consumers in a timely manner. It refined its multi-dimensional consumer publicity system, and launched comprehensive financial knowledge publicity activities from different angles for consumers both in a routine and centralized manner using new media and traditional forms.

Internationalized and Diversified Operation

Internationalized Operation

- The Bank’s global service network is maturing with Prague Branch and Mongolia Representative Office opening for business officially and Zurich Branch in Switzerland granted the license. Saint Petersburg Branch of Bank ICBC (JSC) and the Houston-based institution affiliated to ICBC (USA) started business successively, further enhancing the layout of local service network overseas. The Bank also unveiled ICBC Asset Management (Global) Company Limited in Hong Kong, creating a unified global asset management platform for the Group.

- The Bank improved its global RMB business service network. By serving as the RMB clearing bank in seven countries including Singapore, Luxembourg, Qatar, Thailand, Canada, Argentina, and Russia, ICBC’s service capability continued to improve, and its cross-border RMB clearing network expanded to 88 countries and regions in the world. In 2017, the Bank’s cross-border RMB business volume reached RMB3.90 trillion.

- As at the end of 2017, the Bank has accumulatively supported 358 projects under the Belt and Road Initiative with credit facilities totaling USD94.5 billion. In 2017, ICBC extended credit to 123 projects additionally, totaling USD33.9 billion of loans extended.

- As at the end of 2017, the Bank established 419 institutions in 45 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank. The Bank also established correspondent banking relationships with 1,545 overseas banking institutions in 143 countries and regions, making its service network covering six continents and important international financial centers around the world. Among which, the Bank maintained 129 institutions in 20 countries and regions along the Belt and Road.
### MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

<table>
<thead>
<tr>
<th>Item</th>
<th>Assets (in USD millions)</th>
<th>Profit before tax (in USD millions)</th>
<th>Number of institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>At the end of 2017</td>
<td>At the end of 2016</td>
<td>2017</td>
</tr>
<tr>
<td>Hong Kong and Macau</td>
<td>178,045</td>
<td>159,445</td>
<td>1,850</td>
</tr>
<tr>
<td>Asia-Pacific Region (except Hong Kong and Macau)</td>
<td>84,346</td>
<td>69,935</td>
<td>783</td>
</tr>
<tr>
<td>Europe</td>
<td>69,933</td>
<td>58,317</td>
<td>273</td>
</tr>
<tr>
<td>America</td>
<td>66,745</td>
<td>64,723</td>
<td>586</td>
</tr>
<tr>
<td>Africa Representative Office</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(44,757)</td>
<td>(49,741)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>354,312</td>
<td>302,679</td>
<td>3,492</td>
</tr>
<tr>
<td>Investment in Standard Bank(1)</td>
<td>4,285</td>
<td>3,771</td>
<td>426</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>358,597</td>
<td>306,450</td>
<td>3,918</td>
</tr>
</tbody>
</table>

**Note:** (1) The assets represent the balance of the Bank’s investment in Standard Bank and the profit before tax represents the Bank’s gain on investment recognized by the Bank during the reporting period.

- As at the end of 2017, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were USD358,597 million, an increase of USD52,147 million or 17.0% from the end of the previous year, and they accounted for 9.0% of the Group’s total assets, increased by 0.2 percentage points. Profit before tax during the reporting period was USD3,918 million, increasing by USD671 million or 20.7% compared with the end of the previous year and representing 7.0% of the Group’s profit before tax, increased by 0.8 percentage points. Total loans amounted to USD216,360 million, rising by USD40,489 million or 23.0%, and due to customers totaled USD120,424 million, increasing by USD23,201 million or 23.9%.

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### Diversified Operation

- On the basis of fully implementing regulatory requirements and strictly controlling risks, ICBC Credit Suisse Asset Management enhanced the strategic synergy of the Group, continuously strengthened its core competitiveness in research and investment, kept expanding the product line and improving customer service level, and maintained a steady growth in asset management scale.

- By striving to accelerate transformation and development and effectively enhancing its internal management, ICBC Leasing achieved a steady growth in businesses, maintained stable asset quality, and continued to improve its business performance.

- By actively promoting the development of health and protection insurance services, ICBC-AXA achieved a stable growth in premium income and ensured continuous improvement of its business structure. It also adhered to the customer-centric concept, creating a sound customer service system. Furthermore, by building a data platform and optimizing business systems, ICBC-AXA worked hard to realize refined management and scientific decision-making.

- ICBC International’s four major businesses, i.e. investment banking, sales and transaction, investment management and asset management developed in line with the business development strategies of the Group. Its business performance grew rapidly and its brand image and market influence enhanced significantly.

- ICBC Investment opened for business on September 26 in Nanjing, Jiangsu Province. As one of the first commercial banks in China to conduct debt-for-equity swap, it gave full play to the advantage of integrated financial services and effectively promoted the implementation of the market-oriented debt-for-equity swap project.
DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS
Controlled Subsidiaries and Major Equity Participating Company

• Overseas Subsidiaries

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED**

ICBC (Asia) is a wholly-owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD36,379 million. It provides comprehensive commercial banking services and the major businesses include commercial credit, trade finance, investment service, retail banking, E-banking, custody, credit card, receiving bank services for IPOs and dividend distribution. At the end of 2017, ICBC (Asia) recorded total assets of USD115,026 million and net assets of USD11,734 million. It generated a net profit of USD994 million during the year.

**ICBC INTERNATIONAL HOLDINGS LIMITED**

ICBC International, a licensed platform providing comprehensive financial services in Hong Kong that is wholly-owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of financial services, including investment banking, investment management, sales and transaction, asset management, etc. At the end of 2017, ICBC International recorded total assets of USD6,852 million and net assets of USD1,027 million. It generated a net profit of USD177 million during the year.

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED**

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2017, ICBC (Macau) recorded total assets of USD28,801 million and net assets of USD2,571 million. It generated a net profit of USD288 million during the year.

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD**

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of 2017, ICBC (Malaysia) recorded total assets of USD1,202 million and net assets of USD253 million. It generated a net profit of USD18.74 million during the year.

**PT. BANK ICBC INDONESIA**

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR3.69 trillion, in which ICBC holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loan, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of 2017, ICBC (Indonesia) recorded total assets of USD4,028 million and net assets of USD425 million. It generated a net profit of USD20.41 million during the year.

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED**

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2017, ICBC (Thai) recorded total assets of USD6,324 million and net assets of USD860 million. It generated a net profit of USD51.76 million during the year.

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY**

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of 2017, ICBC (Almaty) recorded total assets of USD317 million and net assets of USD57 million. It generated a net profit of USD7.81 million during the year.
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD145.46 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of 2017, ICBC (New Zealand) recorded total assets of USD1,193 million and net assets of USD104 million. It generated a net profit of USD4.22 million during the year.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million. It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, agency, foreign exchange trading and retail business. At the end of 2017, ICBC (London) recorded total assets of USD2,432 million and net assets of USD398 million. It generated a net profit of USD21.80 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary bank of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch and Warsaw Branch are structured under ICBC (Europe), which mainly offers financial services including loan, trade finance, settlement, treasury, investment banking, custody, franchise wealth management, etc. At the end of 2017, ICBC (Europe) recorded total assets of USD8,152 million and net assets of USD721 million. It generated a net profit of USD4.14 million during the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB10,810 million. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. At the end of 2017, Bank ICBC (JSC) recorded total assets of USD843 million and net assets of USD240 million. It generated a net profit of USD19.01 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD309 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. At the end of 2017, ICBC (USA) recorded total assets of USD2,349 million and net assets of USD333 million. It generated a net profit of USD12.16 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. It mainly specializes in securities clearing business in Europe and America, and offers securities brokerage services including securities clearing and financing for institutional customers. At the end of 2017, ICBCFS recorded total assets of USD31,924 million and net assets of USD157 million. It generated a net profit of USD17.74 million during the year.
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD158.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing information consulting service. At the end of 2017, ICBC (Canada) recorded total assets of USD1,419 million and net assets of USD197 million. It generated a net profit of USD17.89 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a controlled subsidiary of the Bank in Argentina, has a share capital of ARS1,345 million, in which the Bank holds an 80% stake. With the full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card, asset management, etc. At the end of 2017, ICBC (Argentina) recorded total assets of USD5,630 million and net assets of USD642 million. It generated a net profit of USD149 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of 2017, ICBC (Brasil) recorded total assets of USD325 million and net assets of USD65 million. It generated a net profit of USD0.30 million during the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD50.00 million. Holding a full-functional commercial banking license, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading, E-banking and other services. ICBC (Peru) recorded total assets of USD209 million and net assets of USD31 million. It generated a net profit of USD1.44 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. ICBC (Mexico) recorded total assets of USD253 million and net assets of USD71 million at the end of 2017.

ICBC TURKEY BANK ANONIM ŞİRKETI

ICBC (Turkey), a subsidiary of the Bank in Turkey, has a share capital of TRY860 million, in which the Bank holds a 92.84% stake. It holds commercial banking, investment banking and asset management licenses, and provides corporate customers with comprehensive financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory, securities brokerage and asset management, and renders personal customers with financial services such as deposit, consumption loan, residential mortgages, credit card and E-banking. At the end of 2017, ICBC (Turkey) recorded total assets of USD3,503 million and net assets of USD295 million. It generated a net profit of USD12.65 million during the year.
Discussion and Analysis

ICBC STANDARD BANK PLC

ICBC Standard Bank, a subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly provides global commodity trading businesses such as base metals, precious metals, commodities and energy as well as global financial markets businesses such as exchange rate, interest rate, credit and equity. At the end of 2017, ICBC Standard Bank recorded total assets of USD23,800 million and net assets of USD1,282 million. It generated a net profit of USD29.71 million during the year.

* Major Domestic Subsidiaries

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. ICBC Credit Suisse Asset Management (International) and ICBC Credit Suisse Investment Management are structured under ICBC Credit Suisse Asset Management. As of the end of 2017, ICBC Credit Suisse Asset Management managed a total of 113 mutual funds and more than 570 enterprise annuity accounts and segregated management accounts as well as non-listed assets portfolios, with the assets under management amounting to almost RMB1.3 trillion, and recorded total assets of RMB7,735 million and net assets of RMB6,299 million. It generated a net profit of RMB1,839 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB11.0 billion. It mainly engages in financial leasing of large-scale equipment in key fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing and provides a variety of financial and industrial services including retail assignment, investment funds, securitization of investment assets, assets transactions and management. At the end of 2017, ICBC Leasing recorded total assets of RMB314,894 million and net assets of RMB29,447 million. It generated a net profit of RMB3,568 million during the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB12,505 million, in which the Bank holds a 60% stake. It engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by China Insurance Regulatory Commission. At the end of 2017, ICBC-AXA recorded total assets of RMB116,187 million and net assets of RMB11,854 million. It generated a net profit of RMB624 million during the year.

ICBC FINANCIAL ASSET INVESTMENT CO., LIMITED

With a paid-in capital of RMB12.0 billion and commencing operation in Nanjing, Jiangsu Province on 26 September 2017, ICBC Investment is a wholly-owned subsidiary of the Bank and one of the first pilot banks in China to conduct debt-for-equity swap authorized by the State Council. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. At the end of 2017, ICBC Investment recorded total assets of RMB12,227 million and net assets of RMB12,193 million. It generated a net profit of RMB85.70 million during the year.
Majority Equity Participation Company

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.07% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides further enhanced their mutual trust and understanding through personnel exchange and communication, and continued to maintain good cooperation in corporate and investment banking business, financial markets, international clearing and settlement, information technology and other fields. At the end of 2017, Standard Bank recorded total assets of ZAR2,027,928 million and net assets of ZAR190,017 million. It generated a net profit of ZAR26,235 million during the year.

IT-based Banking Development

- The whole group’s safe production and operation was better managed. Therefore, despite the business volume has increased a lot, the Bank still reported the historically best and safest operation of information systems, and achieved normal local operation of data centers across years for the first time. The Bank carried forward the arrangements for the business system monitoring and intelligent operation and maintenance platform, popularized a series of tools on automatic operation and maintenance of changes, e.g. automatic deployment of system environment, and deployed the automatic switch tools in case of emergencies, e.g. database switch. The analysis and mining of production, operation and maintenance data was launched together with the realization of operation and maintenance service value in an effort to achieve progress in business and technological management. The Bank implemented the China Cyber Safety Act, set up the ICBC network and information safety notification mechanism, continued development of the information safety monitoring and response platform (SOC), establishment of the ICBC attack prevention drill system, and all-around enhancement of overall safety protection ability.

- The Bank accelerated the research and application of new technologies and the transformation of IT architecture. It set up seven innovation labs, made overall layout across each frontier of FinTech, actively explored application scenarios such as blockchain, artificial intelligence, Internet of Things and cloud computing, put in place the blockchain platform of Guizhou Anti-poverty Fund, applied the blockchain technology in promoting the transparent management of the funds for construction of Xiong’an New Area, rolled out “AI Investment”, an intelligent investment adviser, and built the “ICBC Internet of Things Services Platform”. While continuously promoting the transformation of IT architecture, the Bank became the first one in the banking industry to develop and use the platform cloud, and combined with the infrastructure cloud and the software-defined network to realize the dynamic management of basic computing resources and application resources. What’s more, the Bank carried out the optimization and improvement of the host’s application architecture, increased distributed application, developed own big data and cloud computing, and deepened the planning and design of IT blueprint, laying a foundation for the development of the new-generation smart banking information system (ECOS).

- The Bank pushed forward innovative services that cover all customers, all channels and all products. It propelled the upgrade of the internet-based financial strategy from e-ICBC 2.0 to the smart banking e-ICBC 3.0, successfully popularized the new-generation corporate internet banking, unified the “ICBC e Payment” brand, and made debut the “ICBC Easy Loan” product. It quickened the development of the internet-based financial ecosphere, released a new version of ICBC e Life, completed the development of a unified “Cloud Quick Pay” APP, and launched an innovative digital banking called “ICBC Xiao Bai”. The development of systems for internationalization and diversification was advanced; BRAINS, the new overseas anti-money laundering system, was rolled out at 23 overseas institutions; Bank ICBC (JSC) became the first RMB clearing bank of ICBC using an overseas platform’s core system; and ICBC Leasing released the new-generation core system for leasing business.

- 2017 marked the fourth consecutive year for the Bank to rank the first in the banking industry in the information technology supervisory rating of CBRC. The Bank had four research findings that won the 2017 IT Risk Management Research Project Award of CBRC, and eight scientific and technological achievements that won the Banking Technological Development Award of PBC. The Bank obtained 50 patents from the State Intellectual Property Office, and the total number of patents owned by the Bank increased to 506.
Human Resources Management

- The Bank continued the innovation in the philosophy, methodology, system and mechanism of the Group’s human resources management towards the goal of stimulating operating vitality, enhancing market competitiveness and strengthening risk control. Efforts were made to deepen the official system reform, improve the organizational structure management, promote the organizational model innovation, optimize the personnel structure, reinforce the remuneration-based incentives and constraints, strengthen the building of talents teams, and expand the career growth platforms of employees for the purpose of providing a strong organizational guarantee and talents support for the whole bank’s reform and development.

- The Bank closely followed the strategic deployment of the CPC Central Committee in actively establishing Xiong’an Branch. Responding to the call of the government for encouraging medium and large-sized commercial banks to set up inclusive finance department, such department was built at the Head Office and across branches. The E-finance Department was set up to promote the implementation of the smart banking strategy throughout the Bank. The Remote Banking Center was also set up to further improve the level of customer services.

- In accordance with the communication and implementation of group strategies, the Bank made an overall arrangement for domestic and overseas trainings, all-staff training and cultivation of professionals. Specifically, it advanced the diversified combination and the integrated operation of overseas trainings, and incorporated the training of overseas employees into the Group’s unified management framework. In line with new ideas and new requirements, it extended the reach of Party school training to the grassroots operations. The Bank also strengthened the development of mobile learning resources, and optimized the professional qualification examination and certification system. In 2017, the Bank organized 49 thousand sessions of training for 5.67 million employees, averaged to approximately 9.9 days of training per employee.

- The Bank put up the corporate cultural system on all fronts under the guidance of the core socialist values. It strongly advocated and acted according to the “craftsmanship”, launched a series of activities in the theme of Integrity, Compliance and Service cultures, and laid down the cultural foundation for preventing risks, improving services and promoting development. It rebuilt the Credit culture in a bid to break new ground for credit operation and development under the new normal of economy. It improved the long-effective mechanism of characteristic culture cultivation at outlets and injected new cultural vigor into the whole bank’s transformation and development. In addition, the Bank carried out the cultural promotion month of “ONE ICBC, ONE FAMILY” among the overseas institutions, and rolled out the project of “That’s China That’s ICBC” worldwide in order to assist the internationalized strategy through cultural integration, thereby creating a new model for Chinese enterprises to actively assume social responsibilities and for the Chinese culture to “Go Global”.

RISK MANAGEMENT

Enterprise Risk Management System

Enterprise risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the Group’s operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies. The principles of enterprise risk management of the Bank include full coverage, matching, independence, perspectiveness and effectiveness etc.

The Bank’s organizational structure of risk management comprises the Board of Directors and its special committees, the Board of Supervisors, the Senior Management and its special committees, the risk management departments, the internal audit departments, etc. The risk management organizational structure is illustrated below:

In 2017, the Bank continued to push for development of the enterprise risk management system, upgraded risk management technologies and methods and enhanced the capacity of risk pre-judgment and dynamic adjustment capabilities, so as to make enterprise risk management more forward-looking and effective. The Bank improved the enterprise risk management system, strengthened development of the three lines of defense for risk management, intensified the management of risk appetite and risk limits and researched and monitored cross-financial risks in accordance with the latest regulatory requirements. The Group’s consolidated risk management was properly carried out to boost the risk management capability of non-banking subsidiaries and advance unified management of tier-two subsidiaries. The credit risk measurement system was improved continuously for higher accuracy and stability, with internal ratings applied more broadly. The Group’s market risk management was boosted to a higher level, with focus on strengthening market risk management of overseas institutions, fully implementing product control requirements, deepening risk management of the wealth management business and intensifying investment management of wealth management and market risk limit management. Country risk management was continuously deepened to strengthen country risk monitoring and analysis and limit management, enhance the capability of sovereign risk management and provide strong supports for implementing the Bank’s internationalization strategy.
Discussion and Analysis

Credit Risk

Credit Risk Management

Credit risk is the risk that loss is caused to banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank’s credit risks mainly originate from loans, treasury operations (including due from banks, placements with banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

The Bank strictly adheres to the guidance from CBRC regarding credit risk management and other regulatory requirements, diligently fulfills established strategies and objectives under the leadership of the Board of Directors and the Senior Management, and implements an independent, centralized and vertical credit risk management mode. The Board of Directors assumes the ultimate responsibility for the effectiveness of credit risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of credit risk management, is responsible for reviewing material and important affairs of credit risk management, and performs its duty in accordance with the Working Regulations for the Credit Risk Management Committee. The credit and investment management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments implement credit risk management policies and standards for their respective business areas in accordance with their functions.

The Bank’s credit risk management has the following characteristics: (1) Unified risk appetite. Unified credit risk appetite is implemented for the Bank’s credit risk exposures. (2) Entire-process management. The credit risk management covers the entire process including customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) System management. It continues to enhance the building of credit information system, and improve the tools to manage and control credit risk; (4) Strict management over credits. Strict qualifications management is enforced on the business institutions and the credit practitioners; and (5) The special institution is set up to conduct unified risk monitoring over credit risk businesses.

According to the regulatory requirement on loan risk classification, the Bank implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-category internal classification system for corporate loans. The Bank applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months for which the borrower is in default, anticipated loss rate, credit rating, collaterals and other quantitative and qualitative factors.

Credit Risk Management of Corporate Loans

The Bank continued to strengthen the formation of the credit rule system. Global unified credit line management was continuously improved to strictly control the total risk in customer financing. The rules and measures for credit products were revised according to market changes and new risk characteristics. The Bank further strengthened the risk control over merger and acquisition investment and financing, loans to projects in operating period and fixed asset-backed financing. Guarantee and collateral management was strengthened by further refining the collateral management system, optimizing the operating procedures for collateralization and pledge, and enhancing the ability to mitigate essential collateral risks.

Closely aligned with the implementation of major national strategic plans, the system of credit policies was continuously improved in line with macro-economic policies, industry policy orientations and characteristics of industry operation. Guided by the philosophy of green credit, the Bank strengthened the guiding role of credit policy in credit layout and credit restructuring. The Bank actively supported credit extension to key fields, key cities and high-quality customers and effectively controlled financing risk in major areas of cutting overcapacities. Overseas institutions were guided to seize opportunities in implementing the Belt and Road Initiative and the “Going Global” strategy, thereby fully exerting their strengths and characteristics, optimizing the allocation of credit resources and promoting the transformation and upgrading of overseas credit business.
The Bank strengthened risk management of the real estate industry. It implemented real estate loan reallocation management, optimized city-specific management requirements of real estate loans, actively supported the financing demands in key regions, large high-quality customers, shantytown renovation with government-purchased services, prudently controlled the financing for new housing developments in third-tier and fourth-tier cities with a relatively long de-stocking period, strictly controlled the financing for commercial property development, and further improved the real estate loan portfolio structurally.

The Bank strengthened credit risk management of small enterprises. It advanced specialization and strengthened operating management of the small and micro finance center. The Bank established and improved the system of small and micro credit products, supported and promoted regional product innovation and boosted dynamic management of the implementation and risk profile of innovative products. Risk loan management was enhanced by analyzing geographic distribution, customer group characteristics and risk characteristics of risky loans to small businesses, developing risk control measures specific to geographic areas, conducting onsite examination of key branches, supervising risk prevention and control and improving the bank-wide awareness and capability of risk management. Credit risk of loans to small and micro customers was periodically monitored and analyzed to detect and verify risk factors and take targeted management measures timely.

• Credit Risk Management of Personal Loans

The Bank improved the system of rules and regulations on credit risk management system for personal loans, streamlined the basic framework for post-lending management of personal loans, developed administrative measures for post-lending management of personal credit business and further regulated lifecycle management of personal loans. The personal credit business was inspected bank-wide, focused on risks in partner management, loan due diligence and collateral management. The Bank further broadened and deepened the cooperation with large high-quality real estate enterprises while effectively preventing and controlling risks to achieve coordinated development of personal housing loans in terms of quality, quantity and price. The Bank enhanced management and control of the quality of personal loans by accelerating recovery and disposal of personal NPLs at key branches, and promoting securitization of personal NPLs, thus mitigating credit risk in personal loans through market-based measures.

• Credit Risk Management of Credit Card Business

The Bank optimized the personal credit extension policy, created a customer grouping-based credit extension system, optimized the allocation of credit limit resources, granted credit limit in a differentiated and targeted manner based on multi-dimensional customer information and effectively improved the precision of credit management. The big data technology was used to strengthen early monitoring and warning of high-risk customer groups, take targeted risk control measures and strictly control the credit risk exposure. The application of internal ratings was strengthened and the rigid control criteria for internal ratings was improved based on quantitative risk indicators, so as to control essential risks more meticulously and automatically. Effective ongoing efforts were made on non-performing assets (“NPAs”) recovery and disposal, including stronger recovery of overdue credit card loans and mitigation of NPAs through various channels.

• Credit Risk Management of Treasury Operations

The Bank continued to strictly implement bank-wide, unified credit risk management policy requirements, strengthened pre-investment analysis of bonds and collected information through various channels to analyze changes in credit risk of bond issuers. A regular risk screening mechanism was created for the existing unsecured bond portfolios to strengthen risk management of outstanding bond investments. The access management mechanism for money market transaction was strictly implemented to strengthen sophisticated management of counterparties and strictly control risks from the root.
Discussion and Analysis

Credit Risk Analysis

At the end of 2017, the Bank’s maximum exposure to credit risk, without taking into account any collateral and other credit enhancements, was RMB28,878,520 million, showing an increase of RMB2,640,976 million when compared with the end of the previous year. Please refer to “Note 54.(a)(i) to the Financial Statements: Details of the Bank’s Maximum Exposure to Credit Risk Without Taking Account of Any Collateral and Other Credit Enhancements”. For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to “Credit Risk” of the 2017 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>Percentage (%)</th>
<th>Amount</th>
<th>At 31 December 2016</th>
<th>Percentage (%)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass</td>
<td>13,450,486</td>
<td>94.50</td>
<td>12,261,034</td>
<td>93.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special mention</td>
<td>561,974</td>
<td>3.95</td>
<td>584,011</td>
<td>4.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPLs</td>
<td>220,988</td>
<td>1.55</td>
<td>211,801</td>
<td>1.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>81,209</td>
<td>0.57</td>
<td>109,434</td>
<td>0.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doubtful</td>
<td>108,854</td>
<td>0.76</td>
<td>82,505</td>
<td>0.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss</td>
<td>30,925</td>
<td>0.22</td>
<td>19,862</td>
<td>0.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,233,448</strong></td>
<td><strong>100.00</strong></td>
<td><strong>13,056,846</strong></td>
<td><strong>100.00</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The overall loan quality was stable, with key indicators showing steady improvements. As at the end of 2017, according to the five-category classification, pass loans amounted to RMB13,450,486 million, representing an increase of RMB1,189,452 million when compared with the end of the previous year and accounting for 94.50% of total loans. Special mention loans stood at RMB561,974 million, representing a decrease of RMB22,037 million, and accounted for 3.95% of the total, with a drop of 0.52 percentage points. NPLs amounted to RMB220,988 million, showing an increase of RMB9,187 million, and NPL ratio was 1.55%, with a drop of 0.07 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>NPL ratio (%)</th>
<th>Amount</th>
<th>NPLs</th>
<th>At 31 December 2016</th>
<th>NPL ratio (%)</th>
<th>Amount</th>
<th>NPLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate loans</td>
<td>8,936,864</td>
<td>1.97</td>
<td>8,140,684</td>
<td>175,903</td>
<td>1.96</td>
<td></td>
<td>159,871</td>
<td></td>
</tr>
<tr>
<td>Discounted bills</td>
<td>351,126</td>
<td>0.15</td>
<td>719,993</td>
<td>525</td>
<td>0.08</td>
<td></td>
<td>598</td>
<td></td>
</tr>
<tr>
<td>Personal loans</td>
<td>4,945,458</td>
<td>0.90</td>
<td>4,196,169</td>
<td>44,560</td>
<td>1.22</td>
<td></td>
<td>51,332</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,233,448</strong></td>
<td><strong>1.55</strong></td>
<td><strong>13,056,846</strong></td>
<td><strong>220,988</strong></td>
<td><strong>1.62</strong></td>
<td></td>
<td><strong>211,801</strong></td>
<td></td>
</tr>
</tbody>
</table>

Corporate NPLs were RMB175,903 million, showing an increase of RMB16,032 million when compared with the end of the previous year, and representing a NPL ratio of 1.97%. Personal NPLs amounted to RMB44,560 million, showing a decrease of RMB6,772 million, and represented a NPL ratio of 0.90%, with a drop of 0.32 percentage points.
### DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

<table>
<thead>
<tr>
<th>Item</th>
<th>Loan At 31 December 2017</th>
<th>Percentage (%)</th>
<th>NPLs At 31 December 2017</th>
<th>NPL ratio (%)</th>
<th>Loan At 31 December 2016</th>
<th>Percentage (%)</th>
<th>NPLs At 31 December 2016</th>
<th>NPL ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation, storage and postal services</td>
<td>1,715,562</td>
<td>22.8</td>
<td>9,568</td>
<td>0.56</td>
<td>1,516,089</td>
<td>21.8</td>
<td>3,022</td>
<td>0.20</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,409,206</td>
<td>18.6</td>
<td>67,604</td>
<td>4.80</td>
<td>1,414,408</td>
<td>20.4</td>
<td>60,639</td>
<td>4.29</td>
</tr>
<tr>
<td>Leasing and commercial service</td>
<td>910,672</td>
<td>12.1</td>
<td>6,250</td>
<td>0.69</td>
<td>736,921</td>
<td>10.7</td>
<td>4,938</td>
<td>0.67</td>
</tr>
<tr>
<td>Production and supply of electricity, heat, gas and water</td>
<td>900,484</td>
<td>12.0</td>
<td>1,407</td>
<td>0.16</td>
<td>820,692</td>
<td>11.9</td>
<td>501</td>
<td>0.06</td>
</tr>
<tr>
<td>Water, environment and public utility management</td>
<td>655,533</td>
<td>8.7</td>
<td>975</td>
<td>0.15</td>
<td>517,542</td>
<td>7.5</td>
<td>1,302</td>
<td>0.25</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>568,011</td>
<td>7.6</td>
<td>55,366</td>
<td>9.75</td>
<td>625,488</td>
<td>9.0</td>
<td>58,029</td>
<td>9.28</td>
</tr>
<tr>
<td>Real estate</td>
<td>501,769</td>
<td>6.7</td>
<td>13,631</td>
<td>2.72</td>
<td>426,999</td>
<td>6.2</td>
<td>9,367</td>
<td>2.19</td>
</tr>
<tr>
<td>Construction</td>
<td>223,484</td>
<td>3.0</td>
<td>2,856</td>
<td>1.28</td>
<td>187,363</td>
<td>2.7</td>
<td>4,222</td>
<td>2.25</td>
</tr>
<tr>
<td>Mining</td>
<td>208,675</td>
<td>2.8</td>
<td>2,998</td>
<td>1.44</td>
<td>225,505</td>
<td>3.3</td>
<td>4,425</td>
<td>1.96</td>
</tr>
<tr>
<td>Science, education, culture and sanitation</td>
<td>126,906</td>
<td>1.7</td>
<td>850</td>
<td>0.67</td>
<td>122,294</td>
<td>1.8</td>
<td>675</td>
<td>0.55</td>
</tr>
<tr>
<td>Lodging and catering</td>
<td>111,047</td>
<td>1.5</td>
<td>3,256</td>
<td>2.93</td>
<td>122,117</td>
<td>1.8</td>
<td>2,742</td>
<td>2.25</td>
</tr>
<tr>
<td>Others</td>
<td>191,651</td>
<td>2.5</td>
<td>4,142</td>
<td>2.16</td>
<td>197,119</td>
<td>2.9</td>
<td>2,456</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,523,000</strong></td>
<td><strong>100.0</strong></td>
<td><strong>168,903</strong></td>
<td><strong>2.25</strong></td>
<td><strong>6,912,537</strong></td>
<td><strong>100.0</strong></td>
<td><strong>152,318</strong></td>
<td><strong>2.20</strong></td>
</tr>
</tbody>
</table>

In 2017, the Bank aligned credit extension with national major strategic plans, correctly channeled credit resources to high-quality, high-efficiency fields and improved the credit portfolio and structure in a bid to serve the real economy more effectively. Loans to transportation, storage and postal services increased by RMB199,473 million, representing a growth rate of 13.2%, mainly due to stronger supports for China’s planned “Ten Vertical and Ten Horizontal” transport network and other major national projects. Loans to leasing and commercial service increased by RMB173,751 million, representing a growth rate of 23.6%, mainly due to fast growth in lending to commercial services including investment and asset management. Loans to water, environment and public utility management increased by RMB137,991 million, representing a growth rate of 26.7%. Loans to production and supply of electricity, heat, gas and water increased by RMB79,792 million, representing a growth rate of 9.7%, and they were mainly for supporting the financing needs of urban infrastructure and public utility developments.

The increase of NPLs in the manufacturing was principally driven by macroeconomic fluctuations and weakened domestic and overseas demands, which led to a rise in defaults on loans by some light-industry manufacturers as well as enterprises in highly cyclical industries and some industries with overcapacities. The increase of NPLs in the transportation, storage and postal services was mainly caused by emergencies as well as other factors, and some enterprises defaulted on loans due to operating difficulties and financial stress.
### DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Head Office</td>
<td>629,733</td>
<td>4.4</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>2,599,171</td>
<td>18.2</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>1,896,063</td>
<td>13.3</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>2,339,537</td>
<td>16.4</td>
</tr>
<tr>
<td>Central China</td>
<td>2,003,202</td>
<td>14.1</td>
</tr>
<tr>
<td>Western China</td>
<td>2,512,303</td>
<td>17.7</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>734,343</td>
<td>5.2</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>1,519,096</td>
<td>10.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,233,448</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

### CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

<table>
<thead>
<tr>
<th>Item</th>
<th>Individually assessed</th>
<th>Collectively assessed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the year</strong></td>
<td>65,557</td>
<td>223,955</td>
<td>289,512</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>108,983</td>
<td>15,113</td>
<td>124,096</td>
</tr>
<tr>
<td>Including: Impairment allowances charged</td>
<td>158,352</td>
<td>135,679</td>
<td>294,031</td>
</tr>
<tr>
<td>Impairment allowances transferred</td>
<td>1,399</td>
<td>(1,399)</td>
<td>–</td>
</tr>
<tr>
<td>Reversal of impairment allowances</td>
<td>(50,768)</td>
<td>(119,167)</td>
<td>(169,935)</td>
</tr>
<tr>
<td>Accrued interest on impaired loans</td>
<td>(3,189)</td>
<td>–</td>
<td>(3,189)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,426</td>
<td>838</td>
<td>2,264</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>(57,031)</td>
<td>(15,170)</td>
<td>(72,201)</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td><strong>115,746</strong></td>
<td><strong>224,736</strong></td>
<td>340,482</td>
</tr>
</tbody>
</table>

As at the end of 2017, the allowance for impairment losses on loans stood at RMB340,482 million, a year-on-year increase of RMB50,970 million. Allowance to NPL was 154.07%, showing an increase of 17.38 percentage points; allowance to total loans ratio was 2.39%, showing an increase of 0.17 percentage points.

### DISTRIBUTION OF LOANS BY COLLATERAL

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Loans secured by mortgages</td>
<td>6,480,800</td>
<td>45.5</td>
</tr>
<tr>
<td>Including: Residential mortgages</td>
<td>3,960,495</td>
<td>27.8</td>
</tr>
<tr>
<td>Pledged loans</td>
<td>1,265,834</td>
<td>8.9</td>
</tr>
<tr>
<td>Including: Discounted bills</td>
<td>351,126</td>
<td>2.5</td>
</tr>
<tr>
<td>Guaranteed loans</td>
<td>2,059,779</td>
<td>14.5</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>4,427,035</td>
<td>31.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,233,448</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
OVERDUE LOANS

<table>
<thead>
<tr>
<th>Overdue periods</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of total loans</td>
</tr>
<tr>
<td>Less than 3 months</td>
<td>107,218</td>
<td>0.75</td>
</tr>
<tr>
<td>3 months to 1 year</td>
<td>68,209</td>
<td>0.48</td>
</tr>
<tr>
<td>1 to 3 years</td>
<td>80,919</td>
<td>0.57</td>
</tr>
<tr>
<td>Over 3 years</td>
<td>29,729</td>
<td>0.21</td>
</tr>
<tr>
<td>Total</td>
<td>286,075</td>
<td>2.01</td>
</tr>
</tbody>
</table>

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB286,075 million, representing a decrease of RMB60,052 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB178,857 million, representing a decrease of RMB16,155 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB5,158 million, representing a decrease of RMB383 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB1,374 million, representing a decrease of RMB24 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.9% and 14.2% of the Bank’s net capital base respectively. The total amount of loans granted to the top ten single customers was RMB341,322 million, accounting for 2.4% of total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2017.

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Industry</th>
<th>Amount</th>
<th>% of total loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower A</td>
<td>Transportation, storage and postal services</td>
<td>119,859</td>
<td>0.9</td>
</tr>
<tr>
<td>Borrower B</td>
<td>Transportation, storage and postal services</td>
<td>35,635</td>
<td>0.3</td>
</tr>
<tr>
<td>Borrower C</td>
<td>Transportation, storage and postal services</td>
<td>35,235</td>
<td>0.2</td>
</tr>
<tr>
<td>Borrower D</td>
<td>Manufacturing</td>
<td>28,839</td>
<td>0.2</td>
</tr>
<tr>
<td>Borrower E</td>
<td>Finance</td>
<td>27,000</td>
<td>0.2</td>
</tr>
<tr>
<td>Borrower F</td>
<td>Transportation, storage and postal services</td>
<td>21,446</td>
<td>0.2</td>
</tr>
<tr>
<td>Borrower G</td>
<td>Production and supply of electricity, heat, gas and water industry</td>
<td>18,798</td>
<td>0.1</td>
</tr>
<tr>
<td>Borrower H</td>
<td>Transportation, storage and postal services</td>
<td>18,372</td>
<td>0.1</td>
</tr>
<tr>
<td>Borrower I</td>
<td>Transportation, storage and postal services</td>
<td>18,257</td>
<td>0.1</td>
</tr>
<tr>
<td>Borrower J</td>
<td>Transportation, storage and postal services</td>
<td>17,881</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>341,322</td>
<td>2.4</td>
</tr>
</tbody>
</table>
Discussion and Analysis

Risk Management of Asset Management Business

The Bank continued to strengthen risk management of the asset management business of the Group. Internal rules and regulations were implemented and revised timely in line with regulatory policies. Administrative measures were formulated for agency portfolio funds, debt-for-equity swap, wealth management and investment of unsecured bonds. Measures for risk management of non-standard agency debt and equity investment were revised to create a comprehensive and differentiated management framework for agency investment. The annual risk authorization plan was improved for non-standard agency investment. The asset management business management system functions were optimized to enhance rigid system control of risk management.

Market Risk

Market risk is defined as the risk of loss to the Bank’s on- and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, and stock price and commodity prices). The Bank is primarily exposed to interest rate risk and currency risk (including gold).

Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank’s risk appetite.

The Bank strictly complies with the Guidelines on Market Risk Management of Commercial Banks issued by CBRC and other related regulatory requirements, implemented an independent, centralized and coordinated market risk management model, and formed a management organizational structure featuring the segregation of the front, the middle and the back offices in the financial market business. The Board of Directors assumes the ultimate responsibility for the implementation and monitoring of market risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of market risk management, and is responsible for reviewing important matters of market risk management, and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The market risk management departments at different levels are responsible for coordinating the market risk management at respective levels, and the business departments play their roles in implementing market risk management policies and standards in respective business areas.

In 2017, the Bank continued to strengthen consolidated management of market risk and persistently enhanced the management and measurement of market risk at the Group’s level. The Group’s market risk management system was further improved, with the administrative measures for market risk stress testing, among others, revised to deepen classified management and sophisticated management of institutions. Market risk limit management of the Group was strengthened through improved measures for determining limits for new products and services as well as limit monitoring and analysis. The Bank pushed forward the overseas expansion of the Global Market Risk Management (GMRM) system and strengthened the core application of the system among overseas institutions.

Banking Book and Trading Book

In order to take more effective market risk management measures and accurately measure regulatory capital arising from market risk, the Bank categorized all on- and off-balance sheet assets and liabilities into its trading book and banking book according to the nature and characteristics of different books. The trading book includes tradable financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.
Market Risk Management of the Banking Book

- **Interest Rate Risk Management**

  Interest rate risk is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and maturity structure, etc. Interest rate risks mainly include repricing risk, yield curve risk, benchmark rate risk and option risk, of which, repricing risk and benchmark rate risk are the Bank’s primary interest rate risks.

  The Bank’s interest rate risk management is aimed at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite. The Bank adheres to the prudence principle in interest rate risk management of the banking book. The department in charge of interest rate risk management of the banking book and business departments jointly monitor and forecast interest rate trends and manage the interest rate risk based on monitoring results, so as to maximize the risk-adjusted income.

  In 2017, the Bank adhered to a steady and prudent interest risk appetite and made reasonable judgment on macro-economic and market interest rate trends. A wide array of tools including interest rate limit system management, maturity structure management, internal and external pricing management and hedging management were utilized to appropriately guide and improve the maturity structure of assets and liabilities, reasonably manage changes in the maturity structure of interest rates, effectively control the duration of assets and liabilities and interest rate sensitivity gap and ensure the achievement of interest rate risk management objectives.

- **Currency Risk Management**

  Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure’s mismatch between foreign currency assets and liabilities.

  The Bank’s objective of currency risk management is to control the impact of exchange rate fluctuations on the Bank’s financial position and shareholders’ equity within a tolerable extent. The Bank mitigates such risk principally by limit management and hedging of risks. The Bank carries out sensitivity analysis and stress testing of currency risk on a quarterly basis, and submits currency risk reports to the Senior Management and the Market Risk Management Committee.

Market Risk Management of the Trading Book

The Bank continued to strengthen and improve trading-book market risk management and product control. Risk measurement of trading-book products were managed with value at risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis and price monitoring. The transaction portfolio-based market risk limit management system was continuously improved. The three-tier limit approval mechanism composed of the Board of Directors, the Market Risk Management Committee of the Head Office and business departments were improved. Quick and flexible limit monitoring and dynamic adjustments were realized based on the global market risk management system. For VaR of the trading book of the Bank, please refer to “Note 54. (c)(i) to the Financial Statements: Value at Risk (VaR)”.

Market Risk Analysis

- **Interest Rate Risk Analysis**

  As at the end of 2017, the Bank had a negative cumulative interest rate sensitivity exposure within one year of RMB206,614 million, representing a decrease of RMB214,081 million from the end of the previous year, mainly caused by the increase in repriced or matured loans and advances to customers within one year. Cumulative interest rate sensitivity positive exposure over one year stood at RMB2,041,096 million, representing an increase of RMB22,281 million.
INTEREST RATE RISK EXPOSURE

<table>
<thead>
<tr>
<th></th>
<th>Less than 3 months</th>
<th>3 months to 1 year</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2017</td>
<td>(951,368)</td>
<td>744,754</td>
<td>447,734</td>
<td>1,593,362</td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>(1,577,446)</td>
<td>1,156,751</td>
<td>487,380</td>
<td>1,531,435</td>
</tr>
</tbody>
</table>

Note: Please refer to “Note 54.(c)(ii) to the Financial Statements: Interest Rate Risk”.

For interest rate sensitivity analysis, please refer to “Note 54.(c)(ii) to the Financial Statements: Interest Rate Risk”.

* Currency Risk Analysis

In 2017, the Bank closely watched the changes in external market and internal funds, actively took a combination of portfolio management measures such as price leverage to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

FOREIGN EXCHANGE EXPOSURE

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>USD equivalent</td>
</tr>
<tr>
<td>Exposure of on-balance sheet foreign</td>
<td>371,875</td>
<td>57,111</td>
</tr>
<tr>
<td>exchange items, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposure of off-balance sheet foreign</td>
<td>(206,760)</td>
<td>(31,753)</td>
</tr>
<tr>
<td>exchange items, net</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total foreign exchange exposure, net

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total foreign exchange exposure, net</td>
<td>165,115</td>
<td>25,358</td>
</tr>
</tbody>
</table>

Please refer to “Note 54.(c)(iii) to the Financial Statements: Currency Risk” for the exchange rate sensitivity analysis.

**Liquidity Risk**

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis or at a reasonable cost to settle liabilities as they fall due, or perform other payment obligations and satisfy other funding demands arising from the normal course of business. Liquidity risk may arise from the following events or factors: withdrawal of customers’ deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realization, operating losses, derivatives trading risk and risk associated with its affiliates.

**Liquidity Risk Management**

In 2017, the Bank constantly improved its liquidity risk management system following changes in the macroeconomic environment and financial regulatory policies, and upgraded liquidity risk management mechanism, thus effectively enhancing the liquidity risk management quality. The Bank continued to implement the steady and prudent liquidity management strategy, carried out Group-wide consolidated liquidity risk management and strengthened liquidity risk monitoring and management of items on- and off- balance sheet, in both domestic and overseas institutions, and in local and foreign currencies. The liquidity risk management system underwent continuous improvements in the capability of liquidity risk prevention and control.
**Liquidity Risk Management System and Governance Structure**

The Bank’s liquidity risk management system conforms to the overall development strategy and the overall risk management system of the Bank, and is commensurate with the business scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control for liquidity risk and a complete management information system.

In respect of liquidity risk management, the Bank’s governance structure embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department; and the execution system comprising the Asset and Liability Management Department, leading management departments of on- and off-balance sheet businesses, the Information Technology Department, operation management departments of the Head Office and relevant departments of branches. Each of these systems performs the corresponding functions of decision making, supervision and execution functions according to division of responsibilities.

**Objective, Strategy and Important Policy of Liquidity Risk Management**

Objective of liquidity risk management: by establishing and improving the liquidity risk management system, the Bank aims at realizing complete identification, accurate measurement, continuous monitoring and effective control of the liquidity risk at the Group level, the Bank, the affiliates, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario.

The Bank’s liquidity risk management strategy and policy are formulated in accordance with the liquidity risk appetite, and they cover all businesses on- and off-balance sheet, all domestic and overseas business departments and branches that are likely to have a material impact on the liquidity risk, and contain the liquidity risk management under normal and stressed scenarios. The liquidity risk management strategy specifies the overall objective and mode of liquidity risk management and lists major policies and procedures for liquidity risk management. Important policies for liquidity risk management are formulated in accordance with external and macro operating environments and business development of the Bank, with a view to striking an effective balance among security, liquidity and profitability.

**Liquidity Risk Management Mode**

The mode of liquidity risk management of the Bank is consolidated liquidity risk management based on management of liquidity risk at the bank level. The Head Office manages the liquidity risk of the Bank in a unified and centralized manner and ensures liquidity security of the Bank through dynamic adjustment of the aggregate and structure of assets and liabilities, whereas the affiliates assume primary responsibilities concerning liquidity risk management of respective institution, and undertake corresponding responsibilities as required by the leading liquidity risk management departments of the Head Office.

**Stress Testing**

Following the prudence principle, the Bank employs the scenario analysis and the sensitivity analysis to perform stress testing on liquidity risk. The Bank has taken full consideration of various macroscopic and microscopic factors that may influence the Bank’s liquidity status to set stress scenarios against those products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of the Bank’s businesses. The Bank performs stress testing on a quarterly basis. Where necessary, the Bank may carry out temporary and special stress testing at a particular time in light of changes in the external operating environment and regulatory requirements.
Liquidity Risk Analysis

In 2017, the Bank kept a close eye on factors affecting liquidity risk management, took proper measures to manage funds and liquidity risk and endeavored to increase the flexibility and perspectiveness of liquidity risk management. According to the Bank's asset and liability business development and funds management characteristics in different periods, the Bank managed the total size and structure of fund sources and utilizations through bank-wide planning and coordination, continued to strengthen liability stability management, improved the maturity structure of liabilities and took various steps to ensure liquidity stability and safety across the Group.

The deposit and loan businesses of the Bank maintained coordinating development, and liquidity risk management ability was continuously strengthened. As at the end of 2017, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 41.7% and 86.2%, respectively, meeting the regulatory requirements. Loan-to-deposit ratio was 71.1%. Please refer to “Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements” for details.

The daily average liquidity coverage ratio for the fourth quarter of 2017 was 129.02%, 4.56 percentage points higher than the previous quarter, mainly due to the increase in high-quality liquid assets (HQLA). HQLA cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks promulgated by CBRC, please refer to “Unaudited Supplementary Financial Information”.

The Bank also assessed the liquidity risk status by using liquidity exposure analysis. As at the end of 2017, the liquidity exposure for the less than 1 month category turned from positive to negative, which was mainly due to the increase of due to and placements from banks and other financial institutions with corresponding term. The negative liquidity exposure for the 3 months to 1 year category increased, mainly due to the increase of repurchase agreements and the decrease in loans and advances to customers as well as the investments in bonds with corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to increase in loans and advances to customers with corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level.

LIQUIDITY EXPOSURE ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>Overdue/ repayable</th>
<th>Less than 1 months</th>
<th>1 to 3 months</th>
<th>3 months to 1 year</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Undated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2017</td>
<td>(10,793,525)</td>
<td>(200,327)</td>
<td>(595,509)</td>
<td>(829,587)</td>
<td>3,452,159</td>
<td>7,619,544</td>
<td>3,488,301</td>
<td>2,141,056</td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>(10,391,326)</td>
<td>43,004</td>
<td>(490,413)</td>
<td>(378,127)</td>
<td>3,363,860</td>
<td>6,499,529</td>
<td>3,334,636</td>
<td>1,981,163</td>
</tr>
</tbody>
</table>

Note: Please refer to “Note 54.(b) to the Financial Statements: Liquidity Risk”. 
Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution and delivery and process management constitute major sources of operational risk losses of the Bank.

The Bank strictly followed the requirements of the Guidance to the Operational Risk Management of Commercial Banks issued by CBRC. The Bank adopted the operational risk control mode of “integrated management, classified control”. The Board of Directors assumes relevant responsibility for the effectiveness of the operational risk management according to the Articles of Association, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board of Directors. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing and approving significant matters related to operational risk management according to the Working Regulations for the Operational Risk Management Committee. Marketing and product departments at all levels form the first line of defense of operational risk management, which assume direct responsibility for operational risk management in each business line. Internal control and compliance departments at various levels are comprehensive management departments for operational risk in institutions at various levels and assume the duty of operating the second line of defense of operational risk management, which are responsible for the arrangement and organization for the establishment and implementation of operational risk management system at each level; discipline enforcement, security, human resources, IT, finance and accounting, legal affairs, operation management, credit management and risk management departments at all levels are classification control departments for operational risk in institutions at various levels, which are responsible for management and control on specific types of operational risk. These departments, together with comprehensive management departments, form the second line of defense of operational risk management. The internal audit departments at all levels are responsible for auditing and evaluating the operation of the operational risk management system, and form the third line of defense.

In 2017, the Bank strengthened operational risk management and continued to push the Group’s operational risk management to a higher level in line with the requirements of the National Financial Work Conference, regulatory focus areas and operational risk trends. A comprehensive crackdown campaign was launched to improve risk governance in ten key fields and links and improve or update policies, procedures, systems and mechanisms. IT risk control and external fraud risk management were strengthened and the credit risk database of ICBC e-Security was continuously expanded to provide strong support for business risk warnings, effectively protect the safety of customers’ funds and enhance the ability to prevent and control external risks. Risk control was reinforced in asset management, notes, interbank and credit businesses to enhance risk warning and alert. Operational risk limit management was strengthened to ensure adequate monitoring and reporting of limit indicators. The Bank also optimized the operational risk measurement system, intensified large-value operational risk event control, improved the system of key operational risk indicators and continuously strengthened the application of operational risk management tools and management of data quality. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions or requirements of other relevant rules during the Bank’s operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.
Based on the objective to ensure legal and compliant operation, the Bank always attaches great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the Head Office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. The affiliates, domestic and overseas branches undertake the responsibility of legal risk management of their respective institutions.

In 2017, the Bank continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. The Bank improved both the vertical linkage and horizontal coordination mechanism between the Head Office and branches. By embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, the Bank prevented legal risk in advance and made the legal risk prevention and control more prospective, proactive and targeted. The Bank further improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, actively responding to cross-border legal issues emerging in the development of international operations. It applied multiple legal means to improve debt collection efficiency. Moreover, the Bank pragmatically strengthened the risk management and control of lawsuit-related risks, thereby preventing and mitigating lawsuit-related risks and losses. It assisted with the online judicial inquiry and enforcement, and improved the efficiency of providing enforcement assistance. The Bank further standardized contract management and reinforced authorization management, related party management, trademark management and intellectual property protection.

Anti-Money Laundering

In strict compliance with applicable laws and regulations concerning anti-money laundering (“AML”), the Bank sincerely implemented the “risk-based” regulatory requirements in respect of AML, steadily fulfilled the legal obligations and social responsibilities concerning AML, and kept enhancing the Group’s management level regarding AML and counter-terrorist financing (“CTF”).

Adhering to the AML management model of “centralized, specialized and systematic management”, the Bank pushed forward the development of AML mechanisms, policies, systems and teams and strengthened money laundering risk management in key businesses, core fields and critical links to boost the Group’s AML management capability. The Bank set up an Anti-money Laundering Center at the Head Office level, optimized the anti-money laundering management organization structure and further stepped up the Group headquarters’ supports and risk management of AML work of domestic and overseas institutions. Money laundering risk assessment of products and customers was strengthened, with stronger efforts made to prevent and control money laundering risks in major business fields. Targeted AML publicity and training events were carried out to accelerate the enhancement in the competence of AML teams. Domestic institutions continued to deepen the centralized AML processing reform to fortify the foundation for AML work, strengthened suspicious activity reporting, analysis and judgment and quality spot-check and cooperated with regulators and competent authorities in AML investigation. Overseas institutions completed the centralized compliance review mechanism reform for suspicious and sensitive businesses to boost the quality of centralized money laundering identification and handling. AML supervision, inspection and assessment of overseas institutions were strengthened to enhance the Group’s ability to manage AML compliance risk.
Reputational Risk

Reputational risk is defined as the risk of negative assessment or comments on a commercial bank from stakeholders as a result of its operation, management and other behaviors or external events. Reputational risk may arise in any part of the Bank’s operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk.

Reputational risk management of the Bank refers to the process and method for ensuring the achievement of the overall objective of reputational risk management based on the reputational risk management objective and planning, through the establishment and improvement of the reputational risk management system and through daily reputational risk management and proper handling of reputational events. Good reputation is central to the operation and management of a commercial bank. The Bank highly values its reputation and has incorporated reputational risk management in the corporate governance and enterprise risk management system to prevent reputational risk.

The Board of Directors is responsible for reviewing and finalizing bank-wide policies concerning reputational risk management that are in line with the strategic objective of the Bank, establishing a bank-wide system of reputational risk management, monitoring the overall status and effectiveness of reputational risk management across the Bank and assuming the ultimate responsibility for reputational risk management. The Senior Management is responsible for leading reputational risk management of the Bank, implementing the strategies and policies established by the Board of Directors, reviewing and finalizing the rules, measures and operating procedures for reputational risk management and the plans to handle extraordinarily major reputational events and ensuring the proper and effective operation of the reputational risk management system. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2017, the Bank continued to strengthen reputational risk management, proactively prevented reputational risk and enhanced the reputational risk management level and prevention ability across the Bank. According to the latest regulatory requirements, changes in external circumstances and the Bank’s management practices, the Bank amended the measures for reputational risk management, further improved the reputational risk management working mechanism, and optimized the reputational risk management system application. The Bank also carried out the identification, evaluation, monitoring, control, mitigation and assessment of reputational risk in an in-depth manner and strengthened the consolidated management of reputational risk. It conducted reputational risk assessment on new businesses and products, investigated all potential reputational risk and established reputational risk management registers at all levels. It organized stress testing and emergency response drills on reputational risk and reinforced the preventative control and mitigation of reputational risk. It responded actively to public concerns and effectively communicated with the stakeholders and the public. During the reporting period, the Bank’s reputational risk was controllable with no material reputational risk event occurred.

Country Risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the Bank or its commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government’s refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

The Bank strictly observes the Guidelines on the Management of Country Risk by Banking Financial Institutions and other regulatory requirements of CBRC. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management Committee of the Head Office is responsible for reviewing matters regarding country risk management. The Bank manages and controls country risk with a series of tools, including country risk assessment and rating, country risk limit, country risk exposure calculation and monitoring and stress testing. The Bank reviews the country risk rating and limits at least once every year.

In 2017, the Bank strictly abode by regulatory requirements and, with consideration of its business development needs, continued to strengthen country risk management. The Bank closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It further strengthened early warning mechanism for country risk, proactively conducted stress testing on country risk and reasonably and effectively controlled country risk while pushing ahead with the internationalization strategy.
CAPITAL MANAGEMENT

The Bank implements a group-based capital management mechanism, and takes capital as the object and an instrument for its management activities, including planning, measurement, allocation, application and operation. The Bank’s capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly strengthened and enhancing the bank-wide capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital, reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure. The Bank’s capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management.

In 2017, the Bank further deepened the capital management reform, strengthened capital saving and optimization, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency and return on capital. On the basis of stabilizing the supplementation of endogenous capital such as retained profits, the Bank proactively carried out external capital replenishment to continuously consolidate the bank-wide capital base to reinforce its capacity in supporting the real economy. Actively responding to the various national policies and guidance, the Bank focused more on and increased support to areas such as green finance and inclusive finance. Moreover, the Bank coordinated, allocated and utilized various capital resources to satisfy capital supplement requirements of subsidiaries. In 2017, all capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level, fully showing its good reputation of strong capital base and prudent and sustainable operation.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by CBRC, in respect of risks meeting regulatory requirements, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach was adopted for retail credit risk, the internal model approach (IMA) was adopted for market risk, and the standardized approach was adopted for operational risk. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA approach.

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Parent Company</td>
</tr>
<tr>
<td>Calculated in accordance with the Capital Regulation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net core tier 1 capital</td>
<td>2,030,108</td>
<td>1,856,054</td>
</tr>
<tr>
<td>Net tier 1 capital</td>
<td>2,110,060</td>
<td>1,935,429</td>
</tr>
<tr>
<td>Net capital base</td>
<td>2,406,920</td>
<td>2,216,707</td>
</tr>
<tr>
<td>Core tier 1 capital adequacy ratio</td>
<td>12.77%</td>
<td>12.88%</td>
</tr>
<tr>
<td>Tier 1 capital adequacy ratio</td>
<td>13.27%</td>
<td>13.44%</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>15.14%</td>
<td>15.39%</td>
</tr>
<tr>
<td>Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core capital adequacy ratio</td>
<td>11.65%</td>
<td>11.96%</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>14.56%</td>
<td>14.67%</td>
</tr>
</tbody>
</table>
As at the end of 2017, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Capital Regulation stood at 12.77%, 13.27% and 15.14%, respectively, complying with regulatory requirements.

**CAPITAL ADEQUACY RATIO**

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core tier 1 capital</td>
<td>2,044,390</td>
<td>1,886,536</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>356,407</td>
<td>356,407</td>
</tr>
<tr>
<td>Valid portion of capital reserve</td>
<td>151,952</td>
<td>151,998</td>
</tr>
<tr>
<td>Surplus reserve</td>
<td>232,660</td>
<td>205,021</td>
</tr>
<tr>
<td>General reserve</td>
<td>264,850</td>
<td>251,349</td>
</tr>
<tr>
<td>Retained profits</td>
<td>1,096,868</td>
<td>940,237</td>
</tr>
<tr>
<td>Valid portion of minority interests</td>
<td>2,716</td>
<td>3,164</td>
</tr>
<tr>
<td>Others</td>
<td>(61,063)</td>
<td>(21,640)</td>
</tr>
<tr>
<td>Core tier 1 capital deductions</td>
<td>14,282</td>
<td>11,560</td>
</tr>
<tr>
<td>Goodwill</td>
<td>8,478</td>
<td>9,001</td>
</tr>
<tr>
<td>Other intangible assets other than land use rights</td>
<td>1,532</td>
<td>1,477</td>
</tr>
<tr>
<td>Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet</td>
<td>(3,708)</td>
<td>(4,618)</td>
</tr>
<tr>
<td>Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>7,980</td>
<td>5,700</td>
</tr>
<tr>
<td>Net core tier 1 capital</td>
<td>2,030,108</td>
<td>1,874,976</td>
</tr>
<tr>
<td>Additional tier 1 capital</td>
<td>79,952</td>
<td>79,794</td>
</tr>
<tr>
<td>Additional tier 1 capital instruments and related premium</td>
<td>79,375</td>
<td>79,375</td>
</tr>
<tr>
<td>Valid portion of minority interests</td>
<td>577</td>
<td>419</td>
</tr>
<tr>
<td>Net tier 1 capital</td>
<td>2,110,060</td>
<td>1,954,770</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>297,360</td>
<td>178,292</td>
</tr>
<tr>
<td>Valid portion of tier 2 capital instruments and related premium</td>
<td>222,321</td>
<td>154,861</td>
</tr>
<tr>
<td>Surplus provision for loan impairment</td>
<td>71,736</td>
<td>19,195</td>
</tr>
<tr>
<td>Valid portion of minority interests</td>
<td>3,303</td>
<td>4,236</td>
</tr>
<tr>
<td>Tier 2 capital deductions</td>
<td>500</td>
<td>5,600</td>
</tr>
<tr>
<td>Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>500</td>
<td>5,600</td>
</tr>
<tr>
<td>Net capital base</td>
<td>2,406,920</td>
<td>2,127,462</td>
</tr>
<tr>
<td>Risk-weighted assets(2)</td>
<td>15,902,801</td>
<td>14,564,617</td>
</tr>
<tr>
<td>Core tier 1 capital adequacy ratio</td>
<td>12.77%</td>
<td>12.87%</td>
</tr>
<tr>
<td>Tier 1 capital adequacy ratio</td>
<td>13.27%</td>
<td>13.42%</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>15.14%</td>
<td>14.61%</td>
</tr>
</tbody>
</table>

Notes: (1) Please refer to “Note 54.(d) to the Financial Statements: Capital Management”.
(2) Refers to risk-weighted assets after capital floor and adjustments.
Discussion and Analysis

Please refer to the 2017 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement.

At the end of 2017, the leverage ratio which was calculated according to the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) promulgated by CBRC in 2015 was 7.51%, meeting the regulatory requirement.

<table>
<thead>
<tr>
<th>Item</th>
<th>At 31 December 2017</th>
<th>At 30 September 2017</th>
<th>At 30 June 2017</th>
<th>At 31 March 2017</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net tier 1 capital</td>
<td>2,110,060</td>
<td>2,074,109</td>
<td>2,003,429</td>
<td>2,017,717</td>
<td>1,954,770</td>
</tr>
<tr>
<td>Balance of adjusted on- and off-balance sheet assets</td>
<td>28,084,967</td>
<td>27,689,701</td>
<td>27,467,633</td>
<td>26,753,069</td>
<td>25,904,533</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>7.51%</td>
<td>7.49%</td>
<td>7.29%</td>
<td>7.54%</td>
<td>7.55%</td>
</tr>
</tbody>
</table>

Note: Please refer to “Unaudited Supplementary Financial Information” for details on disclosed leverage ratio information.

Capital Financing Management

The Bank proactively carried out external capital replenishment and constantly promoted the issuance of new capital instruments on the basis of achieving capital replenishment by retained profits. According to its capital planning and capital replenishment plan, the Bank issued two tranches of tier 2 capital bonds worth RMB44.0 billion each in China’s national interbank bond market in November 2017, with the total size of issuance standing at RMB88.0 billion. All funds raised are used to replenish the tier 2 capital of the Bank as per applicable laws and the approval of the regulator. Please refer to the announcements published by the Bank on the websites of SEHK and SSE.

For details on relevant fundraising activities, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing”.

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

In 2017, the Bank further strengthened its economic capital management in terms of measurement, allocation and assessment, improved its economic capital measurement policy and optimized its economic capital measurement standards and system. The Bank strictly implemented the measures for quota management, continuously boosted the refined management of economic capital, and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure. It strengthened trainings on economic capital management for institutions at all levels, and vigorously pushed forward operational management and business front-line application of economic capital.
In 2018, global economic growth prospects are expected to improve, and reforms of global governance system and international order are accelerating. China’s economy will shift from rapid growth to high-quality development. New economy, new business forms and new momentum will develop and evolve, which will significantly enhance economic innovation and competitiveness.

The Bank faces the following opportunities. First, the supply-side structural reform will stimulate the inherent driving force for economic growth and provide impetus for the integration and interaction between the banking sector and the real economy. Second, the rapid development of FinTech will provide sounder technical support for banks to build a smart financial service model. Third, the strategy for coordinated development will be further promoted, and major strategic arrangements for Xiong’an New Area, Guangdong, Hong Kong and Macau Greater Bay Area will be fully implemented, providing guidelines for banks to optimize their operational layout. Fourth, the framework of all-around opening up will take shape, and the Belt and Road Initiative will be further propelled, creating a historic opportunity for the internationalization of banks.

The Bank will also face the following major challenges: First, financial risks will still occur easily and frequently, imposing higher requirements for banks to further enhance their enterprise risk management and control capabilities. Second, financial regulatory environment, competitive environment and technological environment will undergo significant changes, pushing forward the reconstruction of financial ecology. Banks will be required to clarify the market and strategic positioning, form their operating characteristics and build core strengths. Third, due to the individualized, integrated and scene-oriented trend of customers’ financial demand and more frequent flow and conversion between financial assets, banks will be required to further improve their service accuracy and professionalism based on the experience on customers.

2018 is a crucial year for China to securing a decisive victory in building a moderately prosperous society in all respects and also the starting year for the Bank to implement the new three-year planning and embark on the new journey as a big bank. Based on the vision on building a world-class and modern financial enterprise with global competitiveness by adhering to the principles of delivering excellence, sticking to our founding mission, customer favourite, leading in innovation, security and prudence, and people-oriented, the Bank will achieve sustainable and healthy development during the process of providing services for the real economy and the supply-side structural reform.

- **Focus on our founding mission, and act as the leader in serving the real economy.** The Bank will improve the integrated management of existing and incremental loans, give full support to the real economy and enhance the ability to solve the problems of imbalance and insufficiency with financial support. It will actively shore up the construction of “four regions”, “three supportive belts” and Xiong’an New Area, and strengthen the support for the fields such as advanced manufacturing, energy conservation and environmental protection, and consumption upgrade. The inclusive finance system will be optimized by focusing on groups related to small and micro enterprises, “agriculture, rural areas and farmers”, “mass entrepreneurship and innovation” and poverty relief. In addition, the Bank will focus its efforts on “cutting overcapacity and excess inventory, deleveraging and reducing costs” to lower the inefficient use of financial resources. It will also promote integrated and international operations in an in-depth manner, in order to achieve “one-click access, whole-group response and globalized services”, and enhance the pattern and level of services for the real economy.

- **Never overstep the bottom line and create a financial security stabilizer.** The Bank will adhere to the operational and managerial concept of ongoing risk prevention and control, and stick to the principles of strict loan control and rigid bank management, so as to achieve the classified management of on-balance sheet and off-balance sheet businesses. Besides, the Bank will pay close attention to comprehensive management and professional governance, intensify risk mitigation, rectification and accountability, and manage loans by experts and professionals, to consolidate the foundation of credit management. By holding fast to the innovative boundary and compliance bottom line for cross-market businesses, the Bank will improve its cross-risk underlying data platform as well as the monitoring and control system. It will strengthen the compliance culture building and promote the integration of prudent and compliant business philosophy and culture within the Bank, to form a powerful deterrent force and binding effect.

- **Embrace changes, and strive to be the pioneer of reform and innovation.** The Bank will closely follow the changes of customers and behavioural patterns in the internet era, reconstruct its customer development strategy and create a new customer base with an open, tolerant and inclusive attitude and new ideas, perspectives and measures. It will speed up the building of smart banking system, build a new-generation business, IT and data architecture, and create a “data-based, intelligent and smart” operation and management and financial service system. Besides, the Bank will optimize organizational management efficiency, business operation mode, performance assessment system and human resources structure to improve the transmission of strategies, and deepen the competitiveness of key cities with the enhancement of relevant strategies, to reinforce its operational capabilities in major markets.
## OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

### Major Regulatory Indicators

<table>
<thead>
<tr>
<th>Item</th>
<th>Regulatory criteria</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity ratio (%)</td>
<td>RMB &gt;=25.0</td>
<td>41.7</td>
<td>35.7</td>
<td>35.5</td>
</tr>
<tr>
<td></td>
<td>Foreign currency &gt;=25.0</td>
<td>86.2</td>
<td>82.3</td>
<td>98.1</td>
</tr>
<tr>
<td>Loan-to-deposit ratio (%)&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>RMB and foreign currency</td>
<td>71.1</td>
<td>70.9</td>
<td>71.4</td>
</tr>
<tr>
<td>Percentage of loans to single largest customer (%)</td>
<td>&lt;=10.0</td>
<td>4.9</td>
<td>4.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Percentage of loans to top 10 customers (%)</td>
<td>14.2</td>
<td>13.3</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Loan migration ratio (%)</td>
<td>Pass</td>
<td>2.7</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>Special mention</td>
<td>23.2</td>
<td>23.5</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td>Substandard</td>
<td>71.1</td>
<td>36.8</td>
<td>38.9</td>
</tr>
<tr>
<td></td>
<td>Doubtful</td>
<td>10.6</td>
<td>7.4</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Notes: (1) The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated. 
(2) CBRC adjusted the loan-to-deposit ratio from a regulatory indicator to a monitoring indicator in 2015. 
(3) Please refer to the section headed “Discussion and Analysis — Risk Management” for liquidity coverage ratio indicator information.

### Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2017 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

### Corporate Bonds

The Bank did not issue any corporate bonds that need to be disclosed as per the “No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report” (Revision 2017) or “No. 38 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report of Corporate Bonds”.
## Global Systemically Importance Assessment Indicators of Commercial Banks

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of adjusted on- and off-balance sheet assets</td>
<td>28,084,967</td>
<td>25,904,533</td>
</tr>
<tr>
<td>Intra-financial system assets</td>
<td>1,928,002</td>
<td>1,602,223</td>
</tr>
<tr>
<td>Intra-financial system liabilities</td>
<td>1,924,926</td>
<td>2,131,194</td>
</tr>
<tr>
<td>Securities and other financing instruments issued</td>
<td>3,948,878</td>
<td>2,719,376</td>
</tr>
<tr>
<td>Payments settled via payment systems or correspondent banks</td>
<td>361,485,854</td>
<td>374,432,043</td>
</tr>
<tr>
<td>Assets under custody</td>
<td>15,557,326</td>
<td>14,061,641</td>
</tr>
<tr>
<td>Underwritten transactions in debt and equity markets</td>
<td>1,198,482</td>
<td>1,649,713</td>
</tr>
<tr>
<td>Notional amount of over-the-counter (OTC) derivatives</td>
<td>5,600,701</td>
<td>4,970,872</td>
</tr>
<tr>
<td>Trading and available-for-sale securities</td>
<td>498,644</td>
<td>442,830</td>
</tr>
<tr>
<td>Level 3 assets</td>
<td>169,915</td>
<td>159,550</td>
</tr>
<tr>
<td>Cross-jurisdictional claims</td>
<td>1,631,867</td>
<td>1,489,643</td>
</tr>
<tr>
<td>Cross-jurisdictional liabilities</td>
<td>1,729,020</td>
<td>1,577,428</td>
</tr>
</tbody>
</table>
Social Responsibility

Taking the social responsibility objective of “Excellence for You — Excellent services to clients, Maximum returns to shareholders, Real success for our people, Great contribution to society”, the Bank is committed to serving the common interests in economic and social development and promoting sustainable economic development and social progress. Thanks to these efforts, the Bank won wide recognition from various social sectors and such awards as the “Excellence in Corporate Social Responsibility”, the “Best Social Responsibility Financial Institution Award of the Year”, and the “Annual Bank with Excellent Social Contribution of the Year”.

Delivering Excellence

Leveraging a sound corporate governance framework, the Bank promoted the transformation of operation, offered innovative products and services, strove to enhance profitability and risk control level, promoted the reasonable distribution of social resources and supported the sustainable development of the real economy via optimal allocation of financial resources, and created superior value for all the stakeholders including shareholders, customers and employees as well as the society.

Sticking to Our Founding Mission

Staying true to our founding mission, the Bank was determined to be rooted in the real economy, actively adapted to the requirements of the structural reform on the supply side, supported the “overcapacity and excess inventory cut, deleverage, cost reduction, and strengthening of points of weakness”, and backed the optimization of industrial structure. What’s more, the Bank aligned itself with the national strategies to promote regional coordination, ensure and improve living standards, aid in high-end manufacturing and practice green finance by taking the lead in the industry to launch the “ICBC ESG Green Index”, in order to support the high-quality growth of economy and self-upgrade and development in a deeply integrated way.

Customers’ Favourite

The Bank upheld and fulfilled the “customer-oriented” operating philosophy, released the service culture of “Customer First, Satisfactory Service, Valuing Employees, Persistent Integrity” and took persistent efforts to build an efficient, reputed bank providing good customer experience. Committed to offering excellent financial services, the Bank endeavored to provide more efficient, safer and more convenient financial services of better quality and become a trusted, reliable, user-friendly and first-choice bank enabling “one-point access, group-wide response and global service”.

Leading in Innovation

The Bank vigorously fostered innovation culture. In pursuit of all-round innovation driven by innovation in system and technology, the Bank made continuous efforts to improve online and offline smart service systems and moved steadily forward with smart outlet upgrades and self-service banking development. Moreover, the Bank earnestly innovated products and services and continuously strengthened innovation in management in a bid to become a leader and driver of the smart finance ecosystem.

Security and Prudence

The Bank upheld the corporate culture that “Integrity Leads to Prosperity”, responded actively to the latest changes in financial regulatory requirements and market conditions, attached great importance to defending the bottom line of risks and fortifying the lines of defense for compliance and pursued safe operation and sound development based on well-established policies and risk control and prevention. The Bank practically protected the rights and interests of consumers, and took an actively part in developing a social integrity system in a bid to create value for customers, shareholders and other stakeholders as well as the larger society.
People-oriented

The Bank upheld the leading role of the Party Committee, earnestly safeguarded the employees' legal rights and interests, cared for their growth, and created a harmonious “home” where all employees and leaders of the Bank pulled together their wisdom and efforts to promote common development. In the meantime, the Bank actively supported charity work, encouraged the employees to participate in volunteer activities, and gave back to the society and fulfilled its responsibility across the globe as a big bank in multiple ways, such as helping the poor, the elderly and the disabled, providing financial support for education, and providing community services.

Targeted Poverty Relief

The Bank took poverty relief as an important part of fulfilling its social responsibilities, insisted on the basic principle of targeted poverty relief and elimination, took targeted measures to meet the demands in poor regions, sought solutions and took effective measures in mechanism, funds, information, talents, methods, etc., and continuously stepped up the financial support and targeted assistance, playing its due role in the tough battle against poverty and assuming its responsibility as a big bank.

Targeted Poverty Relief Planning

- **Poverty relief planning and objective.** The Bank endeavours to provide financial services to poor regions, leveraging the role of finance in promoting poverty reduction and sustainable economic development in the regions. It dedicates its efforts in targeted poverty relief, assisting resource integration at poor areas, improving of production and living conditions of the underprivileged by means of finance, industry, education, medical care for poverty relief, supporting them to achieve poverty reduction goals on time.

- **Mechanism for poverty relief.** The Bank established the working group for poverty relief to enhance leadership and coordination for poverty relief. It stipulated guideline documents for poverty relief, such as the Opinion on Comprehensively Advancing Finance-backed Poverty Alleviation Work and the Financial Targeted Poverty Alleviation Work Plan and the Key Points in Targeted Poverty Alleviation, which specified the Bank’s guiding ideas, basic principles, priorities and measures for poverty relief.

Summary of Targeted Poverty Relief in 2017

- **Poverty relief through finance.** The Bank sought breakthroughs mainly in credit granting, product innovation and service provision, etc., and deeply pushed forward anti-poverty work to cater for the financial demand of poverty-stricken areas. The hard efforts paid off in the way of finance leveraging and promoting finance-supported targeted poverty relief in the new era.

- **Poverty relief through education.** “Prioritizing education for poverty relief”, the Bank supported job creation, sponsored poor students, provided training for village teachers, and financed the building of school dorms, thus raising the level of poverty relief through education across the board.

- **Poverty relief through healthcare.** The Bank improved the local medical services and public hygiene and reduced the cases of local residents falling below the poverty line or returning to poverty due to illnesses, by offering free medical assistance and providing medical and health facilities, enabling more poor people to access basic medical services.

- **Poverty relief through industries.** The Bank actively explored the model that combines the ICBC, the government, the village’s Party committee and autonomous committee, enterprises and the poor households together, integrated poverty relief resource input and local efforts with better effects, and realized efficient capital use. It not only fostered a group of characteristic industrial projects with growing vitality and demonstration effects, effectively increasing the poor households’ income and stimulating their initiative to overcome poverty.
**Targeted Poverty Relief Achievements**

<table>
<thead>
<tr>
<th><strong>Finance-backed targeted poverty relief</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of loans</td>
<td>12,702,854.38</td>
</tr>
<tr>
<td>Including: Loan of industry targeted poverty relief</td>
<td>2,290,487.86</td>
</tr>
<tr>
<td>Loan of project targeted poverty relief</td>
<td>8,452,849.58</td>
</tr>
<tr>
<td>Including: Rural transport facilities</td>
<td>4,444,337.67</td>
</tr>
<tr>
<td>Upgrading of rural power network</td>
<td>150,883.60</td>
</tr>
<tr>
<td>Rural water conservancy facilities</td>
<td>696,903.61</td>
</tr>
<tr>
<td>Rural education loan</td>
<td>83,185.00</td>
</tr>
<tr>
<td><strong>Amount of targeted poverty relief input</strong></td>
<td>2,200.00</td>
</tr>
<tr>
<td>Poverty relief through industry development</td>
<td>1,285.00</td>
</tr>
<tr>
<td>Poverty relief through education</td>
<td>685.00</td>
</tr>
<tr>
<td>Poverty relief through healthcare</td>
<td>60.00</td>
</tr>
<tr>
<td>Poverty relief through infrastructure</td>
<td>140.00</td>
</tr>
<tr>
<td>Poverty relief through cultural development</td>
<td>30.00</td>
</tr>
<tr>
<td>Number of beneficiaries of targeted poverty relief</td>
<td>64,422</td>
</tr>
<tr>
<td>Including: Number of registered poor people</td>
<td>22,969</td>
</tr>
</tbody>
</table>

**The Group poverty relief donations apart from targeted poverty relief**

<table>
<thead>
<tr>
<th>Amount of donations</th>
<th>2,658.87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects</td>
<td>Including infrastructure construction, industrial development, education, medical care and visit to poor households</td>
</tr>
<tr>
<td>Number of beneficiaries</td>
<td>347,635</td>
</tr>
<tr>
<td>Including: Number of registered poor people</td>
<td>42,078</td>
</tr>
</tbody>
</table>

**Note:** The “targeted poverty relief” refers to the poverty relief efforts in Tongjiang County, Nanjiang County, Jinyang County and Wanyuan City in Sichuan Province.

**Subsequent Targeted Poverty Relief Plan**

The Bank will provide precise financing support in view of the development plan of the targeted regions, give priority to the scale of credit and capital for those regions, and create new financial products and services for poverty relief according to local conditions. It will implement the poverty relief model that features the combination of education, finance, industry and healthcare, and push the poverty relief efforts from being driven by external forces to being driven by internal forces and from individual cases to collective relief. The Bank will optimize the outlet construction and layout in poor regions, and increase the supply of financial services there to make them more convenient and accessible. The Bank will focus on poverty relief in the extremely poor regions, make overall arrangements of resources, and prioritize support to those areas with the greatest difficulties, poorest groups and most urgent problems.
Green and Environment Protection

The Bank actively acted in line with the government’s five development concepts of “innovation, coordination, green, opening up and sharing” and the requirements of “promoting balanced economic, political, cultural, social, and ecological progress”. Regarding green credit strengthening as a key strategy for long-term pursuit, the Bank comprehensively carried out green credit from the aspects of credit policy, management process, business innovation and its own performance. It released the revised industrial (green) credit policy annually, comprehensively implemented the “Green Credit One-Veto System”, intensified green credit assessment and resource allocation, and improved the IT-based green credit management to actively back the development of green industries and reinforce the prevention and control of environmental and social risks.

The Bank continuously promoted low-carbon operation, advocated green office and strove to increase the working and management efficiency through IT means. It improved the functions of the office system, continued to promote paperless office work, reformed the car use system, and established a diversified official car use system focused on self-owned cars and complemented by the commercial car service such as online car hailing. The Bank called on the employees to proactively protect the natural eco-environment and participated in voluntary tree planting, sharpened the employees’ environmental awareness, and intensified their sense of responsibility for the environment. All these efforts synchronously improved economic, social and ecological benefits.

For more details on the Bank’s social responsibilities, please refer to the ICBC Corporate Social Responsibility Report 2017 (Environment, Society and Governance) published on its official website.
Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2016</th>
<th>Percentage (%)</th>
<th>Increase/decrease during the reporting period</th>
<th>At 31 December 2017</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td></td>
<td></td>
<td>Number of shares</td>
<td></td>
</tr>
<tr>
<td>I. Shares subject to restrictions on sales</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>II. Shares not subject to restrictions on sales</td>
<td>356,406,257,089</td>
<td>100.00</td>
<td>–</td>
<td>356,406,257,089</td>
<td>100.00</td>
</tr>
<tr>
<td>1. RMB-denominated ordinary shares</td>
<td>269,612,212,539</td>
<td>75.65</td>
<td>–</td>
<td>269,612,212,539</td>
<td>75.65</td>
</tr>
<tr>
<td>III. Total number of shares</td>
<td>356,406,257,089</td>
<td>100.00</td>
<td>–</td>
<td>356,406,257,089</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Note: “Foreign shares listed overseas”, namely H shares, are within the same meaning as defined in the “No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding” (Revision 2007) of CSRC.

Details of Securities Issuance and Listing

The Bank did not conduct any rights issue or issue any convertible bonds during the reporting period.

For details on the issuance of preference shares of the Bank, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

For information on other securities issued by the Bank and its subsidiaries, please refer to “Note 38. to the Financial Statements: Debt Securities Issued; Note 41. to the Financial Statements: Other Equity Instruments” for details.

The Bank did not have any employee shares.

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 503,430 ordinary shareholders and no holders of preference shares with voting rights restored, including 128,442 holders of H shares and 374,988 holders of A shares. As at the end of the month immediately before the release day of the Annual Report (28 February 2018), the Bank had a total number of 524,352 ordinary shareholders and no holders of preference shares with voting rights restored.
## PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Nature of shareholder</th>
<th>Class of shares</th>
<th>Shareholding percentage (%)</th>
<th>Total number of shares held</th>
<th>Number of pledged or locked-up shares</th>
<th>Increase/ decrease of shares during the reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huijin</td>
<td>State-owned</td>
<td>A Share</td>
<td>34.71</td>
<td>123,717,852,951</td>
<td>None</td>
<td>–</td>
</tr>
<tr>
<td>MOF</td>
<td>State-owned</td>
<td>A Share</td>
<td>34.60</td>
<td>123,316,451,864</td>
<td>None</td>
<td>–</td>
</tr>
<tr>
<td>HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited(3)</td>
<td>Foreign legal person</td>
<td>H Share</td>
<td>24.16</td>
<td>86,099,850,428</td>
<td>Unknown</td>
<td>48,125,232</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A Share</td>
<td>0.13</td>
<td>469,850,468</td>
<td>None</td>
<td>5,389,887</td>
</tr>
<tr>
<td>China Securities Finance Co., Ltd.</td>
<td>State-owned legal person</td>
<td>A Share</td>
<td>1.12</td>
<td>3,976,079,886</td>
<td>None</td>
<td>-586,156,109</td>
</tr>
<tr>
<td>Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products</td>
<td>Other entities</td>
<td>A Share</td>
<td>1.05</td>
<td>3,731,330,676</td>
<td>None</td>
<td>-591,497,461</td>
</tr>
<tr>
<td>Sycamore Investment Platform Co., Ltd.</td>
<td>State-owned legal person</td>
<td>A Share</td>
<td>0.40</td>
<td>1,420,781,042</td>
<td>None</td>
<td>–</td>
</tr>
<tr>
<td>Central Huijin Asset Management Co., Ltd.(4)</td>
<td>State-owned legal person</td>
<td>A Share</td>
<td>0.28</td>
<td>1,013,921,700</td>
<td>None</td>
<td>–</td>
</tr>
<tr>
<td>China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu</td>
<td>Other entities</td>
<td>A Share</td>
<td>0.10</td>
<td>362,707,827</td>
<td>None</td>
<td>45,668,900</td>
</tr>
<tr>
<td>Anbang Property &amp; Casualty Insurance Co., Ltd. — Traditional products</td>
<td>Other entities</td>
<td>A Share</td>
<td>0.06</td>
<td>207,691,297</td>
<td>None</td>
<td>–</td>
</tr>
<tr>
<td>Beijing Capital International Airport Co., Ltd.</td>
<td>State-owned legal person</td>
<td>A Share</td>
<td>0.05</td>
<td>167,467,520</td>
<td>None</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes: (1) The above data are based on the Bank’s register of shareholders as at 31 December 2017.
(2) The Bank had no shares subject to restrictions on sales.
(3) HKSCC Nominees Limited held 86,099,850,428 H shares and Hong Kong Securities Clearing Company Limited held 469,850,468 A shares.
(4) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

**Particulars of Substantial Shareholders**

During the reporting period, the Bank’s controlling shareholders and de facto controller remained unchanged.
**Details of Changes in Share Capital and Shareholding of Substantial Shareholders**

### Controlling Shareholders

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza,1 Chaoyangmen North Street, Dongcheng District, Beijing, its unified social credit code is 911000007109329615, and its legal representative is Ding Xuedong. Huijin is a wholly-owned subsidiary of CIC. It, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2017, Huijin held approximately 34.71% shares of the Bank. It held shares directly in the institutions listed below:

<table>
<thead>
<tr>
<th>No.</th>
<th>Company name</th>
<th>Huijin’s shareholding percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China Development Bank Corporation</td>
<td>34.68</td>
</tr>
<tr>
<td>2</td>
<td>Industrial and Commercial Bank of China Limited (A; H)</td>
<td>34.71</td>
</tr>
<tr>
<td>3</td>
<td>Agricultural Bank of China Limited (A; H)</td>
<td>40.03</td>
</tr>
<tr>
<td>4</td>
<td>Bank of China Limited (A; H)</td>
<td>64.02</td>
</tr>
<tr>
<td>5</td>
<td>China Construction Bank Corporation (A; H)</td>
<td>57.11</td>
</tr>
<tr>
<td>6</td>
<td>China Everbright Group Ltd.</td>
<td>55.67</td>
</tr>
<tr>
<td>7</td>
<td>China Everbright Bank Company Limited (A; H)</td>
<td>19.53</td>
</tr>
<tr>
<td>8</td>
<td>China Export &amp; Credit Insurance Corporation</td>
<td>73.63</td>
</tr>
<tr>
<td>9</td>
<td>China Reinsurance (Group) Corporation (H)</td>
<td>71.56</td>
</tr>
<tr>
<td>10</td>
<td>New China Life Insurance Company Limited (A; H)</td>
<td>31.34</td>
</tr>
<tr>
<td>11</td>
<td>China Jianyin Investment Limited</td>
<td>100.00</td>
</tr>
<tr>
<td>12</td>
<td>China Galaxy Financial Holdings Company Limited</td>
<td>78.57</td>
</tr>
<tr>
<td>13</td>
<td>Shenwan Hongyuan Group Co., Ltd. (A)</td>
<td>25.03</td>
</tr>
<tr>
<td>14</td>
<td>China International Capital Corporation Limited (H)</td>
<td>58.58</td>
</tr>
<tr>
<td>15</td>
<td>China Securities Co., Ltd. (H)</td>
<td>32.93</td>
</tr>
<tr>
<td>16</td>
<td>Jiantou CITIC Asset Management Co., Ltd.</td>
<td>70.00</td>
</tr>
<tr>
<td>17</td>
<td>Guotai Junan Investment Management Co., Ltd.</td>
<td>14.54</td>
</tr>
</tbody>
</table>

Notes:

1. A represents A share listed company, while H represents H share listed company.
2. In February 2018, the procedures for integration of China Galaxy Financial Holdings Company Limited (“CGFH”) and China Galaxy Investment Management Co., Ltd. were completed. Afterwards, the direct holding of Huijin in CGFH was changed to 69.07%.
3. On 12 December 2017, CSRC approved the non-public issuance of new shares up to RMB2.5 billion by Shenwan Hongyuan Group Co., Ltd. (“SHG”). On 30 January 2018, the new shares mentioned above went listed on Shenzhen Stock Exchange. Afterwards, the direct holding of Huijin in SHG was changed to 22.28%.
4. On 20 September 2017, China International Capital Corporation Limited (“CICC”) and Tencent Mobility Limited (“Tencent”) signed share subscription agreement through which CICC privately offered about 4.95% of all its H shares (after the offering) to Tencent. As of the end of 2017, the relevant procedures were being handled.
5. Except the above-mentioned controlling or equity participating enterprises, Huijin also has a wholly-owned subsidiary — Central Huijin Asset Management Co., Ltd. Central Huijin Asset Management Co., Ltd. was incorporated in November 2015 in Beijing. With a registered capital of RMB5 billion, the company runs an asset management business.

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1 Ding Xuedong was transferred to serve as Deputy Secretary General of the State Council (Minister Level). He authorized Tu Guangshao to function in the capacity of Legal Representative of CIC, Chairman and Legal Representative of Huijin. The authorization came into force on 2 March 2017, and ceased to be effective upon new appointment by the State Council. Tu Guangshao currently serves as Vice Chairman and General Manager of CIC.
The second single largest shareholder of the Bank is MOF, which held approximately 34.60% shares of the Bank as at 31 December 2017. MOF is a department under the State Council, and is responsible for overseeing the State’s fiscal revenue and expenditure, formulating the financial and taxation policies, and supervising State finance at a macro level.

- **Particulars of Other Corporate Shareholders Holding 10% Shares or More (Excluding HKSCC Nominees Limited)**

  None.

- **Particulars of the De Facto Controller**

  None.

**Interests and Short Positions Held by Substantial Shareholders and Other Persons**

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2017, the Bank received notices from the following persons about their interests or short positions held in the Bank’s ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

**HOLDERS OF A SHARES**

<table>
<thead>
<tr>
<th>Name of substantial shareholder</th>
<th>Capacity</th>
<th>Number of A shares held (share)</th>
<th>Nature of interests</th>
<th>Percentage of A shares (%)</th>
<th>Percentage of total ordinary shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOF(1)</td>
<td>Beneficial owner</td>
<td>118,006,174,032</td>
<td>Long position</td>
<td>43.77</td>
<td>33.11</td>
</tr>
<tr>
<td>Huijin(2)</td>
<td>Beneficial owner</td>
<td>124,731,774,651</td>
<td>Long position</td>
<td>46.26</td>
<td>35.00</td>
</tr>
</tbody>
</table>

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2017, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2017, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.
## Details of Changes in Share Capital and Shareholding of Substantial Shareholders

### HOLDERS OF H SHARES

<table>
<thead>
<tr>
<th>Name of substantial shareholder</th>
<th>Capacity</th>
<th>Number of H shares held (share)</th>
<th>Nature of interests</th>
<th>Percentage of H shares (%)</th>
<th>Percentage of total ordinary shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Council for Social Security Fund</td>
<td>Beneficial owner</td>
<td>8,663,703,234</td>
<td>Long position</td>
<td>9.98</td>
<td>2.43</td>
</tr>
<tr>
<td>Temasek Holdings (Private) Limited</td>
<td>Interest of controlled corporations</td>
<td>7,317,475,731</td>
<td>Long position</td>
<td>8.43</td>
<td>2.05</td>
</tr>
<tr>
<td>Ping An Asset Management Co., Ltd.</td>
<td>Investment manager</td>
<td>6,115,905,000</td>
<td>Long position</td>
<td>7.05</td>
<td>1.72</td>
</tr>
<tr>
<td>BlackRock, Inc.</td>
<td>Interest of controlled corporations</td>
<td>4,357,784,110</td>
<td>Long position</td>
<td>5.02</td>
<td>1.22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>534,000</td>
<td>Short position</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 31 December 2017 (the date of relevant event being 28 November 2017). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

### Preference Shares

#### Issuance and Listing of Preference Shares in Latest Three Years

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015 upon the approval by CBRC pursuant to Yin Jian Fu [2015] No. 189 and by CSRC pursuant to Zheng Jian Xu Ke [2015] No. 1023. Each domestic preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate, as determined by benchmark rate plus a fixed spread, shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the benchmark rate shall be readjusted once every 5 years during which the coupon rate shall remain unchanged. The coupon rate for the Domestic Preference Shares during the first 5 years is determined at 4.5% through price discovery. Upon approval by SSE pursuant to Shang Zheng Han [2015] No. 2391, the domestic preference shares were listed on the integrated trading platform of SSE for transfer as of 11 December 2015 (stock name: ICBC Preference Share 1, stock code 360011). Total proceeds from the issuance amounted to RMB45.0 billion, net proceeds from the issuance amounted to around RMB44.95 billion. All proceeds after deduction of the expenses relating to the issuance will be used to replenish additional tier 1 capital.

For particulars of the Bank’s issue of domestic preference shares, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank.

#### Changes in Preference Shares

As at the end of the reporting period, the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders. As at the end of the month immediately before the release day of the Annual Report (28 February 2018), the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders.
### PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Nature of shareholder</th>
<th>Class of shares</th>
<th>Increase/decrease during the reporting period</th>
<th>Shares held at the end of the period</th>
<th>Shareholding percentage (%)</th>
<th>Number of shares subject to restrictions on sales</th>
<th>Number of pledged or locked-up shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cede &amp; Co.</td>
<td>Foreign legal person</td>
<td>USD offshore preference shares</td>
<td>–</td>
<td>147,000,000</td>
<td>47.9</td>
<td>–</td>
<td>Unknown</td>
</tr>
<tr>
<td>The Bank of New York Depository (Nominees) Limited</td>
<td>Foreign legal person</td>
<td>RMB offshore preference shares</td>
<td>–</td>
<td>120,000,000</td>
<td>39.1</td>
<td>–</td>
<td>Unknown</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EUR offshore preference shares</td>
<td>–</td>
<td>40,000,000</td>
<td>13.0</td>
<td>–</td>
<td>Unknown</td>
</tr>
</tbody>
</table>

Notes:
1. The above data are based on the Bank’s register of offshore preference shareholders as at 31 December 2017.
2. As the issuance was private offering, the register of preference shareholders presented the information on proxies of placees.
3. The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
4. “Shareholding percentage” refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.
### PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Nature of shareholder</th>
<th>Class of shares</th>
<th>Increase/decrease during the reporting period</th>
<th>Shares held at the end of the period</th>
<th>Shareholding percentage (%)</th>
<th>Number of shares subject to restrictions on sales</th>
<th>Number of pledged or locked-up shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Mobile Communications Corporation</td>
<td>Other entities</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>200,000,000</td>
<td>44.4</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>China National Tobacco Corporation</td>
<td>Other entities</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>50,000,000</td>
<td>11.1</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>China Life Insurance Company Limited</td>
<td>State-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>35,000,000</td>
<td>7.8</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>Ping An Life Insurance Company of China, Ltd.</td>
<td>Domestic non-state-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>30,000,000</td>
<td>6.7</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>CCB Trust Co., Ltd.</td>
<td>State-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>15,000,000</td>
<td>3.3</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>BOCOM Schroders Asset Management Co., Ltd.</td>
<td>Domestic non-state-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>15,000,000</td>
<td>3.3</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>China Resources SZITIC Trust Co., Ltd.</td>
<td>State-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>15,000,000</td>
<td>3.3</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>BOC International (China) Limited</td>
<td>Domestic non-state-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>15,000,000</td>
<td>3.3</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>China National Tobacco Corporation Shandong Branch</td>
<td>Other entities</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>10,000,000</td>
<td>2.2</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>China National Tobacco Corporation Heilongjiang Branch</td>
<td>Other entities</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>10,000,000</td>
<td>2.2</td>
<td>–</td>
<td>None</td>
</tr>
<tr>
<td>Ping An Property &amp; Casualty Insurance Company of China Ltd.</td>
<td>Domestic non-state-owned legal person</td>
<td>Domestic preference shares</td>
<td>–</td>
<td>10,000,000</td>
<td>2.2</td>
<td>–</td>
<td>None</td>
</tr>
</tbody>
</table>

Notes: (1) The above data are based on the Bank’s register of domestic preference shareholders as at 31 December 2017.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. The “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. The “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) “Shareholding percentage” refers to the percentage of domestic preference shares held by preference shareholders in total number of domestic preference shares.

*Dividend Distribution of Preference Shares*

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 30 October 2017, permitting the Bank to distribute the dividends on the Bank’s domestic preference shares on 23 November 2017 and on the offshore preference shares on 11 December 2017.
Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Dividends on the Bank’s domestic preference shares are paid annually in cash, and calculated based on the aggregate value of the issued domestic preference shares. Dividends on the domestic preference shares are non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed coupon rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the domestic preference share issuance proposal, the Bank distributed a dividend of RMB2,025 million on the domestic preference shares (pre-tax) at the coupon rate of 4.5%.

Dividends on the Bank’s offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the offshore preference shares are non-cumulative. Holders of offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore preference share issuance proposal, the Bank distributed a dividend of USD196 million, EUR40 million and RMB800 million on the offshore preference shares (pre-tax), aggregating to RMB2,412 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank will pay the relevant taxes, in addition to the dividends for offshore preference shares.

Recent distribution of dividends on preference shares by the Bank is shown as follows:

<table>
<thead>
<tr>
<th>Type of preference shares</th>
<th>2017 Dividend rate</th>
<th>Dividend distributed (pre-tax, in RMB millions)</th>
<th>2016 Dividend rate</th>
<th>Dividend distributed (pre-tax, in RMB millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic preference share</td>
<td>4.5%</td>
<td>2,025</td>
<td>4.5%</td>
<td>2,025</td>
</tr>
<tr>
<td>Offshore preference share</td>
<td>6.0%</td>
<td>2,412</td>
<td>6.0%</td>
<td>2,425</td>
</tr>
</tbody>
</table>

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank’s distribution of dividends on preference shares, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank.

- **Redemption or Conversion of Preference Shares**

During the reporting period, the Bank did not redeem or convert any preference share.

- **Restoration of Voting Rights of Preference Shares**

During the reporting period, the Bank did not restore any voting right of preference share.

- **Accounting Policy Adopted for Preference Shares and Rationale**

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments and the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by MOF as well as the International Accounting Standard 39 — Financial Instruments: Recognition and Measurement and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and main issuance clauses of the Bank’s preference shares, issued and existing preference shares of the Bank excluded contractual obligations of cash on delivery or other financial assets and contractual obligations of settlement by delivering variable equity instruments, and shall be calculated as other equity instruments.
### Directors, Supervisors, Senior Management, Employees and Institutions

#### Basic Information on Directors, Supervisors and Senior Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Gender</th>
<th>Age</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yi Huiman</td>
<td>Chairman of the Board of Directors, Executive Director</td>
<td>Male</td>
<td>53</td>
<td>July 2013–June 2019</td>
</tr>
<tr>
<td>Gu Shu</td>
<td>Vice Chairman, Executive Director, President</td>
<td>Male</td>
<td>50</td>
<td>December 2016–December 2019</td>
</tr>
<tr>
<td>Zhang Hongli</td>
<td>Executive Director, Senior Executive Vice President</td>
<td>Male</td>
<td>52</td>
<td>June 2015–June 2018</td>
</tr>
<tr>
<td>Wang Jingdong</td>
<td>Executive Director, Senior Executive Vice President</td>
<td>Male</td>
<td>55</td>
<td>December 2016–December 2019</td>
</tr>
<tr>
<td>Cheng Fengchao</td>
<td>Non-executive Director, Senior Executive Vice President</td>
<td>Male</td>
<td>58</td>
<td>March 2015–March 2018</td>
</tr>
<tr>
<td>Zheng Fuqing</td>
<td>Non-executive Director</td>
<td>Male</td>
<td>54</td>
<td>February 2015–February 2018</td>
</tr>
<tr>
<td>Fei Zhoulin</td>
<td>Non-executive Director</td>
<td>Male</td>
<td>59</td>
<td>March 2015–March 2018</td>
</tr>
<tr>
<td>Mei Yingchun</td>
<td>Non-executive Director</td>
<td>Female</td>
<td>46</td>
<td>August 2017–August 2020</td>
</tr>
<tr>
<td>Dong Shi</td>
<td>Non-executive Director</td>
<td>Male</td>
<td>52</td>
<td>August 2017–August 2020</td>
</tr>
<tr>
<td>Ye Donghai</td>
<td>Non-executive Director</td>
<td>Male</td>
<td>54</td>
<td>October 2017–October 2020</td>
</tr>
<tr>
<td>Or Ching Fai</td>
<td>Independent Non-executive Director</td>
<td>Male</td>
<td>68</td>
<td>May 2012–June 2018</td>
</tr>
<tr>
<td>Hong Yongmiao</td>
<td>Independent Non-executive Director</td>
<td>Male</td>
<td>53</td>
<td>August 2012–December 2018</td>
</tr>
<tr>
<td>Anthony Francis Neoh</td>
<td>Independent Non-executive Director</td>
<td>Male</td>
<td>71</td>
<td>April 2015–April 2021</td>
</tr>
<tr>
<td>Yang Siu Shun</td>
<td>Independent Non-executive Director</td>
<td>Male</td>
<td>62</td>
<td>April 2016–April 2019</td>
</tr>
<tr>
<td>Sheila Colleen Bair</td>
<td>Independent Non-executive Director</td>
<td>Female</td>
<td>63</td>
<td>March 2017–March 2020</td>
</tr>
<tr>
<td>Shen Si</td>
<td>Independent Non-executive Director</td>
<td>Male</td>
<td>64</td>
<td>March 2017–March 2020</td>
</tr>
<tr>
<td>Zhang Wei</td>
<td>Shareholder Supervisor</td>
<td>Male</td>
<td>55</td>
<td>June 2016–June 2019</td>
</tr>
<tr>
<td>Hui Ping</td>
<td>Employee Supervisor</td>
<td>Male</td>
<td>57</td>
<td>September 2015–September 2018</td>
</tr>
<tr>
<td>Huang Li</td>
<td>Employee Supervisor</td>
<td>Male</td>
<td>53</td>
<td>June 2016–June 2019</td>
</tr>
<tr>
<td>Qu Qiang</td>
<td>External Supervisor</td>
<td>Male</td>
<td>51</td>
<td>December 2015–December 2018</td>
</tr>
<tr>
<td>Shen Bingxi</td>
<td>External Supervisor</td>
<td>Male</td>
<td>65</td>
<td>June 2016–June 2019</td>
</tr>
<tr>
<td>Wang Lin</td>
<td>Secretary of Party Discipline Committee</td>
<td>Male</td>
<td>52</td>
<td>July 2015–</td>
</tr>
<tr>
<td>Hu Hao</td>
<td>Senior Executive Vice President</td>
<td>Male</td>
<td>55</td>
<td>November 2015–</td>
</tr>
<tr>
<td>Li Yunze</td>
<td>Senior Executive Vice President</td>
<td>Male</td>
<td>47</td>
<td>October 2016–</td>
</tr>
<tr>
<td>Tan Jong</td>
<td>Senior Executive Vice President</td>
<td>Male</td>
<td>51</td>
<td>January 2017–</td>
</tr>
<tr>
<td>Wang Bairong</td>
<td>Chief Risk Officer</td>
<td>Male</td>
<td>55</td>
<td>July 2016–</td>
</tr>
<tr>
<td>Guan Xueqing</td>
<td>Board Secretary</td>
<td>Male</td>
<td>54</td>
<td>July 2016–</td>
</tr>
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#### Directors and Supervisors Leaving Office

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Gender</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qian Wenhui</td>
<td>Chairman of the Board of Supervisors</td>
<td>Male</td>
<td>55</td>
</tr>
<tr>
<td>Wang Xiaoya</td>
<td>Non-executive Director</td>
<td>Female</td>
<td>53</td>
</tr>
<tr>
<td>Ge Rongrong</td>
<td>Non-executive Director</td>
<td>Female</td>
<td>49</td>
</tr>
<tr>
<td>Fu Zhongjun</td>
<td>Non-executive Director</td>
<td>Male</td>
<td>60</td>
</tr>
<tr>
<td>Kenneth Patrick Chung</td>
<td>Independent Non-executive Director</td>
<td>Male</td>
<td>60</td>
</tr>
</tbody>
</table>

Notes: (1) Please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal”.

(2) The current terms of Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong as Executive Directors of the Bank are set out in the above table and their terms as Senior Management members of the Bank are specified in the section headed Biographies of Directors, Supervisors and Senior Management. Mr. Yi Huiman has served as Chairman of the Board of Directors of the Bank since June 2016.
(3) According to the Articles of Association, before the newly elected directors take office, the current directors shall continue to act as directors.

(4) According to the regulations of CSRC, the commencement date of a re-elected director’s tenure as indicated in the above table shall be the day of his/her first appointment.

(5) During the reporting period, the Bank did not implement any share incentives. None of the existing directors, supervisors and senior management members of the Bank or those who left office during the reporting period, except Mr. Zhang Hongli who held 2,000 H shares of the Bank, held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

Biographies of Directors, Supervisors and Senior Management

Yi Huiman, Chairman, Executive Director

Mr. Yi has served as Chairman of the Board of Directors and Executive Director of the Bank since June 2016. He joined ICBC in 1985, and had previously served in several positions including Deputy Head of ICBC Zhejiang Branch, and Head of ICBC Jiangsu Branch and ICBC Beijing Branch. Mr. Yi has served as a member of Senior Management, Senior Executive Vice President, President, Vice Chairman and Executive Director of the Bank since October 2005. He obtained a Master’s degree in Executive Business Administration from Guanghua School of Management of Peking University. He is a researcher.

Gu Shu, Vice Chairman, Executive Director, President

Mr. Gu has served as Vice Chairman and Executive Director of the Bank since December 2016, and President since October 2016. He joined ICBC in 1998, where he served as Deputy General Manager of Accounting and Settlement Department, Deputy General Manager of the Planning and Finance Department, and General Manager of Finance and Accounting Department. Since July 2008, he had served as Board Secretary and General Manager of Corporate Strategy and Investor Relations Department of the Bank, Head of Shandong Branch and Senior Executive Vice President of the Bank. He served concurrently as Vice Chairman of Standard Bank Group Limited, Chairman of ICBC (London) PLC and Chairman of Industrial and Commercial Bank of China (Argentina) S.A. Mr. Gu obtained a Doctorate degree in Economics from Shanghai University of Finance and Economics, Master’s degree in Economics from Dongbei University of Finance and Economics and Bachelor’s degree in Engineering from Shanghai Jiao Tong University. He is a senior accountant.

Zhang Hongli, Executive Director, Senior Executive Vice President

Mr. Zhang has served as Executive Director of the Bank since June 2015, and Senior Executive Vice President of the Bank since May 2010. He worked as Financial Manager at the headquarters of Hewlett-Packard, Director and Head of the China operations of Schroders PLC, Executive Director of Goldman Sachs Asia and Chief Representative of Goldman Sachs (China) LLC Beijing Representative Office, and Head of Deutsche Bank Investment Banking Greater China, Vice Chairman of Deutsche Bank Asia and Chairman of Deutsche Bank China, member of the Global Banking Management Committee and Head of Asia — Pacific of Deutsche Bank Global Banking and Chairman of Deutsche Bank (China) Co., Ltd. He served concurrently as Chairman of ICBC International Holdings Limited and Chairman of Industrial and Commercial Bank of China (Brasil) S.A., Vice Chairman of Standard Bank Group Limited and Chairman of Industrial and Commercial Bank of China (USA) NA. Mr. Zhang received a Bachelor’s degree from Heilongjiang Bayi Agricultural University and a Master’s degree in Genetics from the University of Alberta, Canada, as well as a Master’s degree in Business Administration (MBA) from the Santa Clara University in California, USA, and a Doctorate degree in Management Science and Engineering from the Chinese Academy of Social Sciences.

Wang Jingdong, Executive Director, Senior Executive Vice President

Mr. Wang has served as Executive Director of the Bank since December 2016, and Senior Executive Vice President of the Bank since December 2013. He joined China Development Bank in 1994 and served as Deputy Head of Heilongjiang Branch, Deputy Director of the Human Resources Department of the Head Office, Head of Project Appraisal Department III of the Head Office, Head of Beijing Branch and Head of Human Resources Department of the Head Office. Mr. Wang graduated from Huazhong Agricultural University with a Bachelor’s degree in Agronomy. He is a senior engineer.
Directors, Supervisors, Senior Management, Employees and Institutions

Cheng Fengchao, Non-executive Director

Mr. Cheng has served as Non-executive Director of the Bank since March 2015. He joined Huijin in 2009, and served as Deputy Director of Finance Bureau of Pingquan County in Hebei Province, Deputy Director of Finance Office of Hebei Province, Head of Hebei Certified Public Accountants, Vice Chairman and Secretary of Hebei Institute of Certified Public Accountants, Deputy General Manager of Shijiazhuang Office, General Manager of Evaluation Management Corporation, and Non-executive Director of Agricultural Bank of China Limited. He acts as tutor to PhD students of Hunan University, graduate supervisor for Graduate School of Chinese Academy of Social Sciences, member of the Expert Advisory Committee for Mergers, Acquisitions and Restructurings of CSRC and Supervisor of China Everbright Group Limited. He obtained a Doctorate degree in management from Hunan University. Currently, he is a researcher in financial science, senior accountant, PRC Certified Public Accountant and China’s Certified Public Valuer.

Zheng Fuqing, Non-executive Director

Mr. Zheng has served as Non-executive Director of the Bank since February 2015. He joined MOF in 1989, and served as Deputy Head and Head of Shanxi Finance Ombudsman Office, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office. Mr. Zheng graduated from the Party School of the Central Committee of C.P.C. majoring in law theory. He is an economist.

Fei Zhoulin, Non-executive Director

Mr. Fei has served as Non-executive Director of the Bank since March 2015. He joined MOF in 1995, and served as Deputy Head of General Division and Head of Business Division II of Shaanxi Finance Ombudsman Office, Assistant Ombudsman and Vice Ombudsman of Shaanxi Finance Ombudsman Office, and Ombudsman of Ningxia Finance Ombudsman Office. Mr. Fei graduated from the Correspondence Institute of the Party School of the Central Committee of C.P.C. in economic management.

Mei Yingchun, Non-executive Director

Ms. Mei has served as Non-executive Director of the Bank since August 2017. She joined MOF in 1992, and consecutively served in the World Bank Department, the Treasury Department and the Tariff Policy Department. Previously, she served as Assistant Consultant of the Budget Implementation Division of the Treasury Department of MOF, Assistant Consultant of the Audit & Supervision Division of the Treasury Payment Centre of MOF, Deputy Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Deputy Director-General of the Tariff Policy Department (Tariff Policy Research Centre) of MOF, and was seconded to World Bank Group as Senior Advisor and worked in the Development Partner Relationship Department of the Development Finance Unit of the International Development Association and the Vice-President Front Office of East Asia and Pacific Region of the International Bank for Reconstruction and Development. Ms. Mei obtained a Master’s degree in International Affairs from School of International and Public Affairs of Columbia University, and a PhD in Economics from Chinese Academy of Fiscal Science (formerly known as the Institute of Fiscal Science, MOF).

Dong Shi, Non-executive Director

Mr. Dong has served as Non-executive Director of the Bank since August 2017. He joined Huijin in 2008, and served as Deputy Division Chief of the Audit and Supervision Bureau of PBC, Assistant Special Inspector of the State Council, Division Chief of the Supervisory Committee of the Working Commission of Central Level State-Owned Enterprises, and Deputy Director-General of the Foreign Affairs Bureau of the State-Owned Assets Supervision and Administration Commission, Director of China Reinsurance (Group) Corporation and Director of China Reinsurance Asset Management Co., Ltd. and Non-executive Director of China Construction Bank Corporation. He currently serves as Non-executive Director of China Securities Co., Ltd. He made a study visit to the US Federal Reserve and Royal Melbourne Institute of Technology. Mr. Dong graduated from Renmin University of China and obtained a Master’s degree in Economic Law. He is a senior economist and an accountant.

Ye Donghai, Non-executive Director

Mr. Ye has served as Non-executive Director of the Bank since October 2017. He joined Huijin in 2017. Previously, he served as Section Chief and Deputy Director General of the Finance Division of Beijing Normal University, Assistant General Manager
Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited.
Directors, Supervisors, Senior Management, Employees and Institutions

Bank of China Limited and China Life Insurance Company Limited. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and New China Life Insurance Company Limited. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-person leading group of global leadership committee of PricewaterhouseCoopers and Chairman of PricewaterhouseCoopers Asia-Pacific region. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club, Vice Chairman of the Council of the Open University of Hong Kong, director and chairman of Audit Committee of Hang Seng Management College, and an independent non-executive director of the Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He holds the qualification of the Association of Chartered Certified Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Sheila Colleen Bair, Independent Non-executive Director

Ms. Bair has served as Independent Non-executive Director of the Bank since March 2017. Previously, she served as the Research Director, Deputy Counsel and Counsel to Robert Dole. She was a Commissioner of the Commodity Futures Trading Commission, later served as a senior vice president for government relations at the New York Stock Exchange, and then as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury. She was President of Washington College, the Dean's Professor of Financial Regulatory Policy at the University of Massachusetts-Amherst, Chair of the Federal Deposit Insurance Corporation and Senior Advisor to The Pew Charitable Trusts. She is the current Chair Emeritus of the Systemic Risk Council. She is a founding board member of The Volcker Alliance, a non-profit organization. She is Independent Non-Executive Director of Thomson Reuters Corp., Host Hotels & Resort Inc., Avant Inc., Paxos Trust Company, LLC and its holding company Kabompo Holdings, Ltd. She also serves on the International Advisory Council to China Banking Regulatory Commission and the International Advisory Board for Santander. She received a Bachelor’s Degree in philosophy from the University of Kansas, and a juris doctorate from the University of Kansas School of Law. She holds honorary doctorates from Amherst College, Drexel University, the University of Kansas, and the University of Massachusetts.

Shen Si, Independent Non-executive Director

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of PBC, Deputy General Director of the Investigation and Statistics Department of the Head Office of PBC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He had participated in important events in Shanghai Pudong Development Bank such as its initial public offering, four issues of new shares, acquisition of credit cooperative and its formation of strategic partnership with Citibank. He obtained a Master’s degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of the Bank since June 2016. He joined ICBC in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.
Hui Ping, Employee Supervisor

Mr. Hui has served as Employee Supervisor of the Bank since September 2015. He joined ICBC in 1984 and has served as Deputy Secretary of the Party Discipline Committee and concurrently as Director of the Discipline Enforcement Department of the Bank since 2015. He was Deputy Head and Head of Shaanxi Branch and General Manager of the Internal Control and Compliance Department of the Bank. Mr. Hui graduated from Xiamen University and received a Doctorate degree in Finance. He is a senior economist.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined ICBC in 1994 and is currently the General Manager of Internal Audit Bureau of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of ICBC from December 1998 to June 2015. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Qu Qiang, External Supervisor

Mr. Qu has served as External Supervisor of the Bank since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Center (a key research center of humanities and social sciences of the Ministry of Education), Deputy Director of Financial and Securities Institute of Renmin University of China, a council member of China Finance Society, a member of China Finance 40 Forum and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China, and received a Doctorate degree in Economics.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Vice Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

Wang Lin, Secretary of Party Discipline Committee

Mr. Wang has served as Secretary of Party Discipline Committee of the Bank since July 2015. He began his career in 1987. Prior to joining ICBC, he once served as Director of Fund Supervision Department and Director of Securities and Fund Institution Supervision Department of CSRC. Mr. Wang graduated from Tsinghua University, and received a Doctorate degree in Management.

Hu Hao, Senior Executive Vice President

Mr. Hu has served as Senior Executive Vice President of the Bank since November 2015. Mr. Hu joined ICBC in 1984, serving successively as Deputy General Manager of the Industrial and Commercial Credit Department, Deputy General Manager of the Credit Management Department, General Manager of the Institutional Banking Department, General Manager of the International Banking Department, President of Chinese Mercantile Bank and Chairman of Industrial and Commercial Bank of China Luxembourg S.A. Besides, he once served as Deputy Director-General of Construction and Administration Bureau of South-to-North Water Diversion Middle Route Project, a Director of Taiping General Insurance Company Limited, Taiping Life Insurance Co., Ltd. and Xiamen International Bank, General Manager of Corporate Strategy and Investor Relations Department and Board Secretary of the Bank. He concurrently serves as Vice Chairman of Standard Bank Group Limited and Chairman of ICBC (London) PLC. Mr. Hu graduated from Hunan University, and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He is a researcher.
Li Yunze, Senior Executive Vice President

Mr. Li has served as Senior Executive Vice President of the Bank since October 2016. He joined China Construction Bank in 1993 and held several positions including Deputy General Manager of Tianjin Branch, Deputy General Manager of Planning and Finance Department and General Manager of Strategic Planning & Equity Investment Department of the Head Office, and General Manager of Chongqing Branch. Mr. Li graduated from Tianjin University. He obtained a Master’s degree in Executive Business Administration from Peking University. He is a senior economist.

Tan Jiong, Senior Executive Vice President

Mr. Tan has served as Senior Executive Vice President of the Bank since January 2017. He joined Bank of China (BOC) in June 1988. He previously served as Deputy General Manager (person in charge) and General Manager of Tibet Branch, and General Manager of Yunnan Branch of BOC, Chairman of Bank of China Investment Management Co., Ltd. and General Manager of Guangdong Branch of BOC. Mr. Tan graduated from Wuhan University and obtained a Doctorate degree in Economics. He is a senior economist.

Wang Bairong, Chief Risk Officer

Mr. Wang has served as Chief Risk Officer of the Bank since July 2016. He began his career in 1986. He joined ICBC in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, and Deputy Head (person in charge) and Head of Chongqing Branch. Mr. Wang graduated from the Party School of the Central Committee of C.P.C. and obtained a Master’s degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined ICBC in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Fei Zhoulin, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai were recommended by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons” for further details.

None of the Directors, Supervisors and Senior Management members of the Bank, whether they are incumbent or have left office during the reporting period, have been punished by the securities regulator in the past three years.

Appointment and Removal

• Directors

At the Annual General Meeting for the Year 2015 held on 24 June 2016, Mr. Shen Si was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by CBRC in March 2017. At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Ms. Sheila Colleen Bair was appointed as Independent Non-executive Director of the Bank, and her qualification was approved by CBRC in March 2017. At the Annual General Meeting for the Year 2016 held on 27 June 2017, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai were appointed as Non-executive Directors of the Bank. The qualifications of Ms. Mei Yingchun and Mr. Dong Shi were approved by CBRC in August 2017, and the qualification of Mr. Ye Donghai was approved by CBRC in October 2017.
In January 2017, due to expiration of the term of office, Mr. Fu Zhongjun ceased to act as Non-executive Director of the Bank. In March 2017, due to expiration of his term of office, Mr. Kenneth Patrick Chung ceased to act as Independent Non-executive Director of the Bank. In June 2017, Ms. Wang Xiaoya and Ms. Ge Rongrong ceased to act as Non-executive Directors of the Bank due to change of job assignments.

Supervisor

On 5 January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

### Annual Remuneration

<table>
<thead>
<tr>
<th>Name</th>
<th>Remuneration paid (before tax)</th>
<th>Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances</th>
<th>Other monetary income</th>
<th>Total remuneration before tax</th>
<th>Obtain remuneration from shareholder entities or other related parties or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yi Huiman</td>
<td>51.91</td>
<td>11.52</td>
<td>–</td>
<td>63.43</td>
<td>No</td>
</tr>
<tr>
<td>Gu Shu</td>
<td>51.91</td>
<td>11.52</td>
<td>–</td>
<td>63.43</td>
<td>No</td>
</tr>
<tr>
<td>Zhang Hongli</td>
<td>46.72</td>
<td>11.52</td>
<td>–</td>
<td>58.24</td>
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<tr>
<td>Wang Jingdong</td>
<td>46.72</td>
<td>11.52</td>
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<td>58.24</td>
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<tr>
<td>Cheng Fengchao</td>
<td>–</td>
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<tr>
<td>Zheng Fuqing</td>
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<td>Fei Zhoulin</td>
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<td>Mei Yingchun</td>
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<tr>
<td>Dong Shi</td>
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<td>Or Ching Fai</td>
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<td>Anthony Francis Neoh</td>
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<td>11.52</td>
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<td>No</td>
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<td>Li Yunze</td>
<td>46.72</td>
<td>11.52</td>
<td>–</td>
<td>58.24</td>
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<td>Tan Jiong</td>
<td>46.72</td>
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<table>
<thead>
<tr>
<th>Name</th>
<th>Remuneration paid (before tax)</th>
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<tbody>
<tr>
<td>Qian Wenhui</td>
<td>51.91</td>
<td>11.52</td>
<td>–</td>
<td>63.43</td>
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<td>Wang Xiaoya</td>
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<td>–</td>
<td>–</td>
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<tr>
<td>Ge Rongrong</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Yes</td>
</tr>
<tr>
<td>Fu Zhongjun</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Yes</td>
</tr>
<tr>
<td>Kenneth Patrick Chung</td>
<td>–</td>
<td>–</td>
<td>11.00</td>
<td>11.00</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Directors, Supervisors, Senior Management, Employees and Institutions

Notes:
(1) Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

(2) According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when they have been determined.

(3) During the reporting period, Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Fei Zhoulin, Ms. Mei Yingchun, Mr. Dong Shi, Ms. Wang Xiaoya, Ms. Ge Rongrong and Mr. Fu Zhongjun were paid by Huijin.

(4) Fees of Mr. Hui Ping and Mr. Huang Li are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

(5) As the Bank’s Independent Non-executive Directors served as directors or senior management of other legal persons or organizations other than the Bank or the controlled subsidiaries of the Bank, such legal persons or organizations became related parties of the Bank. During the reporting period, the Bank’s Independent Non-executive Directors obtained remuneration from such related parties. Except to the extent of the afore-mentioned circumstances, none of the Bank’s Directors, Supervisors and Senior Management were paid by the Bank’s related parties during the reporting period.

(6) For the change of the Bank’s Directors, Supervisors and Senior Management, please refer to the section headed “Appointment and Removal”.

Basic Information on Employees and Institutions

As at the end of 2017, the Bank had a total of 453,048\(^1\) employees, representing a decrease of 8,701 as compared to the end of the previous year, of whom 6,014 were employees in domestic subsidiaries and 15,012 were local employees in overseas institutions.

1. Does not include labor dispatched for services totaling 141 persons, of whom 34 were dispatched to major domestic subsidiaries.

Employee Specialization

Educational Background of Employees

---

\(^1\) Does not include labor dispatched for services totaling 141 persons, of whom 34 were dispatched to major domestic subsidiaries.
As at the end of 2017, the Bank had a total of 16,888 institutions, representing a decrease of 312 as compared with the end of the previous year. Among them, there were 16,469 domestic institutions and 419 overseas institutions. Domestic institutions include the Head Office, 36 tier-one branches and branches directly controlled by the Head Office, 441 banking offices of tier-one branches and tier-two branches, 15,846 outlets, 29 Head Office-level profitability units along with their directly controlled institutions and branches, and 116 major subsidiaries and their branches.

### GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES (As at the end of December 2017)

<table>
<thead>
<tr>
<th>Item</th>
<th>Assets (in RMB millions)</th>
<th>Percentage (%)</th>
<th>Number of institutions</th>
<th>Percentage (%)</th>
<th>Employees</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>9,101,260</td>
<td>34.9</td>
<td>30</td>
<td>0.2</td>
<td>16,235</td>
<td>3.6</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>5,327,071</td>
<td>20.4</td>
<td>2,539</td>
<td>15.0</td>
<td>61,724</td>
<td>13.6</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>3,356,039</td>
<td>12.9</td>
<td>2,064</td>
<td>12.2</td>
<td>49,755</td>
<td>11.0</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>3,710,656</td>
<td>14.2</td>
<td>2,733</td>
<td>16.2</td>
<td>71,283</td>
<td>15.7</td>
</tr>
<tr>
<td>Central China</td>
<td>2,529,871</td>
<td>9.7</td>
<td>3,557</td>
<td>21.1</td>
<td>91,188</td>
<td>20.1</td>
</tr>
<tr>
<td>Western China</td>
<td>3,113,759</td>
<td>11.9</td>
<td>3,776</td>
<td>22.3</td>
<td>92,678</td>
<td>20.5</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>1,078,047</td>
<td>4.1</td>
<td>1,654</td>
<td>9.8</td>
<td>49,159</td>
<td>10.9</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>3,382,006</td>
<td>13.0</td>
<td>535</td>
<td>3.2</td>
<td>21,026</td>
<td>4.6</td>
</tr>
<tr>
<td>Eliminated and undistributed assets</td>
<td>(5,511,666)</td>
<td>(21.1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,087,043</strong></td>
<td><strong>100.0</strong></td>
<td><strong>16,888</strong></td>
<td><strong>100.0</strong></td>
<td><strong>453,048</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Note: Overseas and other assets include investments in associates and joint ventures.
The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders’ General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

Responsibilities of the Shareholders’ General Meeting

As the organ of power of the Bank, the Shareholders’ General Meeting involves all shareholders. The Shareholders’ General Meeting is responsible for, among others, deciding on business policies and significant investment plans of the Bank; examining and approving the Bank’s annual financial budget, final account proposals, plans for profit distribution and loss make-up; electing and replacing directors, supervisors appointed from the shareholder representatives and external supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of the Bank’s registered capital, issuance of corporate bonds or other securities and public listing, repurchase of the shares and issuance of preference shares; and amending the Articles of Association of the Bank.
Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report its work to, the Shareholders’ General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders’ General Meeting; implementing the resolutions of the Shareholders’ General Meeting; deciding on the business plans, investment proposals and development strategies of the Bank; formulating annual financial budget and final accounts of the Bank; formulating plans for profit distribution and loss recovery of the Bank; formulating plans for the increase or decrease of the Bank’s registered capital, capital replenishment and financial restructuring of the Bank; formulating basic management systems of the Bank such as risk management system and internal control system, and supervising the implementation of such systems; appointing or removing President and the Board Secretary, and appointing or removing Senior Executive Vice Presidents and other senior management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors under relevant laws according to the nomination of the President and deciding on their compensation, bonus and penalty matters; deciding on or authorizing the President to decide on the establishment of relevant departments of the Head Office; regularly evaluating and improving corporate governance of the Bank; managing information disclosure of the Bank; and supervising and ensuring the President and other Senior Management members to perform their management duties effectively.

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report its work to, the Shareholders’ General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties by the Board of Directors and the Senior Management; conducting exit audits on Directors and Senior Management members when necessary; inspecting and supervising financial activities of the Bank; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders’ General Meeting by the Board of Directors; inspecting and supervising the business decision-making, risk management and internal control of the Bank and guiding the internal audit department of the Bank; supervising the engagement, dismissal, reengagement and audit of the external auditor as well as the audit work progress of the Bank; formulating the remuneration plans and performance evaluation measures of supervisors, conducting the performance evaluation on supervisors, and reporting to the Shareholders’ General Meeting for approval; presenting proposals to the Shareholders’ General Meeting, proposing to convene an extraordinary general meeting, and convening and presiding over the extraordinary general meeting in case the Board of Directors fails to perform its duty of convening Shareholders’ General Meeting; proposing to convene an interim meeting of the Board of Directors.

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, the operation and management of the Bank; organizing the implementation of operation and investment plans approved by the Board of Directors; formulating specific rules and regulations of the Bank; determining plans for compensation distribution and performances evaluation of persons in charge of internal departments and branches of the Bank (except the internal audit department); truthfully reporting to the Board of Directors or the Board of Supervisors on the business performance; drafting the annual financial budget plan, final account plan, profit distribution plan and loss make-up plan, plans for increase or reduction of the registered capital, the issuance of bonds or other securities and listing, and making suggestions in that respect to the Board of Directors.

Overview of Corporate Governance

During the reporting period, the Bank took improving corporate governance as a primary measure to enhance its core competitiveness in the new period, continued to optimize its modern corporate governance framework, mechanism and culture, and brought the corporate governance and risk management capacities of the Group to a higher level. There is neither any material divergence between actual corporate governance of the Bank and applicable regulatory documents regarding corporate governance issued by CSRC, nor any problem identified by regulatory authorities but remain unresolved in respect of corporate governance. During the reporting period, by virtue of its excellent performance in corporate
Construction of the Organizational Framework of Corporate Governance

During the reporting period, the Bank appointed and re-appointed some directors and changed the chairman and members of some special committees of the Board of Directors to ensure the Bank operated in compliance with laws and regulations. The Bank continued to improve the structure of the Board of Directors and further promoted the role of the special committees of the Board of Directors in supporting decision-making. Besides, the Bank stepped up efforts in the Group’s corporate governance, and kept refining the management and control and collaboration mechanism of the Group as well as the corporate governance framework, institutional system and working mechanism of its subsidiaries.

Construction of the Corporate Governance Mechanism

The Bank put into good use the key role of the Board of Directors in strategic decision-making and corporate governance. Centering on the objectives of driving sustainable growth in corporate value and creating value for customers and shareholders, the Board of Directors forged ahead as guided by strategies, sought progress without compromising stability and inherited and innovated in development philosophy, strengthened the enterprise risk management and internal control, actively promoted the operational transformation and structural adjustment, kept track of how the strategies, plans and decisions were implemented continuously, and made sure the robust operation and healthy development of the Group. Supporting rules and regulations for performance standards of the Board of Directors were established and improved to ensure the Board of Directors fulfill its duties in accordance with relevant laws and regulations.

The Bank put the supervisory function of the Board of Supervisors into good use. The Board of Supervisors continuously improved its working mechanism in accordance with the priorities of the Bank, deepened the contents and methods of its supervision over performance of the Board of Directors and the Senior Management and earnestly conducted the annual performance assessment. Financial supervision and supervision over risk management and internal control of the Bank were enhanced. The Board of Supervisors effectively fulfilled its important role to corporate governance and promoted the legal and compliant operation and sustainable and stable development of the Bank.

The Bank strengthened enterprise risk management and capital management, and intensified internal control, audit and supervision. It continued to improve the enterprise risk management policies, and took multiple measures to enhance the Group’s risk management capacity; stepped up the capital management, liquidity management and interest rate management, with the capital adequacy ratio (CAR) remained stabilized overall; and reinforced the group-wide compliance management, kept optimizing the internal control environment, and continued enhancing the auditing service capacity and the related supervision and inspection standards.

The Bank continuously increased the level of transparency across the Group. It disclosed information in a legal and compliant manner, and conducted voluntary information disclosure in an orderly manner. Besides, it also kept introducing more information disclosure systems, further improved the group-wide information transmission mechanism, and pushed ahead in building teams of professional talents constantly. All of these efforts led to increasingly better management of the Group over information disclosure.

Development of Corporate Governance Regulations

During the reporting period, pursuant to the applicable laws and regulations including the Company Law and the Guidance on Corporate Governance of Commercial Banks issued by CBRC as well as the overall requirement of including the Party building work into the articles of association, the Bank amended the Articles of Association, which was approved by CBRC after verification. The Bank also amended some governance rules including the Rules of Procedures for the Shareholders’ General Meeting, the Rules of Procedures for the Board of Directors, the Rules of Procedures for the Board of Supervisors, the Working Regulations for the Strategy Committee, the Working Regulations for the Risk Management Committee, the Working Regulations for the Compensation Committee, and the Working Regulations for the Related Party Transactions Control Committee, as a means to further refine its corporate governance policies.
Compliance with the Corporate Governance Code

During the reporting period, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

Shareholders’ Rights

Proposing the convening of an extraordinary general meeting

An extraordinary general meeting should be convened within 2 months from the date when shareholders holding more than 10% of the voting shares of the Bank, either individually or jointly, request to convene in writing. Proposing shareholders shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it agrees to convene such a meeting within ten (10) days upon receipt of the request in accordance with laws, administrative regulations, rules and the Articles of Association of the Bank. Reasonable expenses incurred from the case where shareholders convene the meeting by themselves due to the failure of the Board of Directors to convene the meeting shall be borne by the Bank, and deducted from the payment to those negligent directors.

Submitting interim proposals for the Shareholders’ General Meeting

Shareholders who hold more than three percent (3%) of shares of the Bank, either individually or jointly, may prepare an interim proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders’ General Meeting is convened. The Board of Directors shall issue a supplementary notice for the Shareholders’ General Meeting within two (2) days upon receipt of the proposal and submit such proposal to the Shareholders’ General Meeting for approval.

Putting forward suggestions and reviewing documents

Shareholders are entitled to supervise business operation of the Bank and put forward suggestions or inquiries accordingly. Shareholders are entitled to review the information of the Bank such as the Articles of Association, the register of shareholders, documents on status of share capital and minutes of Shareholders’ General Meetings, etc.

Special provisions on rights of preference shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders’ General Meeting and exercise voting rights: (1) amendments to the Articles of Association which relate to preference shares; (2) the reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate); (3) merger, division and dissolution or change of corporate form of the Bank; (4) issuance of preference shares; and (5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders. If any of the above circumstances occurs, the notice of a Shareholders’ General Meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles of Association.

In the event that the Bank failed to pay the agreed dividend to preference shareholders for three years in aggregate or for two consecutive years, from the next day following the date of approval of the proposal not paying the agreed dividend for the current year by the Shareholders’ General Meeting, preference shareholders shall be entitled to attend and vote (together with ordinary shareholders) at the Shareholders’ General Meeting. For preference shares the dividend of which is non-cumulative, the voting rights shall be temporarily restored until the full payment of the agreed dividend for the current year by the Bank.
Corporate Governance Report

Other rights

Ordinary shareholders of the Bank have the right to collect dividends and other forms of benefits distributed on the basis of the number of shares held by them; preference shareholders shall be entitled to rights to dividends in priority to payment of dividends to ordinary shareholders. Shareholders have other rights conferred by laws, administrative regulations, rules and the Articles of Association of the Bank.

Effective Communication with Shareholders

The Bank has strictly complied with laws, regulations, regulatory requirements and fundamental regulations of corporate governance, and has taken various measures such as improving information disclosure management, strengthening investor relations management and optimizing the operations mechanism of the Shareholders’ General Meeting, with a view to safeguarding the rights of all shareholders, especially minority investors, and increasing communication and exchange among shareholders.

The Bank actively strengthened the information disclosure management, continued to improve the group-wide information transmission mechanism, encouraged the cooperation in information disclosure between the parent company and subsidiaries, and fulfilled the information disclosure obligations in compliance with the applicable laws and regulations. On the basis, in order to meet the information needs of investors and other stakeholders, the Bank continuously promoted the voluntary information disclosure and improved the Bank’s level of transparency, thereby effectively safeguarding the right to information of all shareholders, customers and other stakeholders.

The Bank improved various communication channels for investors through organizing press conferences in relation to periodic results, domestic and overseas road shows and reverse road shows, and attending famous investment forums at home and abroad during the reporting period. The Bank took full advantage of the communication platforms including the investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email of the Bank, to understand investors’ needs and provide sufficient information feedback in a timely manner.

During the reporting period, convening, holding, notices, announcements, proposals, voting and other procedures of the shareholders’ general meetings of the Bank strictly complied with the relevant provisions of the Company Law and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation in the Shareholders’ General Meetings smoothly. Since it was listed, in order to treat A and H minority shareholders fairly, the Bank has held the Annual General Meeting in Beijing and Hong Kong concurrently by satellite and set up registration offices of A and H shareholders both in Beijing and Hong Kong to facilitate the voting of shareholders. The number of shareholders who participated in voting at the Annual General Meeting for the Year 2016 amounted to 4,576.

Contacts

Pursuant to relevant laws and regulations as well as the Articles of Association of the Bank, shareholders can put forward suggestions and inquiries through participating in activities including the Shareholders’ General Meetings, press conferences in relation to periodic results and road shows of the Bank or by means of platforms including investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email of the Shareholders’ General Meetings of the Bank as well. For contact details, please refer to the section headed “Corporate Governance Report — Investor Relations”.

If an ordinary shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, please contact the Share Registrars of the Bank. For contact details, please refer to “Corporate Information”.

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Shareholders’ General Meeting

During the reporting period, the Bank convened the 2016 Annual General Meeting on 27 June 2017 and the First Extraordinary General Meeting of 2017 on 29 November 2017. The afore-mentioned Shareholders’ General Meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank made announcements on the resolutions and disclosed legal opinions in a timely manner in accordance with regulatory requirements. For details of the above meetings, please refer to the announcements of the Bank dated 27 June 2017 and 29 November 2017 respectively on the websites of SSE and SEHK, or the website of the Bank.

Implementation of Resolutions of the Shareholders’ General Meeting by the Board of Directors

The Board of Directors of the Bank earnestly and fully implemented the resolutions adopted by the Shareholders’ General Meeting during the reporting period.

Board of Directors and Special Committees

Composition of the Board of Directors

The Bank formulated relatively complete procedures for nominating and electing Directors. With diversified backgrounds, the Directors complemented each other on one hand with regard to their expertise, professional competence and experience and expressed professional and diversified perspectives and views, which ensured scientific decision-making of the Board of Directors. As at the disclosure date of the results, the Board of Directors of the Bank consisted of 16 directors, including four Executive Directors: Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong; six Non-executive Directors: Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Fei Zhoulin, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai; and six Independent Non-executive Directors: Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair and Mr. Shen Si. Mr. Yi Huiman was Chairman and Mr. Gu Shu was Vice Chairman of the Board of Directors. All Executive Directors have worked in the areas of banking and management for a long time, possess extensive professional expertise and experience in those areas and are familiar with operation and management of the Bank. Most Non-executive Directors come from economic and financial management authorities and have rich management experience and relatively high level of understanding of policies and theories. All of the Independent Non-executive Directors are prestigious experts in the areas of economy, finance, audit and law respectively, and most of them have international background and are familiar with corporate governance, finance and management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, complying with relevant regulatory requirements.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held nine meetings, considered 64 proposals including the proposals on the 2016 Work Report of the Board of Directors, amendment of the Articles of Association of the Bank, nomination of candidates for Directors, and distribution of dividends on preference shares and ordinary shares, and heard 26 reports including the reports on the 2017 Work Plan of the Board of Directors, the Directors’ performance assessment by the Board of Directors for 2016, the details on internal audits, and the summary of external audits. For major proposals reviewed by the Board of Directors, please refer to the announcements of the Bank on the websites of SSE and SEHK or the website of the Bank. In addition, the Board of Directors held a Strategic Seminar. At the Seminar, Directors judged the macroeconomic situation at home and abroad, analyzed the potential opportunities and challenges facing the Bank in the next three years, and discussed how to devise the strategic development plan for 2018–2020.
The attendance of each of the Directors in Shareholders’ General Meetings and meetings of the Board of Directors and the special committees of the Board of Directors during the reporting period is set out below:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Shareholders’ General Meeting</th>
<th>Board of Directors</th>
<th>Special Committees of the Board of Directors:</th>
<th>Related Party Transactions Control Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attendances in person/Number of meetings that should be attended</td>
<td></td>
<td>Special Committees</td>
<td></td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yi Huiman</td>
<td>2/2</td>
<td>9/9</td>
<td>4/5</td>
<td>–</td>
</tr>
<tr>
<td>Gu Shu</td>
<td>2/2</td>
<td>6/9</td>
<td>3/5</td>
<td>–</td>
</tr>
<tr>
<td>Zhang Hongli</td>
<td>2/2</td>
<td>7/9</td>
<td>–</td>
<td>4/5</td>
</tr>
<tr>
<td>Wang Jingdong</td>
<td>2/2</td>
<td>9/9</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Non-executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheng Fengchao</td>
<td>2/2</td>
<td>9/9</td>
<td>–</td>
<td>3/5</td>
</tr>
<tr>
<td>Zheng Fuqing</td>
<td>2/2</td>
<td>9/9</td>
<td>–</td>
<td>5/5</td>
</tr>
<tr>
<td>Fei Zhoulin</td>
<td>2/2</td>
<td>9/9</td>
<td>–</td>
<td>5/5</td>
</tr>
<tr>
<td>Mei Yingchun</td>
<td>1/1</td>
<td>3/3</td>
<td>2/2</td>
<td>–</td>
</tr>
<tr>
<td>Dong Shi</td>
<td>1/1</td>
<td>3/3</td>
<td>2/2</td>
<td>1/1</td>
</tr>
<tr>
<td>Ye Donghai</td>
<td>1/1</td>
<td>3/3</td>
<td>–</td>
<td>1/1</td>
</tr>
<tr>
<td>Independent Non-executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Or Ching Fai</td>
<td>2/2</td>
<td>9/9</td>
<td>5/5</td>
<td>5/5</td>
</tr>
<tr>
<td>Hong Yongmiao</td>
<td>2/2</td>
<td>9/9</td>
<td>5/5</td>
<td>5/5</td>
</tr>
<tr>
<td>Anthony Francis Neoh</td>
<td>2/2</td>
<td>9/9</td>
<td>–</td>
<td>4/5</td>
</tr>
<tr>
<td>Yang Siu Shun</td>
<td>2/2</td>
<td>9/9</td>
<td>–</td>
<td>5/5</td>
</tr>
<tr>
<td>Sheila Colleen Bair</td>
<td>2/2</td>
<td>8/8</td>
<td>4/4</td>
<td>–</td>
</tr>
<tr>
<td>Shen Si</td>
<td>2/2</td>
<td>6/7</td>
<td>–</td>
<td>2/3</td>
</tr>
<tr>
<td>Directors Leaving Office</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wang Xiaoya</td>
<td>–</td>
<td>4/4</td>
<td>3/2</td>
<td>–</td>
</tr>
<tr>
<td>Ge Rongrong</td>
<td>–</td>
<td>4/4</td>
<td>–</td>
<td>1/3</td>
</tr>
<tr>
<td>Fu Zhongjun</td>
<td>–</td>
<td>1/1</td>
<td>1/1</td>
<td>–</td>
</tr>
<tr>
<td>Kenneth Patrick Chung</td>
<td>–</td>
<td>1/1</td>
<td>–</td>
<td>1/1</td>
</tr>
</tbody>
</table>

Notes: (1) “Attendances in person” refers to attending meetings in person or on telephone or by video conference.

(2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.

(3) For the change of directors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal”.

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Special Committees of the Board of Directors

The Board of Directors of the Bank has established six special committees, namely, the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee. Except the Strategy Committee, chairmen of all the other committees were assumed by Independent Non-executive Directors. More than half of the members of the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee were Independent Non-executive Directors. During the reporting period, the performance of duties by the special committees of the Board of Directors is set out below:

* **Strategy Committee**

The Strategy Committee is mainly responsible for considering the Bank’s strategic development plan, risk events that bear material influence on the overall situation, business and institutional development plan, major investment and financing plan, green credit strategy, consumer protection strategy, fulfillment of social responsibilities in terms of environment, community and governance and other aspects, and other major matters critical to the Bank’s development, making recommendations to the Board of Directors, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with corporate governance criteria of the Bank. As at the disclosure date of the results, the Strategy Committee consisted of eight directors, including: Executive Directors Mr. Yi Huiman and Mr. Gu Shu; Independent Non-executive Directors Mr. Or Ching Fai, Mr. Hong Yongmiao and Ms. Sheila Colleen Bair; and Non-executive Directors Mr. Zheng Fuqing, Ms. Mei Yingchun, and Mr. Dong Shi. Chairman of the Board of Directors Mr. Yi Huiman was the chairman of the committee.

**Performance of the Strategy Committee** During the reporting period, the Strategy Committee of the Board of Directors held five meetings, considered six proposals including the proposals on the 2017 Business Plan and the Strategic Risk Management Measures (Trial), and heard three reports on topics including the capital replenishment of the domestic and overseas institutions in 2017, merger and acquisition and equity investment and capital injection plan for institutions to be established. The Strategy Committee put forward comments or suggestions on matters including strategic risk management, capital management, annual final accounts and development of inclusive finance.

* **Audit Committee**

The Audit Committee is mainly responsible for constantly overseeing the Bank’s internal control system, and supervising, inspecting and evaluating financial information and internal audit of the Bank and assessing mechanisms for the Bank’s staff to report misconducts in financial statements, internal control, etc., and assessing the mechanism for the Bank to conduct independent and fair investigations and take appropriate actions in relation to the reported matters. As at the disclosure date of the results, the Audit Committee consisted of eight directors, including: Independent Non-executive Directors Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun and Mr. Shen Si; and Non-executive Directors Mr. Cheng Fengchao, Mr. Fei Zhourlin and Mr. Ye Donghai. Independent Non-executive Director Mr. Or Ching Fai was the chairman of the committee.

**Performance of the Audit Committee** During the reporting period, the Audit Committee held five meetings, considered ten proposals including the Bank’s regular report and the Plan for Internal Audit Projects in 2017, and heard 12 reports including the 2016 Internal Audit Report and the report on internal control audit results. The Audit Committee put forward comments or suggestions on matters including the arrangement of internal and external audits, implementation of new accounting standards, and improvement of internal control mechanism. In addition, the Audit Committee also convened a seminar on the matters regarding the comprehensiveness, farsightedness and effectiveness of ICAAP. At the meeting, the attendees exchanged views on CAR management, effective utilization of capital and other topics.
Corporate Governance Report

- Reviewing periodical reports

The Audit Committee reviewed financial statements of the Bank on a regular basis, and had reviewed and submitted to the Board of Directors to approve the annual report, interim report and quarterly reports of the Bank. It also organized and conducted the internal control assessment for 2016 of the Group and engaged external auditors to audit the assessment report and procedures of the Bank with respect to the relevant regulatory requirements. Additionally, it enhanced communication with external auditors, attached importance to the supervision of external auditors and heard several reports of external auditors concerning audit plan, audit results, and management proposals.

During the preparation and audit of the 2017 financial statements, the Audit Committee set out related matters such as audit schedule and arrangement through negotiation with external auditors, followed the status of external audit and conducted supervision over relevant work at appropriate time by means of hearing reports and holding informal discussions, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 26 March 2018, and considered that the annual financial statements truly, accurately and completely reflected the financial position of the Bank. The Audit Committee reviewed the summary of audit work performed by external auditors during the year and made an overall and objective assessment on its performance and quality of practice. It also approved the renewal of the engagement of KPMG Huazhen LLP and KPMG as the external auditors of the Bank for 2018 and the engagement of KPMG Huazhen LLP as the internal control auditors of the Bank for 2018, and presented the proposals to the Board of Directors for consideration.

- Examining internal control system

The Audit Committee is responsible for constantly monitoring and examining the internal control system of the Bank, and examining the effectiveness of the system at least on an annual basis. The Audit Committee performed its function of examining the Bank's internal control system through reviewing the administrative rules and regulations and their implementation, and examined and assessed the compliance and effectiveness of major operating activities of the Bank.

The Board of Directors of the Bank is responsible for establishing, improving and effectively implementing internal control and truthfully disclosing internal control assessment reports according to the standard system for enterprise internal control. The objective of the internal control of the Bank is to reasonably assure the compliance of its operation and management with relevant laws, safety of its assets, as well as the authenticity and completeness of its financial reports and relevant information, in order to enhance operation efficiency and results, and to facilitate the realization of its development strategy. Due to inherent limitation of internal control, only reasonable assurance can be provided for the afore-mentioned objectives.

The Board of Directors and the Audit Committee have reviewed and approved the 2017 Internal Control Assessment Report of the Bank. For details of the Bank's internal control, please refer to “Corporate Governance Report — Internal Control”.

- Effectiveness of the internal audit function

The Bank has established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The Board of Directors regularly reviews the internal audit plan and hears internal audit reports on internal audit activities, audit supporting measures, internal audit team building, etc., thus effectively performing the function of risk management. The Audit Committee examines, monitors and assesses the internal audit work of the Bank, supervises the internal audit rules and their implementation, and makes assessment of audit procedures and results of the internal audit department. It is also responsible for urging the Bank to ensure adequate resources for the internal audit department and coordinating the communication between the internal audit department and external auditors. The internal audit department is accountable to and reports to the Board of Directors, is guided by the Board of Supervisors and is under the examination, supervision and assessment of the Audit Committee. For details of the internal control, please refer to “Corporate Governance Report — Internal Control”.

Risk Management Committee

The Risk Management Committee is primarily responsible for constantly overseeing the Bank’s risk management system, reviewing and revising the strategy, policy and procedures of risk management and internal control process of the Bank, and supervising and evaluating the performance of Senior Management members and risk management departments in respect of risk management. It concurrently serves as the US risk committee in accordance with the relevant requirements in the Enhanced Prudential Standards on Bank Holding Companies and Foreign Banking Organisation established by the Federal Reserve Board. As at the disclosure date of the results, the Risk Management Committee consisted of nine directors, including: Executive Director Mr. Zhang Hongli; Independent Non-executive Directors Mr. Anthony Francis Neoh, Mr. Hong Yongmiao, Ms. Sheila Colleen Bair and Mr. Shen Si; and Non-executive Directors Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Fei Zholin and Mr. Dong Shi. Independent Non-executive Director Mr. Anthony Francis Neoh was the chairman of the committee.
**Performance of the Risk Management Committee** During the reporting period, the Risk Management Committee held five meetings, considered 17 proposals including the liquidity risk management strategy for 2017, the country risk concentration limit for 2017–2018, the Regulations for Enterprise Risk Management, and the liquidity risk appetite of US-based institutions, and heard 14 reports on the topics including the Group’s AML work for 2016 and the IT risk management for 2016. The Risk Management Committee put forward comments or suggestions on matters including institutionalizing of the risk management policy mechanism, the Group’s AML work and the risk management of institutions in USA. The Risk Management Committee held a seminar on IT security. At the meeting, the attendees exchanged opinions on top-level design of information security and role of three lines of defense in information security management. At the same time, Chairman of the Risk Management Committee visited the US for understanding the progress ICBC institutions operating there had made in implementing the EPS and the regulatory opinions issued by the local regulatory authorities for the Bank; the members of the Risk Management Committee went to the UK where they learnt about the regulatory compliance of ICBC institutions based in London.

- Examining the risk management system

The Risk Management Committee is responsible for constantly monitoring and examining the risk management system of the Bank, and examining the effectiveness of the system at least on an annual basis. Under the enterprise risk management system structure of the Bank, the Risk Management Committee performed its function of examining the Bank’s risk management system through reviewing and revising the risk strategy, risk management policy, risk appetite and the enterprise risk management structure, monitoring and evaluating the setup, mode of organization, work procedures and results of risk management departments, regularly assessing the risk policy, risk appetite and enterprise risk management status, supervising and assessing risk control activities conducted by the Senior Management members in terms of credit risk, market risk, operational risk, liquidity risk, compliance risk, reputational risk and other risks. In accordance with the relevant requirements in the Enhanced Prudential Standards on Bank Holding Companies and Foreign Banking Organisation established by the Federal Reserve Board, the Risk Management Committee supervised the implementation of the US business-related risk management framework and relevant policies. The Board of Directors and the Risk Management Committee heard the report made by the Management on the Group’s risk management every half year and examined the Bank’s risk management and internal control system. For details of the risk management, please refer to the section headed “Discussion and Analysis — Risk Management”.

- Nomination Committee

The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for Directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of Directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board of Directors on a yearly basis and making recommendations to the Board of Directors based on the Bank’s development strategy. As at the disclosure date of the results the Nomination Committee consisted of seven directors, including: Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Hong Yongmiao, Mr. Or Ching Fai, Mr. Anthony Francis Neoh and Mr. Yang Siu Shun; and Non-executive Directors Mr. Fei Zhoulin and Mr. Ye Donghai. Independent Non-executive Director Mr. Hong Yongmiao was the chairman of the committee.

The Articles of Association of the Bank specifies methods and procedures to nominate Directors. Please refer to Article 118 of the Articles of Association. During the reporting period, the Bank appointed and renewed the appointments of Directors of the Bank in strict accordance with the Articles of Association of the Bank. The Nomination Committee reviews the qualifications of candidates for Directors based on whether the candidate complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank. According to the requirement on diversified composition of the Board of Directors in the Rules for Recommendation and Nomination of Board Candidates of the Bank, the Nomination Committee shall pay attention to the complementarity of the candidates in terms of expertise, professional competence and experience, cultural and educational background, gender, etc., to ensure the members of the Board of Directors are well equipped, experienced and have diversified perspectives and views. In order to implement the diversity policy, the Nomination Committee assesses the improvement of diversified composition of the Board of Directors during the course of its yearly assessment on the framework, number of Directors and composition of the Board of the Directors, and discusses and designs measurable goals according to actual conditions. As at the disclosure date of the results, there were six Independent Non-executive Directors, accounting for more than one third of the total members of the Board of Directors;
and there were two female Directors. The Bank attached importance on diversified sources and backgrounds of Directors and continued the efforts to enhance the professionalism of the Board of Directors, thus laying the foundation for the effective operation and scientific decision-making of the Board of the Directors.

Performance of the Nomination Committee  During the reporting period, the Nomination Committee held four meetings, considered six proposals including the proposals on the nomination of Ms. Mei Yingchun, Mr. Dong Shi, Mr. Ye Donghai and Mr. Anthony Francis Neoh as candidates for Directors and heard the report on the framework of the Board of Directors in 2016. The Nomination Committee put forward comments or suggestions on matters including the recommendation and nomination of candidates for Directors, the assessment of the framework of the Board of Directors and the candidates for chairmen and members of special committees under the Board of Directors.

Compensation Committee

The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties and compensation plans for Directors, organizing the assessment on the performance of duties of Directors, putting forth proposal on remuneration distribution for Directors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. As at the disclosure date of the results, the Compensation Committee consisted of seven directors, including: Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Shen Si, Mr. Or Ching Fai, Mr. Anthony Francis Neoh and Mr. Yang Siu Shun; and Non-executive Directors Ms. Mei Yingchun and Mr. Dong Shi. Independent Non-executive Director Mr. Shen Si was the chairman of the committee.

Performance of the Compensation Committee  During the reporting period, the Compensation Committee held three meetings, considered three proposals on the payment of remuneration to Directors, Supervisors and Senior Management members for 2016 and the 2017 performance evaluation plan for Senior Management members, etc., and heard the 2016 assessment report on the performance of duties of the Directors by the Board of Directors. The Compensation Committee put forward comments or suggestions on matters including improvement of the compensation incentive mechanism. The Compensation Committee organized the performance assessment of Directors, and put forth proposal on remuneration distribution for Directors and submitted the same to the Shareholders’ General Meeting after the approval of the Board of Directors. It also formulated and reviewed the assessment measures and compensation plans for Senior Management members of the Bank and evaluated the performance and behaviors of Senior Management members, results of which were submitted to the Board of Directors or the Shareholders’ General Meeting, if falling into the responsibilities of the Shareholders’ General Meeting, for approval. According to applicable regulations including the Measures on the Assessment of Performance of Duties of Directors in Commercial Banks (Trial) issued by CBRC, the Articles of Association and the Rules on the Assessment of Performance of Duties of Directors by the Board of Directors (Revision in 2016) of the Bank, the Compensation Committee organized the performance assessment of Directors by the Board of Directors for 2016.

Related Party Transactions Control Committee

The Related Party Transactions Control Committee is mainly responsible for developing the basic policies governing the management of related party transactions, identifying the Bank’s related parties, approving related party transactions and other related matters within the authority granted by the Board, receiving related party transaction statistics for filing purpose, reviewing the related party transactions that are subject to the approval of the Board of Directors or the Shareholders’ General Meeting, and reporting to the Board of Directors on the implementation of the related party transaction management policies as well as the conditions on these transactions. As at the disclosure date of the results, the Related Party Transactions Control Committee consisted of four directors, including: Executive Director Mr. Wang Jingdong, and Independent Non-executive Directors Mr. Yang Siu Shun, Mr. Or Ching Fai and Mr. Hong Yongmiao. Independent Non-executive Director Mr. Yang Siu Shun was the chairman of the committee.

Performance of the Related Party Transactions Control Committee  During the reporting period, the Related Party Transactions Control Committee held three meetings, considered two proposals in respect of, among others, the
identification of related parties of the Bank, and heard two reports including the report on related party transactions in 2016 and the identification of related parties of the Bank in 2016. The Related Party Transaction Control Committee put forward comments or suggestions on matters including the improvement of management of related party transactions and inside transactions of the Bank.

Responsibilities of Directors in Respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. During the reporting period, in strict compliance with relevant provisions, the Bank published the 2016 Annual Report, the First Quarterly Report, the Interim Report and the Third Quarterly Report of 2017 as scheduled.

Term of Directors

The Bank has strictly complied with the requirements of the exchanges on which the Bank is listed and the Articles of Association of the Bank that Directors are elected by the Shareholders’ General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBRC. Directors may be re-appointed through re-election at the Shareholders’ General Meeting after expiry of their term.

Investigation and Training of Directors

During the reporting period, the Bank developed the training plan for the Board of Directors, increased training resources, and encouraged and actively organized the Directors to attend trainings, with the aim of assisting the Directors in continuing to improve their comprehensive quality and ability to perform their duties. During the reporting period, the Directors of the Bank complied with relevant regulatory requirements, and attended relevant trainings according to work needs. Besides, the Directors of the Bank enhanced their professional level by attending forums and seminars as well as conducting on-site investigations in some domestic and overseas peers and affiliates of the Bank.

Subject matters of the trainings attended by the Directors of the Bank during the reporting period were mainly as follows:

**Trainings held by the regulatory institutions:**
- SSE  Training on Qualifications of Independent Directors
- Beijing Office of CSRC  Supervision of Listed Companies in Beijing, Corporate Internal Control Evaluation System and Information Technology Development

**Special business trainings of the Bank:**
- Corporate Governance
- Asset Management
- Retail Banking
- Corporate Banking and Investment Banking
- Risk Management
- IT Risk
- Capital Management

**Introduction trainings for newly-appointed directors of the Bank:**
- Introduction to Corporate Governance and Operation of the Board of Directors
- Special Training on Businesses of the Bank
- Introduction to External Regulatory Requirements and Matters to Note during Tenure of Office
Training of Board Secretary

During the reporting period, the Board Secretary of the Bank attended the relevant specialized trainings, with the training hours over 15 hours, which meets relevant regulatory requirements.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank’s Independent Non-executive Directors comply with regulatory requirements. The Bank’s Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial position in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, the Bank’s Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, gave independent opinions during consideration of issues, and provided recommendations on areas such as strategic management, business transformation, innovative development, corporate governance, risk management, internal control management and capital management of the Bank. During the adjournment, Independent Non-executive Directors of the Bank conducted on-site investigations in terms of the implementation of international strategy of the Bank, the impacts of changes in international conditions on the operation of overseas institutions, the implementation of regulatory standards and the compliance management conditions. Additionally, they also proactively exchanged opinions with the Management during special-topic discussions. During the reporting period, the Bank’s Independent Non-executive Directors put forward comments and suggestions in respect of corporate governance and strategy implementation. Their suggestions were about how to manage new-type risks efficiently, balance the relations between capital adequacy and capital utilization properly, and promote the development of financial technologies. The Bank paid close attention to the relevant comments and suggestions, and organized the implementation thereof according to the actual conditions.

During the reporting period, the Bank’s Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors and special committees of the Board of Directors.


Board of Supervisors

Composition of the Board of Supervisors

As at the disclosure date of the results, the Board of Supervisors of the Bank consisted of five members, including one Shareholder Supervisor, namely Mr. Zhang Wei, two Employee Supervisors, namely Mr. Hui Ping and Mr. Huang Li, and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held eight meetings, reviewed 20 proposals including the 2016 audited accounts, annual report and its abstract, the reports on performance assessment, supervision of the Board of Supervisors, development strategy assessment, internal control assessment, 2017 quarterly reports and interim report, the amendments to the Articles of Association and Rules of Procedures for the Board of Supervisors, heard 24 reports on the strategic plan implementation, remuneration management, AML work conditions, supervision by the Supervisory Board Office, and reviewed 11 documents including documents on 2016 related party transactions, internal audit, internal control and compliance and group consolidation management. The Supervision Committee of the Board of Supervisors held three meetings which reviewed five proposals and listened to nine reports.
Attendance of supervisors of the Bank in meetings during the reporting period is as follows:

<table>
<thead>
<tr>
<th>Supervisor</th>
<th>Shareholders’ General Meeting</th>
<th>Board of Supervisors</th>
<th>Supervision Committee of Board of Supervisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current supervisors:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zhang Wei</td>
<td>2/2</td>
<td>8/8</td>
<td>3/3</td>
</tr>
<tr>
<td>Hui Ping</td>
<td>2/2</td>
<td>5/8</td>
<td>1/3</td>
</tr>
<tr>
<td>Huang Li</td>
<td>2/2</td>
<td>6/8</td>
<td>2/3</td>
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<tr>
<td>Qu Qiang</td>
<td>2/2</td>
<td>8/8</td>
<td>3/3</td>
</tr>
<tr>
<td>Shen Bingxi</td>
<td>2/2</td>
<td>8/8</td>
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</tr>
<tr>
<td>Supervisor leaving office:</td>
<td></td>
<td></td>
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<tr>
<td>Qian Wenhui</td>
<td>2/2</td>
<td>8/8</td>
<td>3/3</td>
</tr>
</tbody>
</table>

Notes:
1. Supervisors who did not attend the meetings of the Board of Supervisors and the Supervision Committee in person appointed other supervisors to attend the meetings and exercise the voting right on their behalf.
2. For the change of supervisors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal”.

As approved at the meeting of the Board of Supervisors, the Supervision Committee of the Board of Supervisors was canceled on 30 October 2017.

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the year ended 31 December 2017.

Chairman and President

Pursuant to Code Provision A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be separated, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Mr. Yi Huiman is the Chairman and legal representative of the Bank, who is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

Mr. Gu Shu is the President of the Bank, who is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.
Inside Information Management

The Bank manages inside information and insiders in strict accordance with regulatory requirements of the exchanges on which the Bank is listed and the Bank’s rules, and ensures collection, delivery, sorting, preparation and disclosure of relevant information in compliance with applicable laws and regulations. During the reporting period, the Bank continued to strengthen inside information confidentiality management, timely organized the completion of insider lists and regularly conducted insider transaction self-inspections. After self-inspections, none of the insiders of the Bank were found to be involved in dealings in shares of the Bank who have taken advantage of inside information during the reporting period.

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee and the Related Party Transactions Control Committee under the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the bank-wide organization, promotion and coordination of internal control.

The internal control environment has been optimized continuously. The Board of Directors, the Board of Supervisors and the Senior Management made the most of their functions to strengthen the corporate governance development by the standards of the Group. The “Internal Control and Compliance Awareness Year” activity was organized with a view to promoting the compliance culture that “compliance is the fundamental of responsibility of the entire staff to keep risks under control and ensure efficient operation” and making sure the priority tasks with respect to internal control and compliance were conducted and the related mechanisms were put in place.

The Bank improved the risk management standard remarkably. It continuously promoted the group-level enterprise risk management, and reinforced risk control over the overseas institutions, controlled subsidiaries, off-balance sheet businesses and major risk-prone areas. A limit management system that covered credit risk, market risk and operational risk was established at an accelerated pace, so as to strengthen the Group’s control over the consolidated and country risks.

The control activities became more effective. The Bank steadily advanced the reform on corporate customer credit system and mechanism and overhauled the way the loan applications of small and micro enterprises and personal customers were reviewed and approved. At the same time, the bank-wide seal reform was introduced, the project of streamlining business flows overall kicked off, and the outlets devised innovative mode of service and operation. A sound three-pronged approach to regulating staff conduct was improved, which featured “regulations for positive conduct, prohibitions against negative conduct and penalties for violations”. Besides, the Bank refined its mechanism of putting its policies under lifecycle management, and advanced the streamlining of the policies governing its domestic and overseas institutions.

Information communication has been further streamlined. The Bank put in place sound confidentiality policies, further strengthened information security and confidentiality management, and refined the bank-wide information security management framework, technical architecture and security protection system. In the meantime, it also worked hard to build the enterprise-class data application system and advanced the project engaged in uniform customer labeling and customer data governance.

The internal monitoring and evaluation has remained effective. The Bank created the full-process monitoring system for credit assets and emphasized the “one line of defense” duty performance. Besides, it also promoted the development of “three lines of defense”, strengthened risk governance over the ten major areas, and consolidated the foundation of case prevention and control. While reinforcing accountability for non-compliance and remediation of problems, the Bank also established the management mechanism for identification of liabilities covering credit and non-credit asset losses.

Internal Control Evaluation Report and Internal Control Audit

While disclosing the annual report, the Bank also disclosed the 2017 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited in accordance with the requirements of MOF, CSRC and SSE. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at 31 December 2017 (benchmark date). KPMG Huazhen (Special
General Partnership) has audited the effectiveness of the Bank’s internal control over financial reporting as at 31 December 2017 and issued the standardized audit report on internal control. For details, please refer to the websites of SSE and SEHK.

Internal Control Evaluation and Defects

The Board of Directors of the Bank conducted a self-assessment on the effectiveness of the Group’s internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines issued by five ministries and commissions including MOF, the Guidelines for Internal Control of Listed Companies issued by SSE and relevant regulatory requirements of CBRC. No material or significant deficiencies were detected in the Bank’s internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the fulfillment of internal control objectives of the Bank. The Bank had maintained effective internal control in all material aspects in accordance with the standard system for enterprise internal control and relevant rules.

There was no factor that affected the assessment conclusion of internal control effectiveness from the benchmark date to the issuance date of the internal control assessment report.

Internal Audit

The Bank established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The chart below illustrates the internal audit management and reporting framework of the Bank:

During the reporting period, the Bank acted on the regulatory requirements of the industry, implemented risk-oriented audit activities and fully accomplished the annual audit plan according to the development strategy and central tasks of the Bank. The audit activities covered main aspects of operation and management, such as credit business, financial benefit, customer services, mega retail strategy, mega asset management strategy, informatisation strategy, overseas institutions, capital management and duty performance of Senior Management members in their tenure of office. The audit activities paid close attention to credit risk, market risk, liquidity risk, regional risk and financial innovation risk under the complicated operating circumstances as well as systematic and strategic risks in the process of diversified and internationalized development. The audit activities supervised and assessed the quality and effect of the compliance with regulatory requirements, implementation of major strategies, management of major risks and intensified internal control by some institutions and in main business areas of the Group, putting forward the audit suggestions of strengthening risk controls and improving business operations. The audit results were sufficiently valued and used, and played their due role in pushing the Bank to improve its management mechanisms in all fields, advance its reform and development, and put various risks under efficient control.
During the reporting period, internal audit of the Bank actively adapted to the changes in the risk management conditions, pushed forward the functional optimization and professional innovation, refined the group-wide audit management framework, improved the audit methods and procedures, diversified the mix of audit products, optimized the allocation of audit resources, advanced the preparations for IT-based audit process, intensified efforts in organizing professional qualification programs and project-specific trainings, deepened the professional development of teams, and constantly enhanced the audit service capacity and professionalism.

**Engagement of Auditors**

KPMG Huazhen LLP was the domestic auditors of the Bank for the financial statements audit in 2017, and KPMG was the international auditors of the Bank for the financial statements audit in 2017. KPMG Huazhen LLP was also the auditors of internal control of the Bank in 2017.

KPMG Huazhen LLP and KPMG have been providers of audit services for the Bank for five consecutive years (2013, 2014, 2015, 2016 and 2017).

During the reporting period, the Group paid KPMG and its member institutions a total fee of RMB197 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches), of which, RMB136 million (including fee for internal control audit of RMB11.50 million) was paid by the Bank.

During the reporting period, KPMG and its member institutions provided the Group with non-audit services such as tax advisory services and the professional services for the bonds issuance, and received RMB8 million for such professional non-audit services.

**Investor Relations**

**Overview of Investor Relations Activities in 2017**

In 2017, the Bank strove to improve the quality of investor relations services and generate stable return to shareholders following the principle of serving investors in a proactive, accurate, coordinated and efficient manner.

The Bank made constant and extensive communication with institutional investors and minority investors through press conference in relation to periodic results, non-transactional road shows at home and abroad, reverse road shows, press conferences with large institutions, investor hotline, investor relations mailbox, investor relations column on the website of the Group and the online platform of sseinfo.com, which enhanced investors’ confidence in economic development of China and the operational transformation of the Bank and helped to bring the market value in line with the long-term intrinsic value of the Bank. The Bank improved investor relations information collection and market information feedback transmission mechanism, strengthened dynamic monitoring of share price valuation, analyst reports and media public opinions, followed and analyzed spotlight issues of the capital market, and effectively enhanced the quality of communication with the investors. The Bank actively understood and solicited the comments and suggestions of the capital market on the Bank and encouraged the Management to provide timely responses using various operation and communication strategies, so as to continuously strengthen the level of corporate governance and core values of the Bank.

In 2018, the Bank will further and proactively deepen the communication and exchange with investors to enhance investors’ understanding and recognition of the Bank and protect legitimate interests of the investors, and at the same time hope to receive more support from, and attention of, the investors.

**Investor Enquiries**

If an investor wishes to enquire any questions related to operation performance of the Bank, please contact:

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- E-mail: ir@icbc.com.cn
- Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140
Principal Business  The principal business of the Bank and its subsidiaries is the provision of banking and related financial services. Please refer to the section headed “Discussion and Analysis” for the business review of the Bank.

Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Independent Auditor’s Report and Financial Statements of the Annual Report.

As approved at the Annual General Meeting for the Year 2016 held on 27 June 2017, the Bank has distributed cash dividends of about RMB83,506 million, or RMB2.343 per ten shares (pre-tax), for the period from 1 January 2016 to 31 December 2016 to the ordinary shareholders whose names appeared on the share register after the close of market on 10 July 2017.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.408 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2017, totaling about RMB85,823 million. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2017. Once approved, the above-mentioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 12 July 2018. The Bank will suspend the registration procedures of H share ownership transfer on 7 July 2018 (inclusive) through 12 July 2018 (inclusive). The holders of H shares of the Bank that desire to receive the proposed cash dividends but have not registered the ownership transfer documents are requested to hand over their ownership transfer documents together with the H shares to the Bank’s H share registrar — Computershare Hong Kong Investor Services Limited that is located at Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong at or before 4:30 p.m. of 6 July 2018. Pursuant to relevant regulatory requirements and operational rules, dividends on A shares and H shares will be paid on 13 July 2018 and 6 August 2018, respectively.

The Bank had no plan for converting capital reserve to share capital in the recent three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the recent three years:

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend per ten shares (pre-tax, in RMB yuan)</td>
<td>2.408</td>
<td>2.343</td>
<td>2.333</td>
</tr>
<tr>
<td>Cash dividends (pre-tax, in RMB millions)</td>
<td>85,823</td>
<td>83,506</td>
<td>83,150</td>
</tr>
<tr>
<td>Percentage of cash dividends(1) (%)</td>
<td>30.5</td>
<td>30.5</td>
<td>30.3</td>
</tr>
</tbody>
</table>

Note: (1) Calculated by dividing cash dividends on ordinary shares (pre-tax) by net profit attributable to ordinary shareholders of the parent company for the period.

For details on the distribution of dividends on preference shares of the Bank, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

Formulation and Implementation of Cash Dividend Policy

The Articles of Association of the Bank explicitly stipulates that the Bank’s profit distribution policy shall maintain its continuity and stability and meanwhile take account of the long-term interests of the Bank, the overall interests of all shareholders and the sustainable development of the Bank. It emphasizes the priority to adopt cash dividend as the profit distribution method and provides that the Bank’s adjustment to the profit distribution policy shall be discussed by the Board of Directors as a special proposal and the grounds for adjustment shall be substantiated and proved in detail and presented in a written substantiating report for Independent Non-executive Directors to issue their opinions, and then the report will be submitted to the Shareholders’ General Meeting for approval as a special resolution.
The formulation and implementation of the Bank’s cash dividend policy, which has been reviewed and approved by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders’ General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

**Distributable Reserves** Details of the distributable reserves of the Bank as at 31 December 2017 are set out in “Note 42. to the Financial Statements: Reserves” of this Annual Report.

**Financial Summary** The summary of results, assets and liabilities for the five years ended 31 December 2017 is set out in the section headed “Financial Highlights” of this annual report.

**Donations** During the reporting period, the Group made external donations of RMB77,919,500 equivalent.

**Subsidiaries** Particulars of the Bank’s major subsidiaries as at 31 December 2017 are set out in the sections headed “Discussion and Analysis — Business Overview” and “Note 28. to the Financial Statements: Investments in Subsidiaries” in this annual report.

**Share Capital and Public Float**

Changes in the share capital of the Bank for the year ended 31 December 2017 are set out in “Note 40. to the Financial Statements: Share Capital”.

As at the latest practicable date before the publication of this annual report, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

**Purchase, Sale or Redemption of Securities** During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

**Pre-emptive Rights** The Articles of Association of the Bank does not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Bank may increase its registered capital after obtaining approval of the Shareholders’ General Meeting and of relevant authorities, by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

**Major Customers** In 2017, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank during the year.

**Use of Proceeds from Fundraising Activities**

The funds raised from the Bank’s fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.
For details on the use of funds raised from the issue of preference shares of the Bank, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

**Equity-linked Agreement**  There is neither any agreement to which the Bank is a party, any options to subscribe shares, nor any securities convertible to shares of the Bank that requires the Bank to issue shares. In addition, there is no securities offering holders the right to subscribe shares of the Bank, the employee participation plan or share option plan, etc. as required by the disclosure requirements of the Hong Kong Listing Rules.

**Management Contracts**  During the reporting period, the Bank did not enter into or have any contract regarding the management and administration of the whole or any important business.

**Directors’ and Supervisors’ Interests in Transactions, Agreements or Contracts of Significance**  During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding the Bank’s business to which the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders was a party. None of the Directors or Supervisors of the Bank have entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

**Directors’ Interests in Competing Business**  None of the Bank’s Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Bank.

**Directors’ and Supervisors’ Rights to Acquire Shares or Debentures**  None of the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders entered into any agreement or arrangement enabling the Directors and Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

**Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors**  As at 31 December 2017, Mr. Zhang Hongli, Executive Director of the Bank, held 2,000 H shares of the Bank, and the spouse of Mr. Or Ching Fai, Independent Non-executive Director of the Bank, held 1,316,040 H shares of the Bank. Save as above, as at 31 December 2017, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

**Connected Transactions**  In 2017, the Bank carried out standardized management of the Group’s connected transactions in strict accordance with the regulations of CBRC and CSRC as well as listing rules in Shanghai and Hong Kong.

During the reporting period, the Bank had no connected transaction to be submitted to the Board of Directors or the Shareholders’ General Meeting for review, and all connected transactions occurred complied with the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules on disclosure exemptions.

Please refer to “Note 52. to the Financial Statements: Related Party Disclosures” for details of the related party transactions defined under the laws, regulations and accounting standards of China.
Liability Insurance of Directors, Supervisors and Senior Management  Pursuant to the Articles of Association of the Bank, where conditions permit, the Bank may establish the professional liability insurance system of Directors, Supervisors and Senior Management members upon approval of the Shareholders’ General Meeting. The Bank will use its own assets to compensate each Director, Supervisor and Senior Management member for any liability arising during their performance period to the maximum extent permitted by laws and administrative regulations or within the scope not prohibited by laws and administrative regulations, unless the Directors, Supervisors and Senior Management members are otherwise proved to have failed to act honestly or in good faith during their duty performance. During the reporting period, the Bank renewed liability insurance for Directors, Supervisors and Senior Management members.

Relations among Directors, Supervisors and Senior Management  Directors, Supervisors and Senior Management members of the Bank do not relate to one another with respect to finance, business, family, or other material relations required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management  The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved performance assessment system and incentive restriction mechanism. From the perspectives of economic benefit, risk cost control and social responsibilities, the Bank adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. The remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State’s policies relating to the remuneration reform on executives of central enterprises, which consists of basic annual remuneration, performance-based remuneration and incentive income linked to term appraisal. The remuneration to other Senior Management members and Shareholder Supervisors consist of basic annual remuneration and performance-based remuneration, and part of performance-based remuneration is paid in a deferred manner. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2017, the Bank did not grant any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Members of the Board of Directors  Executive Directors: Mr. Yi Huiman, Mr. Gu Shu, Mr. Zhang Hongli and Mr. Wang Jingdong; Non-executive Directors: Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Fei Zhourlin, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai; Independent Non-executive Directors: Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair and Mr. Shen Si.

By Order of the Board of Directors
Yi Huiman
Chairman
Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, pursuant to relevant laws and regulations, regulatory requirements and the Articles of Association, focused on the central tasks of the Bank on reform and development, performed supervision duties earnestly, carried out supervision on an in-depth manner in duty performance and due diligence, financial activities, risk management and internal control, etc., promoted the improvement in corporate governance and the legal, compliant and prudent development.

Supervision on the performance of duties. The Board of Supervisors supervised duty performance constantly. It supervised the Board of Directors, Senior Management and their members on their compliance with the laws and regulations, the Articles of Association and rules of the Bank, and the implementation of the resolutions of the Shareholders’ General Meeting and the Board of Directors and the regulatory opinions. It paid close attention to the duty performance and due diligence of the Board of Directors and the Senior Management in corporate governance, development strategy and operation and management. It carried out duty performance assessment, conducted individual interviews with members of the Board of Directors and the Senior Management, general managers of the related Head Office departments and profitability units, and then formulated its assessment opinions on the duty performance of the Board of Directors, the Senior Management and their members in combination with their day-to-day duty performance supervision. It improved the application of assessment results, provided the duty performance assessment opinions to Directors and Senior Management members in a timely manner, and facilitated their legal and compliant duty performance and due diligence. It performed strategic assessment, assessed how scientific, reasonable and effective the Bank’s development strategies were, and conducted research on the progress of achieving the targets and tasks of development strategies as well as the problems in implementing the strategies so as to put forward comments and suggestions and further strengthen its ability to manage strategies.

Financial supervision. The Board of Supervisors paid close attention to financial activities and decisions on material financial issues and their implementation. It carefully reviewed periodic reports, regularly heard reports on business conditions and review results, conducted spot checks on major accounting issues, verified the authenticity of financial information, and issued independent opinions in an objective and fair manner. It strengthened financial supervision and inspection, regularly analyzed the changes in financial data, organized and carried out financial inspection on relevant branches, urged them to carry out rectification, promoted the enhancement of financial management, and regulated financial behavior. It conducted research on the allocation of financial resources, paid close attention to the formulation of business plans, transmission of assessment targets and the link between assessment results and financial resources to improve the effectiveness of financial resources allocation mechanisms. It strengthened supervision on centralized procurement, conducted spot checks on centralized procurement of some branches, further regulated procurement practices, and conducted research on the building, development and application of the e-commerce procurement platform “ICBC Mall” to promote the improvement of operation mechanism of centralized procurement for the e-commerce platform.

Supervision on risk management. The Board of Supervisors paid close attention to the effectiveness of the Group’s risk management mechanism and the soundness of the management structure, and promoted the improvement of the risk management. It strengthened supervision on enterprise risk management, and continued to pay attention to the establishment and improvement of enterprise risk management system and mechanism, risk management of consolidated institutions, management of cross and transmissional risks, adjustment of regulatory policies and rules, and impact on the Bank’s business. It strengthened the supervision on main material risks, carried out research on concurrent management of re-extension of repaid existing loans and incremental loans, management of non-performing assets, management and disposal of entrusted assets, and continuously monitored credit risk, market risk and liquidity risk management. It paid close attention to key business risk management, analyzed the risk management of key businesses such as inter-bank business, private banking, wealth management and inclusive finance, and conducted research on small and micro financial businesses to promote further improvement of top-level design and risk management models for small and micro businesses. It strengthened the supervision on capital management, paid attention to the trends of international capital supervision reforms, conducted research on risk-weighted asset management, and promoted the improvement of capital management.
Supervision on internal control. The Board of Supervisors paid close attention to the internal control management system and mechanism, strengthened the supervision on internal control of key institutions and important business areas, and promoted legal and compliant operation and management. It strengthened the supervision on internal control system, and continued to pay attention to the establishment and improvement of internal control system, the sorting-out and improvement of business rules and management rules, duty performance of the “three defense lines”, and the building and improvement of compliance management systems for overseas institutions. It strengthened the internal control and supervision of important businesses, paid close attention to the internal control of key areas such as rules and processes of new business and new products and internal control of key links, conducted research on the management of bill business, and paid attention to the management mode and process control of bill business. It strengthened supervision of problem rectification, conducted research on the implementation for rectification of inspection findings, understood the management mechanism, control processes, information communication and implementation of findings rectification, etc., and promoted the improvement of rectification mechanism. It reviewed the internal control assessment report, paid attention to the implementation and quality control of the internal control assessment, emphasised on supervising the identification, reporting, correction and accountability of internal control deficiencies, and issued review opinions.

Strengthening of self-building. The Board of Supervisors organized the annual assessment on the supervisors for their performance of duties strictly in accordance with the regulatory requirements and corporate governance rules. The members of the Board of Supervisors diligently and faithfully fulfilled their duties, attended the meetings of the Board of Supervisors on schedule, earnestly studied and reviewed the proposals and special reports, issued opinions in an objective and fair manner, appropriately exercised voting rights, attended meetings of the Board of Directors and meetings of special committees as non-voting attendees, attended relevant meetings of Senior Management, invested sufficient time and energy, and actively participated in relevant supervision, inspection and research activities. It attached great importance to strengthening theoretical learning and summary of experience from practice. It held discussions and exchanges with the boards of supervisors of several financial institutions, learned from the relevant experiences of its peers, and participated in the training organized by securities regulatory authority in accordance with regulatory requirement, and continuously improved its performance capability. External supervisors of the Bank worked for more than 15 working days in the Bank.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation During the reporting period, the Bank continued to operate in compliance with applicable laws and regulations and improve its internal control system, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management earnestly performed their duties, and the Board of Supervisors did not find any violation of laws and regulations, or any act that contravened the interests of the Bank in their performance of duties during the reporting period.

Preparation of Annual Report Preparation and review procedures of this annual report were in compliance with laws, administrative regulations and regulatory rules. Contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Proceeds from Fundraising Activities During the reporting period, the use of proceeds from the Bank’s fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets During the reporting period, the Board of Supervisors did not find any insider trading or any act that contravened the shareholders’ interests or caused the loss of the Bank’s assets in the process of the Bank’s purchase or sale of assets.

Connected Transactions During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any act that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders’ General Meeting During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders’ General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders’ General Meetings.
Review of the Internal Control Assessment Report  The Board of Supervisors reviewed the 2017 Internal Control Assessment Report of the Board of Directors and had no objection to the report.

Implementation of Information Disclosure Management Rules  During the reporting period, the Bank performed its duty of information disclosure in strict compliance with the regulatory requirements, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed during the reporting period was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to other supervision matters during the reporting period.
Significant Events

Material Legal Proceedings and Arbitration  The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 31 December 2017, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB4,496 million. The Bank does not expect any material adverse effect from the above-mentioned pending legal proceedings on the Bank’s business, financial position or operating results.

Material Assets Acquisition, Sale and Merger  During the reporting period, the Bank had no material assets acquisition, sale and merger.

Credit Standing  During the reporting period, there has not been any significant court judgment with which the Bank and its controlling shareholders have not complied, nor has there been any outstanding debt of significant amount.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period  During the reporting period, the Bank did not implement any share incentive plan or employee stock ownership plan.

Performance of the Poverty Relief Social Responsibility  Please refer to the section headed “Social Responsibility” for the details of the Bank’s poverty-relief social responsibility performance during the reporting period.

Environmental Information  Please refer to the section headed “Social Responsibility” for the details of the Bank’s environmental information during the reporting period.

Key Audit Issues  The Audit Committee has reviewed the key audit issues in the audit report and concluded it is unnecessary to provide a supplementary explanation.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to “Note 52. to the Financial Statements: Related Party Disclosures” for details of the related party transactions defined under the laws, regulations and accounting standards of China.
Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease  During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank’s assets, which were subject to disclosure.

Material Guarantees  The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and CBRC.

Independent Non-executive Directors’ Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies (Zheng Jian Fa [2003] No. 56) issued by CSRC and relevant provisions of SSE, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principles of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by PBC and CBRC. As at 31 December 2017, the balance of letters of guarantee issued by the Bank totaled RMB498,877 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services, and carried out relevant business on such basis.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Or Ching Fai, Hong Yongmiao, Anthony Francis Neoh, Yang Siu Shun, Sheila Colleen Bair and Shen Si

Occupation of Fund by Controlling Shareholders and Other Related Parties  During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2017.
Significant Events

Commitments

As at 31 December 2017, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Type of commitment</th>
<th>Time and term of commitment</th>
<th>Legal document under which the commitment is made</th>
<th>Commitment</th>
<th>Fulfillment of commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huijin</td>
<td>Commitment of non-competition</td>
<td>October 2006/No specific term</td>
<td>Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)</td>
<td>Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders’ rights for the maximum interests of the Bank.</td>
<td>As at 31 December 2017, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>November 2010/No specific term</td>
<td>Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Save as disclosed above, neither the Bank nor any of its other related parties made any commitments.

Penalties

During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged for criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major penalty by other administrative authorities of environmental protection, safety supervision, taxation, etc. or public reprimand by the stock exchanges.
Updates on Significant Events

ICBC Financial Asset Investment Co., Limited

On 14 September 2017, the CBRC approved the opening of ICBC Investment, a wholly-owned subsidiary of the Bank, and granted a financial license to it. According to the reply of the CBRC, ICBC Investment, with the place of incorporation in Nanjing, had a registered capital of RMB12.0 billion, and mainly engaged in debt-for-equity swap and supporting business. On 26 September 2017, ICBC Investment completed the industrial and commercial registration, and commenced operation officially.

ICBC Aviation Leasing Company Limited

On 30 August 2017, the Board of Directors of the Bank approved the establishment of ICBC Aviation Leasing Company Limited (the company name subject to final registration) in Hong Kong by ICBC Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank. ICBC Aviation Leasing Company Limited would be wholly-owned by ICBC Leasing. CBRC approved the establishment of ICBC Aviation Leasing Company Limited in Hong Kong in March 2018.
Organizational Chart

Board of Directors

Risk Management Committee
Strategy Committee
Audit Committee
Nomination Committee
Compensation Committee
Related Party Transactions Control Committee

Internal Audit Sub-bureau
Internal Audit Bureau

Head Office Departments, Profitability Units and Directly Controlled Institutions of the Head Office

Marketing Management Departments
Corporate Banking Department
Personal Banking Department
Institutional Banking Department
Inclusive Finance Department
Settlement & Cash Management Department
Bank Card Department (ICBC Peony Card Center, Consumer Credit Finance Center)
Internet Finance Department*

Profitability Units
Global Market Department
Asset Management Department
Asset Custody Department
ICBC Bills Discounting Department
Private Banking Department
Investment Banking Department
Precious Metal Business Department
Special Financing Department (Banking Department)
Pension Business Department

Risk Management Departments
Credit and Investment Management Department
Credit Approval Department
Risk Management Department
Internal Control & Compliance Department
Legal Affairs Department (Consumer Protection Office)

Comprehensive Administration Departments
Executive Office
Finance & Accounting Department
Human Resources Department
Asset & Liability Management Department
Corporate Strategy and Investor Relations Department
Channel Management Department*
International Banking Department*

Supporting Departments
IT Department
Operation Management Department
Product Innovation Management Department*
Information Management Department
Corporate Culture Department
Directly Controlled Party Committee
Urban Finance Research Institute
Discipline Enforcement Department
Security Department
Retired Staff Management Department
Staff Union Working Committee

Notes:
1. Internet Finance Department includes Innovation Research & Development Center, User Development Center and Operation Support Center.
2. Channel Management Department includes Remote Banking Center.
3. International Banking Department includes International Settlement Documentation Center.
4. Production Innovation Management Department includes Production Research & Development Center.

Directly Controlled Institutions
Changchun Institute of Financial Managers
Hangzhou Institute of Financial Managers
Data Center (Beijing)
Data Center (Shanghai)
Software Development Center
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Independent Auditor’s Report

To the shareholders of Industrial and Commercial Bank of China Limited
(Incorporated in the People’s Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the “Bank”) and its subsidiaries (the “Group”) set out on pages 130 to 272, which comprise the consolidated and the Bank’s statements of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2017 and of the Group’s financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants (“the Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People’s Republic of China, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
### Impairment of loans and advances to customers


<table>
<thead>
<tr>
<th>The key audit matter</th>
<th>How the matter was addressed in our audit</th>
</tr>
</thead>
</table>
| Impairment of loans and advances to customers is a subjective area due to the degree of judgement applied by management in determining impairment allowances. | Our audit procedures to assess impairment of loans and advances to customers included the following:  
  - assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording, monitoring and restructuring of loans and advances to customers, the credit grading process and the measurement of impairment allowances for individually assessed loans and advances to customers. In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the classification of loans by credit quality across all grades;  
  - evaluating the validity of the models used and assumptions adopted in the Group’s calculation of the collective impairment allowances by critically assessing:  
    - input parameters involving management judgement;  
    - economic factors used in the models;  
    - the accuracy of the loan grading migration data for the corporate loan portfolios;  
    - the overdue statistical data for the personal loan portfolios; and  
    - historical loss parameters used.  
  - considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses and assessing key internal controls over the input of underlying data into the models. We compared the economic factors used in the models to market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the account to a non-performing loan; |
| From the Group’s perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and advances to customers were those where impairments were derived from models approximating the impact of external environment and credit conditions on large portfolios of loans and advances to customers, and assessment of recoverable cash flows relating to individual loans and advances to customers, where loans and advances to customers were unsecured or were subject to potential collateral shortfalls. |                                                                                                                                                                                                                                           |
| The determination of the collective impairment allowances is dependent on the external macro environment and internal credit risk management models. The Group’s collective impairment allowances for corporate loans and advances are derived from estimates including the Group’s historical losses, the historical emergence period for corporate loans and advances (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors. The Group’s collective impairment allowances for personal loans are derived from estimates, including the Group’s historical overdue data, historical loss experience for personal loans and other adjustment factors. |                                                                                                                                                                                                                                           |
Independent Auditor’s Report

Key audit matters (continued)

<table>
<thead>
<tr>
<th>Impairment of loans and advances to customers (continued)</th>
<th>How the matter was addressed in our audit</th>
</tr>
</thead>
</table>
| Refer to the accounting policies in “Note 3. (6) to the Financial Statements: Impairment of the Financial Assets”, “Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates” and “Note 26. to the Financial Statements: Loans and Advances to Customers”. | • assessing the impairment allowances for individually impaired corporate loans and advances by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples in industries vulnerable to the current economic slowdown. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage;  
• performing credit assessments for the selected individually impaired corporate loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgement and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management’s application of key assumptions and compared them with our own data sources. Where available, we made use of post reporting date information to evaluate credit quality with hindsight;  
• evaluating the experience, independence, competence and integrity of the external valuers engaged by the Group to value certain property and illiquid collateral. Where possible, we compared the valuations with externally derived data such as commodity prices and real estate valuations;  
• assessing the appropriateness of the Group’s methodology of collective impairment allowances and testing the model calculations;  
• assessing the disclosures in the consolidated financial statements in relation to impairment of loans and advances to customers with reference to the requirements of the prevailing accounting standards. |

Individual impairment allowances are assessed by management once objective evidence of impairment becomes apparent in a corporate loan. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of impairment allowances as at the reporting date.

We identified assessing impairment of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.
**Key audit matters (continued)**

<table>
<thead>
<tr>
<th>Recognition of interests in and consolidation of structured entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The key audit matter</strong></td>
</tr>
<tr>
<td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group’s assets and liabilities.</td>
</tr>
<tr>
<td>The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</td>
</tr>
<tr>
<td>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group’s own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</td>
</tr>
<tr>
<td>We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
### Key audit matters (continued)

<table>
<thead>
<tr>
<th>The key audit matter</th>
<th>How the matter was addressed in our audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instruments carried at fair value account for a significant part of the Group’s assets. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income.</td>
<td>Our audit procedures to assess the fair value of financial instruments included the following:</td>
</tr>
<tr>
<td></td>
<td>• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;</td>
</tr>
<tr>
<td></td>
<td>• assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;</td>
</tr>
<tr>
<td></td>
<td>• engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group’s valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs;</td>
</tr>
<tr>
<td></td>
<td>• engaging our internal valuation specialists to conduct model validation, on a sample basis, for the valuation of complex financial instruments;</td>
</tr>
<tr>
<td></td>
<td>• assessing the appropriate application of Funding Value, Credit Value and Debit Value Adjustments (&quot;FVA/CVA/DVA&quot;) that form an integral part of fair values, inquiring of management about any changes in the FVA/CVA/DVA methodology and assessing the appropriateness of the inputs applied; and</td>
</tr>
<tr>
<td></td>
<td>• assessing whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group’s exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td>
</tr>
</tbody>
</table>

The valuation of the Group’s financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.

The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.
Key audit matters (continued)

<table>
<thead>
<tr>
<th>IT systems and controls over financial reporting</th>
<th>How the matter was addressed in our audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The key audit matter</strong></td>
<td>We used our internal IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included the following:</td>
</tr>
<tr>
<td>As one of the largest banking groups in the world, the Group’s IT systems are necessarily large and complex.</td>
<td>• assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting.</td>
</tr>
<tr>
<td>Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.</td>
<td>• evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission, covering business in corporate loans, financial asset service, interbank business, bills, retail business and others, as well as key accounting procedures.</td>
</tr>
<tr>
<td>Of particular importance are system calculations and data logic regarding significant accounts, including interest calculations, as well as interfaces between business management systems and accounting systems.</td>
<td>• performing architectural analysis, security configuration review and other tests on certain aspects of the cyber security on network security management mechanism, operational security of key information infrastructure, data and client information management, monitoring and emergency management.</td>
</tr>
<tr>
<td>Due to the rapid growth of on-line transaction volumes and the increasing challenge to protect the integrity of the Group’s systems and data, cyber security has become more significant.</td>
<td></td>
</tr>
<tr>
<td>We identified IT systems and controls over financial reporting as a key audit matter because the Group’s financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base both in the corporate and the retail banking businesses in China and globally.</td>
<td></td>
</tr>
</tbody>
</table>

Other information

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.
Independent Auditor’s Report

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
Independent Auditor’s Report

Auditor’s responsibilities for the audit of the consolidated financial statements (continued)

• Conclude on the appropriateness of the Directors’ 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 Group’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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor’s report is Simon John Edward Gleave.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
27 March 2018
## Consolidated Statement of Profit or Loss

**Year ended 31 December 2017**  
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>6</td>
<td>861,594</td>
</tr>
<tr>
<td>Interest expense</td>
<td>6</td>
<td>(339,516)</td>
</tr>
</tbody>
</table>

**NET INTEREST INCOME**  
6 | 522,078 | 471,846 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income</td>
<td>7</td>
<td>158,666</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>7</td>
<td>(19,041)</td>
</tr>
</tbody>
</table>

**NET FEE AND COMMISSION INCOME**  
7 | 139,625 | 144,973 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net trading income</td>
<td>8</td>
<td>5,753</td>
</tr>
<tr>
<td>Net loss on financial assets and liabilities designated at fair value through profit or loss</td>
<td>9</td>
<td>(476)</td>
</tr>
<tr>
<td>Net gain on financial investments</td>
<td>10</td>
<td>2,641</td>
</tr>
<tr>
<td>Other operating income, net</td>
<td>11</td>
<td>6,033</td>
</tr>
</tbody>
</table>

**OPERATING INCOME**  
6 | 675,654 | 641,681 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>12</td>
<td>(186,194)</td>
</tr>
<tr>
<td>Impairment losses on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>26</td>
<td>(124,096)</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>(3,673)</td>
</tr>
</tbody>
</table>

**OPERATING PROFIT**  
361,691 | 360,675 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of profits of associates and joint ventures</td>
<td></td>
<td>2,950</td>
</tr>
</tbody>
</table>

**PROFIT BEFORE TAXATION**  
364,641 | 363,279 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>16</td>
<td>(77,190)</td>
</tr>
</tbody>
</table>

**PROFIT FOR THE YEAR**  
287,451 | 279,106 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent company</td>
<td></td>
<td>286,049</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>1,402</td>
</tr>
</tbody>
</table>

**PROFIT FOR THE YEAR**  
287,451 | 279,106 |

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>— Basic (RMB yuan)</td>
<td>19</td>
<td>0.79</td>
</tr>
<tr>
<td>— Diluted (RMB yuan)</td>
<td>19</td>
<td>0.79</td>
</tr>
</tbody>
</table>

Details of the dividends declared and paid or proposed are disclosed in note 18 to the financial statements.

The notes on pages 138 to 272 form part of these financial statements.
### Consolidated Statement of Profit or Loss and Other Comprehensive Income

**Year ended 31 December 2017**

*(In RMB millions, unless otherwise stated)*

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>287,451</td>
<td>279,106</td>
</tr>
<tr>
<td>Other comprehensive income (after tax, net):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss:</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Share of the other comprehensive income of investees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accounted for using equity method which will not be reclassified to profit or loss</td>
<td>(29)</td>
<td>15</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss from change in fair value of available-for-sale financial assets</td>
<td>(33,494)</td>
<td>(29,449)</td>
</tr>
<tr>
<td>Effective hedging portion of gains or losses arising from cash flow hedging instruments</td>
<td>939</td>
<td>(751)</td>
</tr>
<tr>
<td>Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss</td>
<td>(757)</td>
<td>(860)</td>
</tr>
<tr>
<td>Foreign currency translation differences</td>
<td>(8,752)</td>
<td>13,608</td>
</tr>
<tr>
<td>Others</td>
<td>712</td>
<td>(75)</td>
</tr>
<tr>
<td>Subtotal of other comprehensive income for the year</td>
<td>(41,378)</td>
<td>(17,515)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>246,073</td>
<td>261,591</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent company</td>
<td>245,729</td>
<td>261,166</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>344</td>
<td>425</td>
</tr>
<tr>
<td></td>
<td>246,073</td>
<td>261,591</td>
</tr>
</tbody>
</table>

The notes on pages 138 to 272 form part of these financial statements.
### Consolidated Statement of Financial Position

31 December 2017
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>20</td>
<td>3,613,872</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>21</td>
<td>847,611</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>22</td>
<td>87,337</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>23</td>
<td>353,601</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>24</td>
<td>89,013</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>25</td>
<td>986,631</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>26</td>
<td>13,892,966</td>
</tr>
<tr>
<td>Financial investments</td>
<td>27</td>
<td>5,315,766</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>29</td>
<td>32,441</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>30</td>
<td>247,744</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>31</td>
<td>48,392</td>
</tr>
<tr>
<td>Other assets</td>
<td>32</td>
<td>571,669</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>26,087,043</td>
<td>24,137,265</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>456</td>
<td>545</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>33</td>
<td>425,948</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>24</td>
<td>78,556</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>34</td>
<td>1,706,549</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>35</td>
<td>1,046,338</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>36</td>
<td>260,274</td>
</tr>
<tr>
<td>Due to customers</td>
<td>37</td>
<td>19,226,349</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>70,644</td>
<td>52,640</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>31</td>
<td>433</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>38</td>
<td>526,940</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>39</td>
<td>603,500</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>23,945,987</td>
<td>22,156,102</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the parent company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>40</td>
<td>356,407</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>41</td>
<td>86,051</td>
</tr>
<tr>
<td>Reserves</td>
<td>42</td>
<td>587,489</td>
</tr>
<tr>
<td>Retained profits</td>
<td></td>
<td>1,097,544</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>2,141,056</td>
<td>1,981,163</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>26,087,043</td>
<td>24,137,265</td>
</tr>
</tbody>
</table>

Yi Huiman  Gu Shu  Zhang Wenwu
Chairman  Vice Chairman and President  General Manager of Finance and Accounting Department

The notes on pages 138 to 272 form part of these financial statements.
## Consolidated Statement of Changes in Equity

Year ended 31 December 2017
(In RMB millions, unless otherwise stated)

### Attributable to equity holders of the parent company

<table>
<thead>
<tr>
<th>Reserves</th>
<th>Issued share capital</th>
<th>Other equity instruments</th>
<th>Capital reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Investment revaluation reserve</th>
<th>Foreign currency translation reserve</th>
<th>Cash flow hedging reserve</th>
<th>Other reserves</th>
<th>Subtotal</th>
<th>Retained profits</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2017</td>
<td>356,407</td>
<td>86,051</td>
<td>152,043</td>
<td>205,021</td>
<td>251,349</td>
<td>1,133</td>
<td>(18,050)</td>
<td>(4,645)</td>
<td>(221)</td>
<td>586,630</td>
<td>940,663</td>
<td>1,989,751</td>
<td>11,412</td>
<td>1,981,163</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>286,049</td>
<td>286,049</td>
<td>1,402</td>
<td>287,451</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income (note 43)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(32,885)</td>
<td>(8,252)</td>
<td>884</td>
<td>(67)</td>
<td>(40,320)</td>
<td>–</td>
<td>(40,320)</td>
<td>(1,058)</td>
<td>(41,378)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(32,885)</td>
<td>(8,252)</td>
<td>884</td>
<td>(67)</td>
<td>(40,320)</td>
<td>286,049</td>
<td>245,729</td>
<td>344</td>
<td>246,073</td>
</tr>
<tr>
<td>Dividends — ordinary shares 2016 final (note 18)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(83,506)</td>
<td>(83,506)</td>
<td>–</td>
<td>(83,506)</td>
<td></td>
</tr>
<tr>
<td>Dividends — preference shares (note 18)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(4,437)</td>
<td>(4,437)</td>
<td>–</td>
<td>(4,437)</td>
<td></td>
</tr>
<tr>
<td>Appropriation to surplus reserve (i)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>27,682</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>27,682</td>
<td>(27,682)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Appropriation to general reserve (ii)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>13,543</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>13,543</td>
<td>(13,543)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Capital injection by non-controlling shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,312</td>
<td>2,312</td>
<td></td>
</tr>
<tr>
<td>Change in share holding in subsidiaries</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(194)</td>
<td>(194)</td>
<td></td>
</tr>
<tr>
<td>Dividends to non-controlling shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(309)</td>
<td>(309)</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(46)</td>
<td>(46)</td>
<td>–</td>
<td>(46)</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2017</td>
<td>356,407</td>
<td>86,051</td>
<td>152,043</td>
<td>232,703</td>
<td>264,892</td>
<td>(31,752)</td>
<td>(26,302)</td>
<td>(3,761)</td>
<td>(334)</td>
<td>587,489</td>
<td>1,097,544</td>
<td>2,127,491</td>
<td>13,565</td>
<td>2,141,056</td>
</tr>
</tbody>
</table>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB107 million and RMB516 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB20 million and RMB477 million, respectively.

The notes on pages 138 to 272 form part of these financial statements.
### Consolidated Statement of Changes in Equity  
**Year ended 31 December 2017**  
*(In RMB millions, unless otherwise stated)*

<table>
<thead>
<tr>
<th>Attributable to equity holders of the parent company</th>
<th>Reserves</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Issued share capital</td>
<td>Other equity instruments</td>
<td>Capital reserve</td>
</tr>
<tr>
<td><strong>Balance as at 1 January 2016</strong></td>
<td>356,407</td>
<td>79,375</td>
<td>176,346</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>(note 45)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Dividends — ordinary shares</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Dividends — preference shares</strong></td>
<td>(note 18)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Appropriation to surplus reserve (i)</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Appropriation to general reserve (ii)</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Capital injection by other equity holders</strong></td>
<td>–</td>
<td>6,676</td>
<td>–</td>
</tr>
<tr>
<td><strong>Change in share holding in subsidiaries</strong></td>
<td>–</td>
<td>–</td>
<td>8</td>
</tr>
<tr>
<td><strong>Dividends to non-controlling shareholders</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>–</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2016</strong></td>
<td>356,407</td>
<td>86,051</td>
<td>152,840</td>
</tr>
</tbody>
</table>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB84 million and RMB669 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB194 million.

The notes on pages 138 to 272 form part of these financial statements.
## Consolidated Cash Flow Statement

Year ended 31 December 2017  
(In RMB millions, unless otherwise stated)

### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>364,641</td>
<td>363,279</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of profits of associates and joint ventures</td>
<td>(2,950)</td>
<td>(2,604)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>17,958</td>
<td>19,761</td>
</tr>
<tr>
<td>Amortisation</td>
<td>2,114</td>
<td>2,059</td>
</tr>
<tr>
<td>Amortisation of financial investments</td>
<td>5,194</td>
<td>(2,155)</td>
</tr>
<tr>
<td>Impairment losses on loans and advances to customers</td>
<td>124,096</td>
<td>86,138</td>
</tr>
<tr>
<td>Impairment losses on assets other than loans and advances to customers</td>
<td>15,3,673</td>
<td>1,756</td>
</tr>
<tr>
<td>Unrealised loss/(gain) on foreign exchange</td>
<td>10,288</td>
<td>(9,282)</td>
</tr>
<tr>
<td>Interest expense on debt securities issued</td>
<td>16,219</td>
<td>14,237</td>
</tr>
<tr>
<td>Accreted interest on impaired loans</td>
<td>(3,189)</td>
<td>(5,135)</td>
</tr>
<tr>
<td>Gain on disposal of available-for-sale financial assets, net</td>
<td>(2,313)</td>
<td>(4,202)</td>
</tr>
<tr>
<td>Net trading gain on equity investments</td>
<td>(757)</td>
<td>(345)</td>
</tr>
<tr>
<td>Net loss on financial assets and liabilities designated at fair value through profit or loss</td>
<td>476</td>
<td>104</td>
</tr>
<tr>
<td>Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)</td>
<td>(1,377)</td>
<td>(181)</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(328)</td>
<td>(343)</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities before tax</strong></td>
<td><strong>533,745</strong></td>
<td><strong>463,087</strong></td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(68,499)</td>
<td>(93,318)</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td><strong>770,864</strong></td>
<td><strong>239,221</strong></td>
</tr>
</tbody>
</table>

The notes on pages 138 to 272 form part of these financial statements.
### Consolidated Cash Flow Statement
Year ended 31 December 2017
(In RMB millions, unless otherwise stated)

#### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property and equipment and other assets</td>
<td>(13,096)</td>
<td>(39,281)</td>
</tr>
<tr>
<td>Proceeds from disposal of property and equipment and other assets (other than repossessed assets)</td>
<td>3,195</td>
<td>2,850</td>
</tr>
<tr>
<td>Purchases of financial investments</td>
<td>(2,633,240)</td>
<td>(2,492,693)</td>
</tr>
<tr>
<td>Proceeds from sale and redemption of financial investments</td>
<td>2,153,124</td>
<td>2,059,722</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>(1,605)</td>
<td>(1,373)</td>
</tr>
<tr>
<td>Proceeds from disposal of associates and joint ventures</td>
<td>633</td>
<td>487</td>
</tr>
<tr>
<td>Dividends received</td>
<td>1,731</td>
<td>1,356</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td>(489,258)</td>
<td>(468,932)</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from issuance of other equity instruments</td>
<td>–</td>
<td>6,691</td>
</tr>
<tr>
<td>Capital injection by non-controlling shareholders</td>
<td>792</td>
<td>1,520</td>
</tr>
<tr>
<td>Proceeds from issuance of debt securities</td>
<td>943,954</td>
<td>896,665</td>
</tr>
<tr>
<td>Interest paid on debt securities</td>
<td>(15,370)</td>
<td>(13,979)</td>
</tr>
<tr>
<td>Repayment of debt securities</td>
<td>(759,095)</td>
<td>(854,012)</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>(194)</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid on ordinary shares</td>
<td>(83,506)</td>
<td>(83,150)</td>
</tr>
<tr>
<td>Dividends paid on preference shares</td>
<td>(4,437)</td>
<td>(4,450)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders</td>
<td>(309)</td>
<td>(71)</td>
</tr>
<tr>
<td><strong>Net cash flows from financing activities</strong></td>
<td>81,835</td>
<td>(50,786)</td>
</tr>
</tbody>
</table>

#### NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>1,189,368</td>
<td>1,441,298</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(32,479)</td>
<td>28,567</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>363,441</td>
<td>(280,497)</td>
</tr>
</tbody>
</table>

#### CASH AND CASH EQUIVALENTS AT END OF THE YEAR

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>45</strong></td>
<td>1,520,330</td>
<td>1,189,368</td>
</tr>
</tbody>
</table>

#### NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>891,366</td>
<td>810,718</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(324,813)</td>
<td>(317,533)</td>
</tr>
</tbody>
</table>
Statement of Financial Position
31 December 2017
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>20</td>
<td>3,548,996</td>
<td>3,290,270</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>21</td>
<td>930,593</td>
<td>927,705</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>22</td>
<td>60,072</td>
<td>184,074</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>23</td>
<td>338,257</td>
<td>272,118</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>24</td>
<td>53,856</td>
<td>62,892</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>25</td>
<td>750,763</td>
<td>502,296</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>26</td>
<td>13,125,401</td>
<td>12,033,200</td>
</tr>
<tr>
<td>Financial investments</td>
<td>27</td>
<td>5,029,904</td>
<td>4,748,376</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>28</td>
<td>120,301</td>
<td>102,288</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>29</td>
<td>34,242</td>
<td>34,242</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>30</td>
<td>122,387</td>
<td>124,089</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>31</td>
<td>47,250</td>
<td>27,334</td>
</tr>
<tr>
<td>Other assets</td>
<td>32</td>
<td>483,090</td>
<td>479,196</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>24,645,112</td>
<td>22,788,080</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>40</td>
<td>404</td>
<td>379</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>33</td>
<td>407,766</td>
<td>352,001</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>24</td>
<td>46,682</td>
<td>58,179</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>34</td>
<td>1,596,232</td>
<td>1,920,782</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>35</td>
<td>810,610</td>
<td>304,987</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>36</td>
<td>221,489</td>
<td>194,503</td>
</tr>
<tr>
<td>Due to customers</td>
<td>37</td>
<td>18,560,533</td>
<td>17,235,587</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>38</td>
<td>69,344</td>
<td>51,051</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>39</td>
<td>436,275</td>
<td>279,446</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>39</td>
<td>436,376</td>
<td>481,236</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>22,585,711</td>
<td>20,878,151</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>40</td>
<td>356,407</td>
<td>356,407</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>41</td>
<td>79,375</td>
<td>79,375</td>
</tr>
<tr>
<td>Reserves</td>
<td>42</td>
<td>610,299</td>
<td>601,857</td>
</tr>
<tr>
<td>Retained profits</td>
<td>42</td>
<td>1,013,320</td>
<td>872,290</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>2,059,401</td>
<td>1,909,929</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td></td>
<td>24,645,112</td>
<td>22,788,080</td>
</tr>
</tbody>
</table>

Yi Huiman
Chairman

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance and Accounting Department

The notes on pages 138 to 272 form part of these financial statements.
1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the “Bank”), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People’s Bank of China (the “PBOC”) of the People’s Republic of China (the “PRC”). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H1110000001 from the China Banking Regulatory Commission (the “CBRC”) of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Yi Huiman and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank’s A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively. The Bank’s offshore preference shares are listed on the Stock Exchange of Hong Kong Limited and the stock codes are 4603, 4604 and 84602, respectively. The Bank’s domestic preference shares are listed on the Shanghai Stock Exchange and the stock code is 360011.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance.

(2) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.
(3) Change in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs")) that are effective in 2017 and relevant to the Group’s operation.

Amendments to IAS 7
Statement of cash flows “Disclosure initiative”

Amendments to IAS 12
Income taxes “Recognition of deferred tax assets for unrealised losses”

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 12, Disclosure of interests in other entities

The principal effects of adopting these amended IFRSs are as follows:

Amendments to IAS 7, Statement of cash flows “Disclosure initiative”

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The Group has modified the disclosure of cash flows according to these amendments. The adoption does not have any material impact on financial position and financial performance of the Group.

Amendments to IAS 12, Income taxes “Recognition of deferred tax assets for unrealised losses”

The amendments stemmed from a request to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. However, the amendments address a broader area of accounting for deferred tax assets in general.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

The adoption does not have any material impact on financial position and financial performance of the Group.

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 12, Disclosure of interests in other entities

The amendments to IFRS 12 clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity’s interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5.

The adoption does not have any material impact on financial position and financial performance of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank’s statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see note 3(21)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and Joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group’s investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group’s interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In the Bank’s statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 3(21)).
(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank’s operations in Mainland China. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank’s net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in the statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.
Measurement of fair value

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.

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated at fair value through profit or loss.

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or
(iii) it is a derivative that is not designated as an effective hedging instrument.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in profit or loss.

Financial assets or financial liabilities designated at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;
(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or
(iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

Financial assets and liabilities designated at fair value through profit or loss are measured at fair value after initial recognition. Realised and unrealised income or expenses are recognised in profit or loss.
Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss. Gains and losses are recognised in profit or loss when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when such assets are derecognised or impaired, as well as through the amortisation process.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the statement of profit or loss as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to profit or loss. Dividend and interest income on available-for-sale financial assets are recorded in profit or loss.

In the case of an equity investment classified as available-for-sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost using the effective interest rate method after initial recognition.

(6) Impairment of the financial assets

An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.
Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and 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 and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in profit or loss. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in profit or loss. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as 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, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Group considers the time period and continuity of the magnitude of the decline to evaluate whether the decline in fair value is prolonged. More significantly the fair value declines relative to the cost, the less the volatility moves, and the longer the decline lasts or the more obvious the continuity of the magnitude of the decline is, the more likely the equity investment impairs. In general, the Group considers the situation when fair value is less than 40% of the cost as significant decline and that when fair value falls below the cost in a period over 12 months as prolonged decline.
If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

(7) Rescheduled loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews rescheduled loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, and the provision is calculated using the loan’s original effective interest rate.

(8) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The book value of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.
Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(9) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(10) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments’ duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(11) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.
For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

**Hedge accounting**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Certain derivative transactions, while providing effective economic hedges under the Group’s risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group’s accounting policy as set out below.

**Fair value hedges**

Fair value hedges are hedges of the Group’s exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

**Cash flow hedges**

Cash flow hedges are hedges of the Group’s exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.
Net investment hedges

Net investment hedge is a hedge of a net investment in a foreign operation. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

(12) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(13) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts; and
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.
(15) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group’s precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

(16) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

<table>
<thead>
<tr>
<th>Property and Equipment</th>
<th>Estimated useful life</th>
<th>Estimated residual value rate</th>
<th>Annual depreciation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties and buildings</td>
<td>5–50 years</td>
<td>0%–3%</td>
<td>1.94%–20%</td>
</tr>
<tr>
<td>Office equipment and motor vehicles (excluding aircraft and vessels)</td>
<td>2–7 years</td>
<td>–</td>
<td>14.29%–50%</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Over the shorter of the economic useful lives and remaining lease terms</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the real conditions of individual aircraft and vessels. The residual values are assessed by an independent valuer based on historical data. The estimated useful lives range from 15 to 25 years.

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.
(17) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the “Government”) or the consideration paid. The rights are amortised using the straight-line basis over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(18) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (“CGU”), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.
(20) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time of value of money. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range. In other cases, the best estimate shall be determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate shall be the most likely outcome.
- Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Group shall review the carrying amount of a provision at the end of reporting period. The carrying amount shall be adjusted to the current best estimate.

(21) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(22) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.
(23) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

Termination benefits are payable as a result of either the Group’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits;
- When the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank’s policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when they are incurred.
(24) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfills the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(25) Insurance contracts

Insurance contracts classification

The Group’s insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk, which means a risk, rather than a financial risk, transferred from the holder of a contract to the insurance provider and over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income, the contract is classified as an insurance contract; where the Group undertakes the risks other than insurance risk. The contract is classified as non-insurance contract; and where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

(i) Where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;

(ii) Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group;

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, liability adequacy tests are performed. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.
(26) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Interest income**

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**Fee and commission income**

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income on transactions conducted or from services provided over a period of time

These fees mainly include fee income on settlement and clearing business, commission income and fee income on asset management, custody and other management advisory services. Fee income is recognised on the basis of when the transaction is completed or on an accrual basis when the service is provided over a period of time.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expire.

**Dividend income**

Dividend income is recognised when the Group’s right to receive payment is established.

**Net trading income**

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(27) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly. Future taxable profits are determined based on business plans for individual subsidiaries in the Group.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(28) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.
Finance leases

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Operating leases

Rental payments applicable to operating leases are charged to profit or loss on the straight-line basis over the lease terms.

When the Group is the lessor under operating leases, the assets subject to operating leases are accounted for as the Group’s assets. Rental income is recognised as “other operating income, net” in the statement of profit or loss on the straight-line basis over the lease term.

(29) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person’s family and that person:
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
   (i) the entity and the Group are members of the same group;
   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
   (iii) the entity and the Group are joint ventures of the same third party;
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   (vi) the entity is controlled or jointly controlled by a person identified in (a);
   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
   (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

(30) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure being required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.
(31) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank’s shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group’s accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails correctly to assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group would reclassify the whole held-to-maturity investment portfolio as available-for-sale.

Impairment losses of loans and advances and amounts due from banks and other financial institutions

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and amounts due from banks and other financial institutions. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee’s financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement, which would affect the amount of impairment losses.
Notes to the Financial Statements

Financial Statements for the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm’s length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 3(1) indicate that the Group controls securitisation vehicles, investment funds, wealth management products, asset management plans, trust plans or asset-backed securities.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract). Key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages these key decisions that most significantly affect these vehicles’ returns.

Investment funds, wealth management products, asset management plans, trust plans and asset-backed securities

The Group acts as manager to a number of investment funds, wealth management products, asset management plans, trust plans and assets-backed securities. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group’s aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated investment funds, wealth management products, asset management plans, trust plans and assets-backed securities in which the Group has an interest or for which it is a sponsor, see Note 44.
5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 15</td>
<td>Revenue from contracts with customers¹</td>
</tr>
<tr>
<td>IFRS 9</td>
<td>Financial instruments¹</td>
</tr>
<tr>
<td>IFRS 2 Amendments</td>
<td>Share-based payment¹</td>
</tr>
<tr>
<td>IAS 40 Amendments</td>
<td>Investment property¹</td>
</tr>
<tr>
<td>IFRIC 22</td>
<td>Foreign currency transactions and advance consideration¹</td>
</tr>
<tr>
<td>Annual Improvements to IFRSs 2014–2016 Cycle²</td>
<td></td>
</tr>
<tr>
<td>IFRS 4 Amendments</td>
<td>Insurance contracts³</td>
</tr>
<tr>
<td>IFRS 16</td>
<td>Leases⁴</td>
</tr>
<tr>
<td>IFRIC 23</td>
<td>Uncertainty over income tax treatments⁵</td>
</tr>
<tr>
<td>IFRS 9 Amendments</td>
<td>Prepayment features with negative compensation and modifications of financial liabilities⁵</td>
</tr>
<tr>
<td>IAS 28 Amendments</td>
<td>Long-term interests in associates and joint ventures⁵</td>
</tr>
<tr>
<td>Annual Improvements to IFRSs 2015–2017 Cycle⁶</td>
<td></td>
</tr>
<tr>
<td>IFRS 17</td>
<td>Insurance contracts⁶</td>
</tr>
<tr>
<td>IFRS 10 and IAS 28 Amendments</td>
<td>Sale or contribution of assets between an investor and its associate or joint venture⁷</td>
</tr>
</tbody>
</table>

¹ Effective for annual periods beginning on or after 1 January 2018, early adoption is permitted.
² Effective for annual periods beginning on or after 1 January 2018 for IFRS 1 and 1 January 2018 with early adoption permission for IAS 28.
³ Effective for annual periods beginning on or after 1 January 2018 for deferral approach, effective for annual periods beginning upon initial adoption of IFRS 9 for overlay approach.
⁴ Effective for annual periods beginning on or after 1 January 2019, early adoption is permitted only for companies that also apply IFRS 15.
⁵ Effective for annual periods beginning on or after 1 January 2019, early adoption is permitted.
⁶ Effective for annual periods beginning on or after 1 January 2021, early adoption is permitted only for companies that also apply IFRS 9 and IFRS 15.
⁷ Effective for annual periods is to be determined, early adoption is permitted.
Further information about those changes that are expected to affect the Group is as follows:

**IFRS 15 “Revenue from contracts with customers”**

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The standard is expected to have no material impact on financial position and financial performance.

**IFRS 9 “Financial instruments”**

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The group plans to use the exemption from restating comparative information and will recognise any impact on accumulated profit or loss and reserves against the opening balance of retained profits and reserves at 1 January 2018.

**Classification and measurement**

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity’s business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

Based on a preliminary assessment, if the group were to adopt the new classification and measurement requirements on financial assets at 31 December 2017, the Group’s net assets would increase as compared with that recognised under IAS 39.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability’s credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Based on its assessment, the Group does not believe that the requirements will have a material impact on its financial liabilities.
Impairment

The new impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in earlier recognition of credit losses. Based on a preliminary assessment, if the group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss would increase primarily attributed to an increase in accumulated impairment losses of loans and advances to customers and credit commitments, and the Group’s net assets would decrease as compared with that recognised under IAS 39.

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

Disclosure

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss. The Group has updated the system and controls that it believes will be necessary to disclose the required data.

Transition

The Group is required to adopt IFRS 9 from 1 January 2018. The Group will change its accounting policies from the beginning of 2018 and disclose its financial statements in accordance with IFRS 9 since the first quarterly report of 2018. The Group will use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of net assets at 1 January 2018.

Based on a preliminary assessment, if the group were to adopt IFRS 9 at 31 December 2017, the Group’s net assets would decrease by less than 1.7% arising from the new requirements on classification and measurement, impairment and hedge accounting as compared with that recognised under IAS 39.

Amendments to IFRS 2, Share-based payment “Classification and measurement of share-based payment transactions”

The amendments clarify the accounting for the following classification and measurement issues under IFRS 2:

- **Measurement of cash-settled share-based payments**
  
  The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments – i.e. using the modified grant date method.

- **Classification of share-based payments settled net of tax withholdings**
  
  The amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee’s tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee’s tax obligation.

- **Accounting for a modification of a share-based payment from cash-settled to equity-settled**

  The amendments clarify that on such a modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date.

  Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

The amendments are expected to have no material impact on financial position and financial performance.
Amendments to IAS 40, Investment property “Transfers of investment property”

The amendments provide guidance on deciding when there is a change in use to transfer a property to or from investment property. The amendments clarify that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The amendments also re-characterise the list of evidence provided in the standard as a non-exhaustive list of examples i.e. other forms of evidence may support a transfer.

The amendments are expected to have no material impact on financial position and financial performance.

IFRIC 22, “Foreign currency transactions and advance consideration”

The Interpretation provides guidance on how to determine “the date of the transaction” when applying IAS 21, *The effects of changes in foreign exchange rates* to situations where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability.

The Interpretation clarifies that “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The interpretation is expected to have no material impact on financial position and financial performance.

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and Amendments to IAS 28, Investments in associates and joint ventures

The amendments to IFRS 1 delete the short-term exemptions for first-time adopters that are already out-of-date.

The amendments to IAS 28 clarify that:

- a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint ventures at fair value through profit or loss on an investment-by-investment basis; and
- a non-investment entity investor may elect to retain the fair value accounting applied by its investment entity associate or joint venture and this election can be made separately for each investment entity associate or joint venture.

The annual improvements are expected to have no material impact on financial position and financial performance.

Amendments to IFRS 4, Insurance contracts “Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts”

The amendments address concerns arising from the different effective dates of IFRS 9 and the new insurance contracts standard, IFRS 17. The amendments introduce the following two approaches:

- **Deferral approach — Temporary exemption from IFRS 9**

  Companies whose activities are predominantly connected with insurance may choose to defer the application of IFRS 9 until 2021 (the effective date of IFRS 17).

- **Overlay approach**

  All companies that issue insurance contracts may choose to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is applied.

The amendments are expected to have no material impact on financial position and financial performance.
IFRS 16, “Leases”

In January 2016, the IASB issued IFRS 16, “Leases”, which replaces the current guidance in IAS 17. The new standard requires the companies to bring leases on-balance sheet for lessees. The new standard also makes changes in accounting over the life of the lease, and introduces a stark dividing line between leases and service contracts.

Under IFRS 16 there is no longer a distinction between finance leases and operating leases so far as lessees are concerned. Instead, subject to practical expedients, a lessee recognises all leases on-balance sheet by recognising a right-of-use (ROU) asset and lease liability.

Lessor accounting is substantially unchanged — i.e. lessors continue to classify leases as finance and operating leases. However, there are a number of changes in the details of lessor accounting. For example, lessors apply the new definition of a lease, sale-and-leaseback guidance, sub-lease guidance and disclosure requirements.

The Group is currently assessing the impact of the standard on its financial position and financial performance.

IFRIC 23, “Uncertainty over income tax treatments”

This Interpretation provides guidance on how to apply IAS 12, Income taxes when there is uncertainty over whether a tax treatment will be accepted by the tax authority.

Under the Interpretation, the key test is whether it is probable that the tax authority will accept the entity’s tax treatment.

• If it is probable, then the entity should measure current and deferred tax consistently with the tax treatment in its tax return.

• If it is not probable, then the entity should reflect the effect of uncertainty in its accounting for income tax by using the “expected value” approach or the “the most likely amount” approach — whichever better predicts the resolution of the uncertainty and in that case the tax amounts in the financial statements will not be the same as the amounts in the tax return.

The Group is currently assessing the impact of the interpretation on its financial position and financial performance.

Amendments to IFRS 9, Financial instruments “Prepayment features with negative compensation and modifications of financial liabilities”

The IASB has changed IFRS 9’s requirements in two areas of financial instruments accounting.

• Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

• For the companies that have modified or exchanged fixed rate financial liabilities that do not result in derecognition, they were required to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR; and recognise any adjustment in profit or loss.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

Amendments to IAS 28, Investment in associates and joint ventures “Long-term interests in associates and joint ventures”

The IASB has clarified that IFRS 9 applies to long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.
Annual Improvements to IFRS Standards 2015–2017 Cycle

The 2015–2017 cycle of annual improvements contain amendments to four standards including IFRS 3 Business combinations, IFRS 11 Joint arrangements, IAS 12 Income taxes and IAS 23 Borrowing costs.

The Group is currently assessing the impact of the annual improvements on its financial position and financial performance.

IFRS 17, “Insurance contracts”

IFRS 17 is issued to resolve the comparison problems created by IFRS 4 by setting out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The Group is currently assessing the impact of the standard on its financial position and financial performance.

Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”

The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a “business” under IFRS 3, Business combination.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

6. NET INTEREST INCOME

<table>
<thead>
<tr>
<th>Interest income on:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers (i)</td>
<td>572,688</td>
<td>538,219</td>
</tr>
<tr>
<td>— Corporate loans and advances</td>
<td>369,740</td>
<td>355,313</td>
</tr>
<tr>
<td>— Personal loans</td>
<td>186,089</td>
<td>160,106</td>
</tr>
<tr>
<td>— Discounted bills</td>
<td>16,859</td>
<td>22,800</td>
</tr>
<tr>
<td>Financial investments (ii)</td>
<td>185,181</td>
<td>177,298</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>55,390</td>
<td>31,285</td>
</tr>
<tr>
<td>Due from central banks</td>
<td>48,335</td>
<td>44,678</td>
</tr>
<tr>
<td>Total</td>
<td>861,594</td>
<td>791,480</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest expense on:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to customers</td>
<td>(260,956)</td>
<td>(257,850)</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>(58,418)</td>
<td>(44,314)</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>(20,142)</td>
<td>(17,470)</td>
</tr>
<tr>
<td>Total</td>
<td>(339,516)</td>
<td>(319,634)</td>
</tr>
</tbody>
</table>

Net interest income                      | 522,078   | 471,846   |

The above interest income and expense are related to financial instruments which are not at fair value through profit or loss.

(i) Included in interest income on loans and advances to customers for the year is an amount of RMB3,189 million (2016: RMB5,135 million) with respect to the accreted interest on impaired loans.

(ii) Included in interest income on financial investments for the year is an amount of RMB8 million (2016: RMB15 million) with respect to interest income on impaired debt securities.
7. **NET FEE AND COMMISSION INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank card business</td>
<td>38,692</td>
<td>37,670</td>
</tr>
<tr>
<td>Personal wealth management and private banking services (i)</td>
<td>32,846</td>
<td>37,625</td>
</tr>
<tr>
<td>Settlement, clearing business and cash management</td>
<td>26,820</td>
<td>26,108</td>
</tr>
<tr>
<td>Investment banking business</td>
<td>23,189</td>
<td>25,024</td>
</tr>
<tr>
<td>Corporate wealth management services (i)</td>
<td>18,984</td>
<td>20,440</td>
</tr>
<tr>
<td>Guarantee and commitment business</td>
<td>6,818</td>
<td>5,950</td>
</tr>
<tr>
<td>Asset custody business (i)</td>
<td>6,731</td>
<td>6,893</td>
</tr>
<tr>
<td>Trust and agency services (i)</td>
<td>1,805</td>
<td>1,907</td>
</tr>
<tr>
<td>Others</td>
<td>2,781</td>
<td>3,097</td>
</tr>
<tr>
<td><strong>Fee and commission income</strong></td>
<td>158,666</td>
<td>164,714</td>
</tr>
<tr>
<td><strong>Fee and commission expense</strong></td>
<td>(19,041)</td>
<td>(19,741)</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>139,625</td>
<td>144,973</td>
</tr>
</tbody>
</table>

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB19,937 million (2016: RMB21,639 million) with respect to trust and other fiduciary activities.

8. **NET TRADING INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>3,758</td>
<td>4,450</td>
</tr>
<tr>
<td>Equity investments</td>
<td>757</td>
<td>345</td>
</tr>
<tr>
<td>Derivatives</td>
<td>1,238</td>
<td>1,662</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,753</td>
<td>6,457</td>
</tr>
</tbody>
</table>

The above amounts include gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities held for trading.

9. **NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td>11,102</td>
<td>9,992</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>(11,578)</td>
<td>(10,096)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(476)</td>
<td>(104)</td>
</tr>
</tbody>
</table>

The above amounts represent gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

10. **NET GAIN ON FINANCIAL INVESTMENTS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend income from unlisted investments</td>
<td>166</td>
<td>170</td>
</tr>
<tr>
<td>Dividend income from listed investments</td>
<td>162</td>
<td>173</td>
</tr>
<tr>
<td>Dividend income</td>
<td>328</td>
<td>343</td>
</tr>
<tr>
<td>Gain on available-for-sale financial assets, net</td>
<td>2,313</td>
<td>4,202</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,641</td>
<td>4,545</td>
</tr>
</tbody>
</table>
11. OTHER OPERATING INCOME, NET

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premium income</td>
<td>38,093</td>
<td>28,441</td>
</tr>
<tr>
<td>Operating cost of insurance business</td>
<td>(38,525)</td>
<td>(28,808)</td>
</tr>
<tr>
<td>Net gain on disposal of property and equipment, repossessed assets and others</td>
<td>1,484</td>
<td>1,710</td>
</tr>
<tr>
<td>Others</td>
<td>4,981</td>
<td>12,621</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,033</strong></td>
<td><strong>13,964</strong></td>
</tr>
</tbody>
</table>

12. OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff costs:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and bonuses</td>
<td>74,919</td>
<td>73,348</td>
</tr>
<tr>
<td>Staff benefits</td>
<td>25,642</td>
<td>25,434</td>
</tr>
<tr>
<td>Post-employment benefits-defined contribution plans (i)</td>
<td>14,393</td>
<td>14,572</td>
</tr>
<tr>
<td><strong>Total staff costs</strong></td>
<td><strong>114,954</strong></td>
<td><strong>113,354</strong></td>
</tr>
<tr>
<td><strong>Premises and equipment expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>13,873</td>
<td>14,660</td>
</tr>
<tr>
<td>Lease payments under operating leases in respect of land and buildings</td>
<td>7,384</td>
<td>7,479</td>
</tr>
<tr>
<td>Repairs and maintenance charges</td>
<td>4,000</td>
<td>3,808</td>
</tr>
<tr>
<td>Utility expenses</td>
<td>2,305</td>
<td>2,467</td>
</tr>
<tr>
<td><strong>Total premises and equipment expenses</strong></td>
<td><strong>27,562</strong></td>
<td><strong>28,414</strong></td>
</tr>
<tr>
<td>Amortisation</td>
<td>2,114</td>
<td>2,059</td>
</tr>
<tr>
<td>Other administrative expenses (ii)</td>
<td>21,661</td>
<td>20,388</td>
</tr>
<tr>
<td>Taxes and surcharges</td>
<td>7,465</td>
<td>17,319</td>
</tr>
<tr>
<td>Others</td>
<td>12,438</td>
<td>11,578</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>186,194</strong></td>
<td><strong>193,112</strong></td>
</tr>
</tbody>
</table>

(i) The defined contribution plans mainly include contributions to the state pension and the Bank’s Annuity Plan.

(ii) The principal auditor’s remuneration of RMB205 million for the year (2016: RMB190 million) is included in other administrative expenses.
### 13. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of the directors’ and supervisors’ emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Chapter 622 Section 383 of the Hong Kong Companies Ordinance, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Remuneration paid (before tax) RMB’000</th>
<th>Contributions to defined contribution schemes RMB’000</th>
<th>Fees RMB’000</th>
<th>Total emoluments before tax RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>YI Huiman</td>
<td>Chairman of the Board of Directors, Executive Director</td>
<td>519</td>
<td>115</td>
<td>–</td>
<td>634</td>
</tr>
<tr>
<td>GU Shu</td>
<td>Vice Chairman of the Board of Directors, Executive Director, President</td>
<td>519</td>
<td>115</td>
<td>–</td>
<td>634</td>
</tr>
<tr>
<td>ZHANG Hongli</td>
<td>Executive Director, Vice President</td>
<td>467</td>
<td>115</td>
<td>–</td>
<td>582</td>
</tr>
<tr>
<td>WANG Jingdong</td>
<td>Executive Director, Vice President</td>
<td>467</td>
<td>115</td>
<td>–</td>
<td>582</td>
</tr>
<tr>
<td>CHENG Fengchao</td>
<td>Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>ZHENG Fuqing</td>
<td>Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>FEI Zhoulin</td>
<td>Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>MEI Yingchun</td>
<td>Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>DONG Shihai</td>
<td>Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>YE Donghai</td>
<td>Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>OR Ching Fai</td>
<td>Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>470</td>
<td>470</td>
</tr>
<tr>
<td>HONG Yongmiao</td>
<td>Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>470</td>
<td>470</td>
</tr>
<tr>
<td>Anthony Francis Neoh</td>
<td>Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>445</td>
<td>445</td>
</tr>
<tr>
<td>YANG Sui Shun</td>
<td>Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>437</td>
<td>437</td>
</tr>
<tr>
<td>Sheila Colleen Bar</td>
<td>Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>SHEN Si</td>
<td>Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>308</td>
<td>308</td>
</tr>
<tr>
<td>ZHANG Wei</td>
<td>Shareholder Representative Supervisor</td>
<td>854</td>
<td>288</td>
<td>–</td>
<td>1,122</td>
</tr>
<tr>
<td>HUI Ping</td>
<td>Employee Representative Supervisor</td>
<td>–</td>
<td>–</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>HUANG Li</td>
<td>Employee Representative Supervisor</td>
<td>–</td>
<td>–</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>QU Qiang</td>
<td>External Supervisor</td>
<td>–</td>
<td>–</td>
<td>275</td>
<td>275</td>
</tr>
<tr>
<td>SHEN Bingxi</td>
<td>External Supervisor</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>QIAN Weihui</td>
<td>Former Chairman of the Board of Supervisors</td>
<td>519</td>
<td>115</td>
<td>–</td>
<td>634</td>
</tr>
<tr>
<td>WANG Xiaoyi</td>
<td>Former Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>GE Rongrong</td>
<td>Former Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>FU Zhongjun</td>
<td>Former Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Kenneth Patrick CHUNG</td>
<td>Former Independent Non-executive Director</td>
<td>–</td>
<td>–</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,345</td>
<td>843</td>
<td>2,915</td>
<td>7,103</td>
</tr>
</tbody>
</table>

**Note:** Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State’s policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Representative Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group’s and the Bank’s 2017 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Fees of Mr. Hui Ping and Mr. Huang Li were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

(i) At the Annual General Meeting for the Year 2016 held on 27 June 2017, Ms. Mei Yingchun and Mr. Dong Shi were appointed as Non-executive Director of the Bank, and their qualifications were approved by CBRC in August 2017.

(ii) At the Annual General Meeting for the Year 2016 held on 27 June 2017, Mr. Ye Donghai was appointed as Non-executive Director of the Bank, and his qualification was approved by CBRC in October 2017.
(iii) At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Ms. Sheila Colleen Bair was appointed as Independent Non-executive Director of the Bank, and her qualification was approved by CBRC in March 2017.

(iv) At the Annual General Meeting for the Year 2015 held on 24 June 2016, Mr. Shen Si was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by CBRC in March 2017.

(v) On 5 January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job.

(vi) In June 2017, Ms. Wang Xiaoya and Ms. Ge Rongrong ceased to act as Non-executive Directors of the Bank due to work adjustment.

(vii) In January 2017, due to expiration of the term of office, Mr. Fu Zhongjun ceased to act as Non-executive Director of the Bank.

(viii) In March 2017, due to expiration of the term of office, Mr. Kenneth Patrick Chung ceased to act as Independent Non-executive Director of the Bank.
### Notes to the Financial Statements

**Financial Statements for the year ended 31 December 2017**

(In RMB millions, unless otherwise stated)

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**Annual Report 2017**

#### Notes to the Financial Statements

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Fees</th>
<th>Remuneration paid</th>
<th>Discretionary bonuses</th>
<th>Total emoluments before tax</th>
<th>Of which: deferred payment</th>
<th>Actual amount of remuneration paid (pre-tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,959</td>
<td>2,180</td>
<td>3,366</td>
<td>1,261</td>
<td>9,766</td>
<td>432</td>
</tr>
</tbody>
</table>

**Year ended 31 December 2016**

#### Year ended 31 December 2016

**Year ended 31 December 2016**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Fees</th>
<th>Remuneration paid</th>
<th>Discretionary bonuses</th>
<th>Total emoluments before tax</th>
<th>Of which: deferred payment</th>
<th>Actual amount of remuneration paid (pre-tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>RMB'000</td>
<td>RMB'000</td>
<td>RMB’000</td>
<td>RMB’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,959</td>
<td>2,180</td>
<td>3,366</td>
<td>1,261</td>
<td>9,766</td>
<td>432</td>
</tr>
</tbody>
</table>

**Note:** Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State’s policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax payable to Directors and Supervisors for 2016 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount disclosed in the 2016 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

Fees of Mr. Zhang Wei are his allowances obtained as Employee Representative Supervisors of the Bank; Mr. Hui Ping and Mr. Huang Li are their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.
(i) On 31 May 2016, the Board of Directors of the Bank appointed Mr. Yi Huiman as Chairman of the Board of Directors of the Bank, and his qualification was approved by CBRC in June 2016. At the Annual General Meeting for the Year 2015 of the Bank held on 24 June 2016, Mr. Yi Huiman was appointed as Executive Director of the Bank. The new term of office of Mr. Yi Huiman took effect from the date of review and approval by the meeting.

(ii) At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Mr. Gu Shu and Mr. Wang Jingdong were appointed as Executive Directors of the Bank. The qualifications of Mr. Gu Shu and Mr. Wang Jingdong were approved by CBRC in December 2016.

(iii) At the Second Extraordinary General Meeting of 2015 held on 21 December 2015, Mr. Yang Siu Shun was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by CBRC in April 2016.

(iv) At the First Extraordinary General Meeting of 2016 held on 29 November 2016, Ms. Sheila Colleen Bair was appointed as Independent Non-executive Director of the Bank, and her qualification was approved by CBRC in March 2017.

(v) The Bank appointed Mr. Zhang Wei and Mr. Shen Bingxi as Shareholder Representative Supervisor and External Supervisor of the Bank respectively at the 2015 Annual General Meeting on 24 June 2016, and their terms of office took effect from the date of review and approval by the meeting. On 23 June 2016, Mr. Zhang Wei ceased to act as Employee Representative Supervisor of the Bank due to change of job.

(vi) On 23 June 2016, the Bank appointed Mr. Huang Li as Employee Representative Supervisor of the Bank at the Interim Employees’ Congress, and his term of office took effect from the date of review and approval by the Employees’ Congress.

(vii) In May 2016, Mr. Jiang Jianqing resigned from the positions of Chairman of the Board of Directors and Executive Director citing his age.

(viii) In July 2016, Mr. Wang Xiquan resigned from the position of Executive Director of the Bank due to change of job.

(ix) In January 2017, due to expiration of the term of office, Mr. Fu Zhongjun ceased to act as Non-executive Director of the Bank.

(x) In October 2016, due to expiration of the term of office, Sir Malcolm Christopher McCarthy ceased to act as Independent Non-executive Director of the Bank.

(xi) In March 2017, due to expiration of the term of office, Mr. Kenneth Patrick Chung ceased to act as Independent Non-executive Director of the Bank.

(xii) In October 2015, the Board of Directors of the Bank reviewed and approved the resignation of Mr. Yi Xiquan as Independent Non-executive Director due to work reasons, which became effective upon approval by CBRC of the qualification of the new Independent Non-executive Director in April 2016.

(xiii) On 23 June 2016, Ms. Wang Chixi resigned from the position of Shareholder Representative Supervisor of the Bank citing her age.

(xiv) On 24 June 2016, Ms. Dong Juan ceased to act as External Supervisor of the Bank due to expiration of the term of office.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

During the year, there was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration (2016: Nil).

During the year, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2016: Nil).
14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank’s subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in notes 13 and 52(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>2017 RMB’000</th>
<th>2016 RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and allowances</td>
<td>15,865</td>
<td>14,862</td>
</tr>
<tr>
<td>Discretionary bonuses</td>
<td>75,134</td>
<td>58,592</td>
</tr>
<tr>
<td>Contributions to defined contribution plans</td>
<td>1,473</td>
<td>937</td>
</tr>
<tr>
<td>Others</td>
<td>69</td>
<td>441</td>
</tr>
<tr>
<td></td>
<td>92,541</td>
<td>74,832</td>
</tr>
</tbody>
</table>

The number of these individuals whose emoluments fell within the following bands is set out below:

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB13,000,001 Yuan to RMB13,500,000 Yuan</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>RMB14,000,001 Yuan to RMB14,500,000 Yuan</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>RMB14,500,001 Yuan to RMB15,000,000 Yuan</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>RMB15,000,001 Yuan to RMB15,500,000 Yuan</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>RMB17,000,001 Yuan to RMB17,500,000 Yuan</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>RMB23,000,001 Yuan to RMB23,500,000 Yuan</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>RMB23,500,001 Yuan to RMB24,000,000 Yuan</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group (2016: Nil).

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charge of impairment losses on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>21</td>
<td>138</td>
</tr>
<tr>
<td>Financial investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>27(d)</td>
<td>66</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>27(c)(i),(d)</td>
<td>106</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>3,363</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,673</td>
</tr>
</tbody>
</table>
16. INCOME TAX EXPENSE

(a) Income tax expense

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current income tax expense:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainland China</td>
<td>80,982</td>
<td>77,742</td>
</tr>
<tr>
<td>Hong Kong and Macau</td>
<td>2,123</td>
<td>1,952</td>
</tr>
<tr>
<td>Overseas</td>
<td>3,397</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86,502</td>
<td>82,694</td>
</tr>
<tr>
<td><strong>Deferred income tax expense</strong></td>
<td>(9,312)</td>
<td>1,479</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>77,190</td>
<td>84,173</td>
</tr>
</tbody>
</table>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group’s effective income tax rate is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>364,641</td>
<td>363,279</td>
</tr>
<tr>
<td>Tax at the PRC statutory income tax rate</td>
<td>91,160</td>
<td>90,820</td>
</tr>
<tr>
<td>Effects of different applicable rates of tax prevailing in other countries/regions</td>
<td>(889)</td>
<td>(773)</td>
</tr>
<tr>
<td>Non-deductible expenses (i)</td>
<td>8,956</td>
<td>7,461</td>
</tr>
<tr>
<td>Non-taxable income (ii)</td>
<td>(23,673)</td>
<td>(15,783)</td>
</tr>
<tr>
<td>Profits attributable to associates and joint ventures</td>
<td>(737)</td>
<td>(651)</td>
</tr>
<tr>
<td>Others</td>
<td>2,373</td>
<td>3,099</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>77,190</td>
<td>84,173</td>
</tr>
</tbody>
</table>

(i) The non-deductible expenses mainly represent non-deductible impairment provision, write-offs and others.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts, which is exempted from income tax.

17. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2017 includes a profit of RMB269,205 million (2016: RMB261,218 million) which has been dealt with in the financial statements of the Bank (Note 42).
18. DIVIDENDS

Dividends on ordinary shares declared and paid:
- Final ordinary shares dividends for 2016: RMB0.2343 per share (2015: RMB0.2333 per share) 83,506 83,150
- Dividends on preference shares declared and paid: Dividends 4,437 4,450

Dividends on ordinary shares proposed for approval (not recognised as at 31 December):
- Final ordinary shares dividends for 2017: RMB0.2408 per share (2016: RMB0.2343 per share) 85,823 83,506

19. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year attributable to equity holders of the parent company</td>
<td>286,049</td>
<td>278,249</td>
</tr>
<tr>
<td>Less: Profit for the year attributable to other equity holders of the parent company</td>
<td>(4,437)</td>
<td>(4,450)</td>
</tr>
<tr>
<td>Profit for the year attributable to ordinary equity holders of the parent company</td>
<td>281,612</td>
<td>273,799</td>
</tr>
<tr>
<td>Shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (in million shares)</td>
<td>356,407</td>
<td>356,407</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (RMB yuan)</td>
<td>0.79</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Basic and diluted earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.
### 20. CASH AND BALANCES WITH CENTRAL BANKS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and unrestricted balances with central banks:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand</td>
<td>75,214</td>
<td>84,572</td>
<td>71,168</td>
<td>80,548</td>
</tr>
<tr>
<td>Surplus reserves with the PBOC (i)</td>
<td>26,507</td>
<td>7,125</td>
<td>23,082</td>
<td>3,074</td>
</tr>
<tr>
<td>Unrestricted balances with central banks of overseas countries or regions</td>
<td>150,850</td>
<td>105,981</td>
<td>114,413</td>
<td>91,346</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>252,571</td>
<td>197,678</td>
<td>208,663</td>
<td>174,968</td>
</tr>
<tr>
<td><strong>Restricted balances with central banks:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory reserves with the PBOC (ii)</td>
<td>3,015,150</td>
<td>2,793,933</td>
<td>3,007,651</td>
<td>2,782,756</td>
</tr>
<tr>
<td>Fiscal deposits with the PBOC</td>
<td>276,936</td>
<td>238,604</td>
<td>276,936</td>
<td>238,604</td>
</tr>
<tr>
<td>Other restricted balances with the PBOC (ii)</td>
<td>36,961</td>
<td>77,570</td>
<td>36,961</td>
<td>77,570</td>
</tr>
<tr>
<td>Mandatory reserves with central banks of overseas countries or regions (ii)</td>
<td>32,254</td>
<td>43,003</td>
<td>18,785</td>
<td>16,372</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,361,301</td>
<td>3,153,110</td>
<td>3,340,333</td>
<td>3,115,302</td>
</tr>
</tbody>
</table>

(i) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group’s daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 31 December 2017, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.
### 21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from banks and other financial institutions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks operating in Mainland China</td>
<td>313,703</td>
<td>223,884</td>
<td>313,111</td>
<td>194,364</td>
</tr>
<tr>
<td>Other financial institutions operating in Mainland China</td>
<td>5,116</td>
<td>1,071</td>
<td>4,992</td>
<td>944</td>
</tr>
<tr>
<td>Banks and other financial institutions operating outside Mainland China</td>
<td>51,635</td>
<td>45,430</td>
<td>40,755</td>
<td>45,502</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>370,454</td>
<td>270,385</td>
<td>358,858</td>
<td>240,810</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses</td>
<td>(380)</td>
<td>(327)</td>
<td>(360)</td>
<td>(326)</td>
</tr>
<tr>
<td><strong>Balance due from banks and other financial institutions</strong></td>
<td><strong>370,074</strong></td>
<td><strong>270,058</strong></td>
<td><strong>358,498</strong></td>
<td><strong>240,484</strong></td>
</tr>
</tbody>
</table>

| Placements with banks and other financial institutions: |            |            |           |           |
| Banks operating in Mainland China | 118,211    | 105,798    | 119,112   | 102,844   |
| Other financial institutions operating in Mainland China | 234,122    | 301,776    | 234,076   | 318,119   |
| Banks and other financial institutions operating outside Mainland China | 125,407    | 119,959    | 219,106   | 266,373   |
| **Total**                | 477,740    | 527,533    | 572,294   | 687,336   |
| Less: Allowance for impairment losses | (203)      | (118)      | (199)     | (115)     |
| **Balance of placements with banks and other financial institutions** | **477,537** | **527,415** | **572,095** | **687,221** |

|                          |            |            |           |           |
| Group 2017 | 847,611    | 797,473    | 930,593   | 927,705   |

As at 31 December 2017, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB21,000 million (31 December 2016: RMB94,914 million). During the year of 2017, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB130,125 million (2016: RMB163,062 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

Movements of the allowance for impairment losses during the year are as follows:

#### Group

<table>
<thead>
<tr>
<th></th>
<th>Due from banks and other financial institutions</th>
<th>Placements with banks and other financial institutions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2016</td>
<td>329</td>
<td>39</td>
<td>368</td>
</tr>
<tr>
<td>(Reversal)/charge for the year</td>
<td>(2)</td>
<td>79</td>
<td>77</td>
</tr>
<tr>
<td>At 31 December 2016 and 1 January 2017</td>
<td>327</td>
<td>118</td>
<td>445</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>53</td>
<td>85</td>
<td>138</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>380</td>
<td>203</td>
<td>583</td>
</tr>
</tbody>
</table>
Bank

<table>
<thead>
<tr>
<th>Note</th>
<th>Due from banks and other financial institutions</th>
<th>Placements with banks and other financial institutions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2016</td>
<td>329</td>
<td>33</td>
<td>362</td>
</tr>
<tr>
<td>(Reversal)/charge for the year</td>
<td>(3)</td>
<td>82</td>
<td>79</td>
</tr>
<tr>
<td>At 31 December 2016 and 1 January 2017</td>
<td>326</td>
<td>115</td>
<td>441</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>34</td>
<td>84</td>
<td>118</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>360</td>
<td>199</td>
<td>559</td>
</tr>
</tbody>
</table>

22. FINANCIAL ASSETS HELD FOR TRADING

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>78,542</td>
<td>183,315</td>
<td>60,072</td>
<td>135,774</td>
</tr>
<tr>
<td>Equity investments</td>
<td>8,795</td>
<td>6,016</td>
<td>–</td>
<td>48,300</td>
</tr>
<tr>
<td>Total</td>
<td>87,337</td>
<td>189,331</td>
<td>60,072</td>
<td>184,074</td>
</tr>
</tbody>
</table>

Debt securities analysed into:
- Listed in Hong Kong: 2,005, 1,248, 1,530, 387
- Listed outside Hong Kong: 9,544, 7,598, 514, 1,430
- Unlisted: 66,993, 174,469, 58,028, 133,957

Equity investments analysed into:
- Listed in Hong Kong: 3,615, 2,814, –, –
- Listed outside Hong Kong: 2,967, 1,536, –, –
- Unlisted: 2,213, 1,666, –, 48,300

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>59,777</td>
<td>40,873</td>
<td>47,414</td>
<td>40,601</td>
</tr>
<tr>
<td>Other debt instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>32,062</td>
<td>25,706</td>
<td>30,600</td>
<td>25,706</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>19,846</td>
<td>–</td>
<td>19,846</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>241,916</td>
<td>218,565</td>
<td>240,397</td>
<td>205,811</td>
</tr>
<tr>
<td>Total</td>
<td>353,601</td>
<td>285,144</td>
<td>338,257</td>
<td>272,118</td>
</tr>
</tbody>
</table>

Analysed into:
- Listed in Hong Kong: 2,125, 231, 663, 231
- Listed outside Hong Kong: 3,316, 9,920, 1,388, 615
- Unlisted: 348,160, 274,993, 336,206, 271,272

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>353,601</td>
<td>285,144</td>
<td>338,257</td>
<td>272,118</td>
</tr>
</tbody>
</table>

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>59,777</td>
<td>40,873</td>
<td>47,414</td>
<td>40,601</td>
</tr>
<tr>
<td>Other debt instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>32,062</td>
<td>25,706</td>
<td>30,600</td>
<td>25,706</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>19,846</td>
<td>–</td>
<td>19,846</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>241,916</td>
<td>218,565</td>
<td>240,397</td>
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<tr>
<td>Total</td>
<td>353,601</td>
<td>285,144</td>
<td>338,257</td>
<td>272,118</td>
</tr>
</tbody>
</table>

Analysed into:
- Listed in Hong Kong: 2,125, 231, 663, 231
- Listed outside Hong Kong: 3,316, 9,920, 1,388, 615
- Unlisted: 348,160, 274,993, 336,206, 271,272

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>353,601</td>
<td>285,144</td>
<td>338,257</td>
<td>272,118</td>
</tr>
</tbody>
</table>

24. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.
The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participates at measured date.

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 31 December 2017, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB51,266 million and RMB52,649 million respectively, and the net derivative assets and net derivative liabilities were RMB26,949 million and RMB28,332 million respectively.

At the end of the reporting period, the Group and the Bank had derivative financial instruments as follows:

**Group**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th>2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notional amounts with remaining life of</td>
<td>Fair values</td>
<td></td>
<td>Notional amounts with remaining life of</td>
<td>Fair values</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Within three months</td>
<td>Over three months but within one year</td>
<td>Over one year but within five years</td>
<td>Over five years</td>
<td>Total</td>
<td>Assets</td>
</tr>
<tr>
<td>Exchange rate contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward and swap contracts</td>
<td>1,951,140</td>
<td>1,833,069</td>
<td>97,581</td>
<td>34,293</td>
<td>3,916,083</td>
<td>49,806</td>
</tr>
<tr>
<td>Option contracts purchased</td>
<td>47,003</td>
<td>67,284</td>
<td>3,769</td>
<td>117</td>
<td>118,173</td>
<td>2,498</td>
</tr>
<tr>
<td>Option contracts written</td>
<td>29,612</td>
<td>41,938</td>
<td>351</td>
<td>–</td>
<td>71,901</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>2,027,755</td>
<td>1,942,291</td>
<td>101,701</td>
<td>34,410</td>
<td>4,106,157</td>
<td>52,304</td>
</tr>
<tr>
<td>Interest rate contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swap contracts</td>
<td>95,556</td>
<td>224,343</td>
<td>558,629</td>
<td>193,588</td>
<td>1,072,116</td>
<td>16,042</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>102,731</td>
<td>33,737</td>
<td>24,739</td>
<td>–</td>
<td>161,207</td>
<td>31</td>
</tr>
<tr>
<td>Option contracts purchased</td>
<td>3,588</td>
<td>7,468</td>
<td>2,417</td>
<td>1,067</td>
<td>14,540</td>
<td>82</td>
</tr>
<tr>
<td>Option contracts written</td>
<td>528</td>
<td>8,770</td>
<td>8,653</td>
<td>397</td>
<td>18,348</td>
<td>–</td>
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<tr>
<td></td>
<td>202,403</td>
<td>274,318</td>
<td>594,438</td>
<td>195,052</td>
<td>1,266,211</td>
<td>16,155</td>
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<tr>
<td>Commodity derivatives and others</td>
<td>784,044</td>
<td>265,794</td>
<td>34,722</td>
<td>5,625</td>
<td>1,090,185</td>
<td>20,554</td>
</tr>
<tr>
<td></td>
<td>3,014,202</td>
<td>2,482,403</td>
<td>730,861</td>
<td>235,087</td>
<td>6,462,553</td>
<td>89,013</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th></th>
<th>2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notional amounts with remaining life of</td>
<td>Fair values</td>
<td></td>
<td>Notional amounts with remaining life of</td>
<td>Fair values</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Within three months</td>
<td>Over three months but within one year</td>
<td>Over one year but within five years</td>
<td>Over five years</td>
<td>Total</td>
<td>Assets</td>
</tr>
<tr>
<td>Exchange rate contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward and swap contracts</td>
<td>1,577,351</td>
<td>1,433,229</td>
<td>115,797</td>
<td>4,383</td>
<td>1,310,760</td>
<td>56,972</td>
</tr>
<tr>
<td>Option contracts purchased</td>
<td>33,722</td>
<td>69,728</td>
<td>3,444</td>
<td>125</td>
<td>107,019</td>
<td>1,306</td>
</tr>
<tr>
<td>Option contracts written</td>
<td>37,213</td>
<td>45,126</td>
<td>3,061</td>
<td>–</td>
<td>85,400</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>1,648,286</td>
<td>1,548,083</td>
<td>122,302</td>
<td>4,508</td>
<td>3,323,179</td>
<td>58,278</td>
</tr>
<tr>
<td>Interest rate contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swap contracts</td>
<td>195,268</td>
<td>279,975</td>
<td>683,648</td>
<td>180,059</td>
<td>1,338,950</td>
<td>20,456</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>116,445</td>
<td>138,559</td>
<td>161,887</td>
<td>–</td>
<td>416,891</td>
<td>44</td>
</tr>
<tr>
<td>Option contracts purchased</td>
<td>1,390</td>
<td>1,157</td>
<td>6,626</td>
<td>167</td>
<td>9,340</td>
<td>109</td>
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<tr>
<td>Option contracts written</td>
<td>1,390</td>
<td>1,046</td>
<td>12,216</td>
<td>17</td>
<td>14,669</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>314,493</td>
<td>420,737</td>
<td>864,377</td>
<td>180,243</td>
<td>1,779,850</td>
<td>20,609</td>
</tr>
<tr>
<td>Commodity derivatives and others</td>
<td>632,245</td>
<td>273,591</td>
<td>50,171</td>
<td>3,283</td>
<td>959,290</td>
<td>15,565</td>
</tr>
<tr>
<td></td>
<td>2,595,024</td>
<td>2,242,411</td>
<td>1,036,850</td>
<td>188,034</td>
<td>6,062,319</td>
<td>94,452</td>
</tr>
</tbody>
</table>

Annual Report 2017
### Bank

#### Notional amounts with remaining life of

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>Within three months</td>
<td>Over three months but within one year</td>
</tr>
<tr>
<td>Exchange rate contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward and swap contracts</td>
<td>1,739,995</td>
<td>1,707,181</td>
</tr>
<tr>
<td>Option contracts purchased</td>
<td>35,898</td>
<td>50,274</td>
</tr>
<tr>
<td>Option contracts written</td>
<td>18,366</td>
<td>32,173</td>
</tr>
<tr>
<td>Total</td>
<td>1,794,259</td>
<td>1,789,628</td>
</tr>
<tr>
<td>Interest rate contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swap contracts</td>
<td>8,512</td>
<td>30,746</td>
</tr>
<tr>
<td></td>
<td>8,512</td>
<td>30,746</td>
</tr>
<tr>
<td>Commodity derivatives and others</td>
<td>66,703</td>
<td>158,836</td>
</tr>
<tr>
<td>Total</td>
<td>1,869,474</td>
<td>1,979,210</td>
</tr>
</tbody>
</table>

**Notes to the Financial Statements**

**Financial Statements for the year ended 31 December 2017**

(In RMB millions, unless otherwise stated)
Cash flow hedges

The Group’s cash flow hedges consist of interest rate swap contracts, currency swap contracts, currency forward contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

**Group**

<table>
<thead>
<tr>
<th>Notional amounts with remaining life of</th>
<th>Fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td></td>
</tr>
<tr>
<td>Within three months &amp; Over three months but within one year</td>
<td>Over one year but within five years</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>1,953</td>
</tr>
<tr>
<td>Currency swap contracts</td>
<td>1,617</td>
</tr>
<tr>
<td>Equity derivative</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,617</td>
</tr>
</tbody>
</table>

| **2016** | | |
| Within three months & Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Interest rate swap contracts | – | 4,213 | 9,415 | 2,108 | 15,736 | 245 | (20) |
| Currency swap contracts | 211 | 35,304 | 748 | – | 36,263 | 10 | (2,257) |
| Currency forward contracts | – | 4 | – | – | 4 | 2 | – |
| Equity derivative | 64 | 53 | 44 | – | 161 | 14 | (5) |
| **Total** | 275 | 39,574 | 10,207 | 2,108 | 52,164 | 271 | (2,282) |

**Bank**

<table>
<thead>
<tr>
<th>Notional amounts with remaining life of</th>
<th>Fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
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<td>Over one year but within five years</td>
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<tr>
<td>Interest rate swap contracts</td>
<td>–</td>
</tr>
<tr>
<td>Currency swap contracts</td>
<td>1,479</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,479</td>
</tr>
</tbody>
</table>

| **2016** | | |
| Within three months & Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Interest rate swap contracts | – | 549 | 202 | 232 | 983 | 10 | – |
| Currency swap contracts | – | 34,670 | 748 | – | 35,418 | 10 | (2,108) |
| Currency forward | – | 4 | – | – | 4 | 2 | – |
| **Total** | – | 35,223 | 950 | 232 | 36,405 | 22 | (2,108) |

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedge for the current year (2016: Nil).
Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in profit or loss during the year is presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>(Loss)/gain arising from fair value hedges, net:</td>
<td></td>
</tr>
<tr>
<td>Hedging instruments</td>
<td>104</td>
</tr>
<tr>
<td>Hedged items attributable to the hedged risk</td>
<td>(110)</td>
</tr>
<tr>
<td></td>
<td>(6)</td>
</tr>
</tbody>
</table>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

Group

<table>
<thead>
<tr>
<th></th>
<th>Notional amounts with remaining life of</th>
<th>Fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within three months</td>
<td>Over three months</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>–</td>
<td>2,012</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>2,012</td>
</tr>
</tbody>
</table>

Bank

<table>
<thead>
<tr>
<th></th>
<th>Notional amounts with remaining life of</th>
<th>Fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within three months</td>
<td>Over three months</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>–</td>
<td>2,012</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>2,012</td>
</tr>
</tbody>
</table>
Net investment hedges

The Group’s consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

As at 31 December 2017, a net accumulated gain from the hedging instrument of RMB708 million was recognised in “Other comprehensive income” on net investment hedges (as at 31 December 2016 net accumulated loss: RMB75 million), and there was no ineffectiveness in profit or loss that arises from the net investment hedges for the current year (2016:nil).

Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group and the Bank as at the end of the reporting date are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterparty credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>default risk-weighted assets</td>
<td>55,843</td>
<td>61,333</td>
<td>29,909</td>
<td>38,569</td>
</tr>
<tr>
<td>Currency derivatives</td>
<td>20,809</td>
<td>32,381</td>
<td>13,535</td>
<td>24,625</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>3,045</td>
<td>6,149</td>
<td>769</td>
<td>1,699</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>29</td>
<td>25</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Commodity derivatives and others</td>
<td>16,393</td>
<td>10,843</td>
<td>12,231</td>
<td>9,408</td>
</tr>
<tr>
<td>Netting settled credit default risk-weighted assets</td>
<td>15,567</td>
<td>11,935</td>
<td>3,374</td>
<td>2,835</td>
</tr>
<tr>
<td>Credit value adjustment risk-weighted assets</td>
<td>18,812</td>
<td>31,541</td>
<td>14,973</td>
<td>19,188</td>
</tr>
<tr>
<td>Central counterparties credit risk-weighted assets</td>
<td>4,267</td>
<td>2,478</td>
<td>1,111</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total 2017</th>
<th>Total 2016</th>
<th>Total 2017</th>
<th>Total 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>78,922</td>
<td>95,352</td>
<td>45,993</td>
<td>57,800</td>
<td></td>
</tr>
</tbody>
</table>

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC. The credit risk-weighted assets of the Group’s derivative financial instruments include counterparty credit default risk-weighted assets, credit valuation adjustment risk-weighted assets and central counterparties credit risk-weighted assets.
25. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchases of securities, bills and cash advanced as collateral on securities borrowing.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group</td>
<td>Bank</td>
<td>Group</td>
<td>Bank</td>
</tr>
<tr>
<td>Reverse repurchases</td>
<td>928,586</td>
<td>700,280</td>
<td>750,763</td>
<td>502,296</td>
</tr>
<tr>
<td>Cash advanced as collateral on securities borrowing</td>
<td>58,045</td>
<td>55,347</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>986,631</td>
<td>755,627</td>
<td>750,763</td>
<td>502,296</td>
</tr>
</tbody>
</table>

Reverse repurchases analysed by counterparty:

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>396,263</td>
<td>338,797</td>
</tr>
<tr>
<td>Other financial institutions</td>
<td>532,323</td>
<td>361,483</td>
</tr>
<tr>
<td>Total</td>
<td>928,586</td>
<td>700,280</td>
</tr>
</tbody>
</table>

Reverse repurchases analysed by collateral:

<table>
<thead>
<tr>
<th>Collateral</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities</td>
<td>721,463</td>
<td>511,254</td>
</tr>
<tr>
<td>Bills</td>
<td>207,123</td>
<td>189,026</td>
</tr>
<tr>
<td>Total</td>
<td>928,586</td>
<td>700,280</td>
</tr>
</tbody>
</table>

(i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting (note 3(13)), and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statement. As at 31 December 2017, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB542,062 million and RMB560,138 million respectively (31 December 2016: RMB633,828 million and RMB659,969 million respectively), and the net reverse repurchase agreements and net repurchase agreements were RMB137,155 million and RMB155,231 million, respectively (31 December 2016: RMB177,649 million and RMB203,790 million, respectively).

(ii) As at 31 December 2017, the amount of the placements through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB329,559 million (31 December 2016: RMB126,706 million). During the year of 2017, the maximum exposure of the placements through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB329,559 million (2016: RMB126,706 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(iii) As part of the reverse repurchase agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2017, the Group had received securities with a fair value of approximately RMB157,222 million on such terms (31 December 2016: RMB183,262 million). Of these, securities with a fair value of approximately RMB136,694 million have been repledged under repurchase agreements (31 December 2016: RMB181,959 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

26. LOANS AND ADVANCES TO CUSTOMERS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate loans and advances</td>
<td>8,936,864</td>
<td>8,140,684</td>
<td>8,263,344</td>
<td>7,496,031</td>
</tr>
<tr>
<td>Personal loans</td>
<td>4,945,458</td>
<td>4,196,169</td>
<td>4,843,049</td>
<td>4,108,440</td>
</tr>
<tr>
<td>Discounted bills</td>
<td>351,126</td>
<td>719,993</td>
<td>349,024</td>
<td>708,339</td>
</tr>
<tr>
<td>Total</td>
<td>14,233,448</td>
<td>13,056,846</td>
<td>13,455,417</td>
<td>12,312,810</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses</td>
<td>(340,482)</td>
<td>(289,512)</td>
<td>(330,016)</td>
<td>(279,610)</td>
</tr>
<tr>
<td>Total</td>
<td>13,892,966</td>
<td>12,767,334</td>
<td>13,125,401</td>
<td>12,033,200</td>
</tr>
</tbody>
</table>
Movements of allowance for impairment losses during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Individually assessed</th>
<th>Collectively assessed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At 1 January 2016</strong></td>
<td>51,499</td>
<td>229,155</td>
<td>280,654</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td>83,966</td>
<td>2,172</td>
<td>86,138</td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>110,992</td>
<td>151,577</td>
<td>262,569</td>
</tr>
<tr>
<td>— impairment allowances transferred</td>
<td></td>
<td>(865)</td>
<td></td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(27,891)</td>
<td>(148,540)</td>
<td>(176,431)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans (note 6)</td>
<td>(5,135)</td>
<td>–</td>
<td>(5,135)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,226</td>
<td>773</td>
<td>1,999</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>(65,999)</td>
<td>(8,145)</td>
<td>(74,144)</td>
</tr>
<tr>
<td><strong>At 31 December 2016 and 1 January 2017</strong></td>
<td>65,557</td>
<td>223,955</td>
<td>289,512</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td>108,983</td>
<td>15,113</td>
<td>124,096</td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>158,352</td>
<td>135,679</td>
<td>294,031</td>
</tr>
<tr>
<td>— impairment allowances transferred</td>
<td>1,399</td>
<td>(1,399)</td>
<td></td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(50,768)</td>
<td>(119,167)</td>
<td>(169,935)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans (note 6)</td>
<td>(3,189)</td>
<td>–</td>
<td>(3,189)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,426</td>
<td>838</td>
<td>2,264</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>(57,031)</td>
<td>(15,170)</td>
<td>(72,201)</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>115,746</td>
<td>224,736</td>
<td>340,482</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Individually assessed</th>
<th>Collectively assessed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At 1 January 2016</strong></td>
<td>47,874</td>
<td>224,682</td>
<td>272,556</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td>83,172</td>
<td>799</td>
<td>83,971</td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>109,951</td>
<td>149,603</td>
<td>259,554</td>
</tr>
<tr>
<td>— impairment allowances transferred</td>
<td>861</td>
<td>(861)</td>
<td></td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(27,640)</td>
<td>(147,943)</td>
<td>(175,583)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans</td>
<td>(5,111)</td>
<td>–</td>
<td>(5,111)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,222</td>
<td>706</td>
<td>1,928</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>(65,699)</td>
<td>(8,035)</td>
<td>(73,734)</td>
</tr>
<tr>
<td><strong>At 31 December 2016 and 1 January 2017</strong></td>
<td>61,458</td>
<td>218,152</td>
<td>279,610</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td>108,512</td>
<td>13,959</td>
<td>122,471</td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>156,823</td>
<td>134,057</td>
<td>290,880</td>
</tr>
<tr>
<td>— impairment allowances transferred</td>
<td>1,402</td>
<td>(1,402)</td>
<td></td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(49,713)</td>
<td>(118,696)</td>
<td>(168,409)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans</td>
<td>(3,166)</td>
<td>–</td>
<td>(3,166)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,383</td>
<td>836</td>
<td>2,219</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>(56,473)</td>
<td>(14,645)</td>
<td>(71,118)</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>111,714</td>
<td>218,302</td>
<td>330,016</td>
</tr>
</tbody>
</table>
Movements of allowance for impairment losses during the year analysed into those attributable to corporate loans and advances and discounted bills and personal loans are as follows:

### Group

<table>
<thead>
<tr>
<th></th>
<th>Corporate loans and advances and discounted bills</th>
<th>Personal loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2016</td>
<td>187,487</td>
<td>93,167</td>
<td>280,654</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>192,057</td>
<td>70,512</td>
<td>262,569</td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(119,007)</td>
<td>(57,424)</td>
<td>(176,431)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans (note 6)</td>
<td>(5,135)</td>
<td></td>
<td>(5,135)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,226</td>
<td>773</td>
<td>1,999</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>65,999</td>
<td>(8,145)</td>
<td>(74,144)</td>
</tr>
<tr>
<td>At 31 December 2016 and 1 January 2017</td>
<td>190,629</td>
<td>98,883</td>
<td>289,512</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>235,734</td>
<td>58,297</td>
<td>294,031</td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(127,562)</td>
<td>(42,373)</td>
<td>(169,935)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans (note 6)</td>
<td>(3,189)</td>
<td></td>
<td>(3,189)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,426</td>
<td>838</td>
<td>2,264</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>57,653</td>
<td>(14,548)</td>
<td>(72,201)</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>239,385</td>
<td>101,097</td>
<td>340,482</td>
</tr>
</tbody>
</table>

### Bank

<table>
<thead>
<tr>
<th></th>
<th>Corporate loans and advances and discounted bills</th>
<th>Personal loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2016</td>
<td>180,188</td>
<td>92,368</td>
<td>272,556</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>189,421</td>
<td>70,133</td>
<td>259,554</td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(118,285)</td>
<td>(42,373)</td>
<td>(160,658)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans</td>
<td>(5,111)</td>
<td></td>
<td>(5,111)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,222</td>
<td>706</td>
<td>1,928</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>65,699</td>
<td>(8,035)</td>
<td>(73,734)</td>
</tr>
<tr>
<td>At 31 December 2016 and 1 January 2017</td>
<td>181,736</td>
<td>97,874</td>
<td>279,610</td>
</tr>
<tr>
<td>Impairment loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— impairment allowances charged</td>
<td>232,917</td>
<td>57,963</td>
<td>290,880</td>
</tr>
<tr>
<td>— reversal of impairment allowances</td>
<td>(126,071)</td>
<td>(42,338)</td>
<td>(168,409)</td>
</tr>
<tr>
<td>Accreted interest on impaired loans</td>
<td>(3,166)</td>
<td></td>
<td>(3,166)</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>1,383</td>
<td>836</td>
<td>2,219</td>
</tr>
<tr>
<td>Write-offs and others</td>
<td>56,802</td>
<td>(14,316)</td>
<td>(71,118)</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>229,997</td>
<td>100,019</td>
<td>330,016</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

Financial Statements for the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

Annual Report 2017

<table>
<thead>
<tr>
<th>Loans and advances for which allowance for impairment losses are:</th>
<th>Group 2017</th>
<th>Group 2016</th>
<th>Bank 2017</th>
<th>Bank 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individually assessed</td>
<td>176,428</td>
<td>160,469</td>
<td>170,500</td>
<td>154,185</td>
</tr>
<tr>
<td>Collectively assessed</td>
<td>14,057,020</td>
<td>12,896,377</td>
<td>13,284,917</td>
<td>12,158,625</td>
</tr>
<tr>
<td></td>
<td>14,233,448</td>
<td>13,056,846</td>
<td>13,455,417</td>
<td>12,312,810</td>
</tr>
</tbody>
</table>

Less: Allowance for impairment losses:

| Individually assessed                                         | (115,746)  | (65,557)   | (111,714) | (61,458)  |
| Collectively assessed                                         | (224,736)  | (223,955)  | (218,302) | (218,152) |
|                                                               | (340,482)  | (289,512)  | (330,016) | (279,610) |

Net loans and advances for which allowance for impairment losses are:

| Individually assessed                                         | 60,682     | 94,912     | 58,786    | 92,727    |
| Collectively assessed                                         | 13,832,284 | 12,672,422 | 13,066,615| 11,940,473|
|                                                               | 13,892,966 | 12,767,334 | 13,125,401| 12,033,200|

Identified impaired loans and advances                         | 220,988    | 211,801    | 214,646   | 205,133   |
Percentage of impaired loans and advances                      | 1.55%      | 1.62%      | 1.60%     | 1.67%     |

27. FINANCIAL INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) 277,129</td>
<td>291,370</td>
<td>231,631</td>
<td>263,456</td>
</tr>
<tr>
<td>Held-to-maturity investments (b)</td>
<td>3,542,184</td>
<td>2,973,042</td>
<td>3,439,471</td>
<td>2,876,081</td>
</tr>
<tr>
<td>Available-for-sale financial assets (c)</td>
<td>1,496,453</td>
<td>1,742,287</td>
<td>1,358,802</td>
<td>1,608,839</td>
</tr>
<tr>
<td></td>
<td>5,315,766</td>
<td>5,006,699</td>
<td>5,029,904</td>
<td>4,748,376</td>
</tr>
</tbody>
</table>

(a) Receivables

The receivables are stated at amortised cost and comprise the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>90,309</td>
<td>94,249</td>
<td>90,309</td>
<td>94,249</td>
</tr>
<tr>
<td>Special government bond (ii)</td>
<td>85,000</td>
<td>85,000</td>
<td>85,000</td>
<td>85,000</td>
</tr>
<tr>
<td>Others (iii)</td>
<td>101,820</td>
<td>112,121</td>
<td>56,322</td>
<td>84,207</td>
</tr>
<tr>
<td></td>
<td>277,129</td>
<td>291,370</td>
<td>231,631</td>
<td>263,456</td>
</tr>
</tbody>
</table>

Analysed into:

<table>
<thead>
<tr>
<th>Listed outside Hong Kong</th>
<th>Group 2017</th>
<th>Group 2016</th>
<th>Bank 2017</th>
<th>Bank 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22,004</td>
<td>33,781</td>
<td>22,004</td>
<td>31,282</td>
</tr>
<tr>
<td>Unlisted</td>
<td>255,125</td>
<td>257,589</td>
<td>209,627</td>
<td>232,174</td>
</tr>
<tr>
<td></td>
<td>277,129</td>
<td>291,370</td>
<td>231,631</td>
<td>263,456</td>
</tr>
</tbody>
</table>
The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the Ministry of Finance of the People’s Republic of China (the “MOF”) that the maturity dates of the Huarong bonds were extended for another ten years and the interest rate remains unchanged. Additionally, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. As at 31 December 2017, the Bank received accumulated early repayments amounting to RMB222,687 million.

The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

Others include financial and corporate bonds, debt investment plans, asset backed securities, asset management plans, wealth management products and trust plans. They will mature from January 2018 to November 2032 and bear interest rates ranging from 2.00% to 7.50% per annum. During the reporting period, the amounts which have been matured have been repaid without overdue history.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>3,542,351</td>
<td>2,973,149</td>
<td>3,439,576</td>
<td>2,876,120</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses</td>
<td>(167)</td>
<td>(107)</td>
<td>(105)</td>
<td>(39)</td>
</tr>
<tr>
<td></td>
<td>3,542,184</td>
<td>2,973,042</td>
<td>3,439,471</td>
<td>2,876,081</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysed into:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed in Hong Kong</td>
<td>27,532</td>
<td>24,732</td>
<td>4,793</td>
<td>6,688</td>
</tr>
<tr>
<td>Listed outside Hong Kong</td>
<td>92,886</td>
<td>86,594</td>
<td>48,435</td>
<td>55,102</td>
</tr>
<tr>
<td>Unlisted</td>
<td>3,421,766</td>
<td>2,861,716</td>
<td>3,386,243</td>
<td>2,814,291</td>
</tr>
<tr>
<td></td>
<td>3,542,184</td>
<td>2,973,042</td>
<td>3,439,471</td>
<td>2,876,081</td>
</tr>
</tbody>
</table>

For the year ended 31 December 2017, the total carrying amount of held-to-maturity investments that the Group disposed prior to their maturity with remaining maturity more than three months was RMB11,661 million (31 December 2016: RMB19,446 million), which accounted for 0.33% (31 December 2016: 0.65%) of the total amount of the Group’s held-to-maturity investments.
(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Debt securities, at fair value (i)</td>
<td>1,466,995</td>
<td>1,720,630</td>
</tr>
<tr>
<td>Other debt instruments, at fair value</td>
<td>6,164</td>
<td>8,804</td>
</tr>
<tr>
<td>Equity investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At fair value (i)</td>
<td>20,292</td>
<td>11,452</td>
</tr>
<tr>
<td>At cost (ii)</td>
<td>3,002</td>
<td>1,401</td>
</tr>
<tr>
<td>Debt for equity swaps</td>
<td>1,292</td>
<td>973</td>
</tr>
<tr>
<td>Others</td>
<td>2,189</td>
<td>1,106</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses of equity investments, at cost</td>
<td>(479)</td>
<td>(678)</td>
</tr>
<tr>
<td></td>
<td>1,496,453</td>
<td>1,742,287</td>
</tr>
<tr>
<td>Equity investments analysed into:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed in Hong Kong</td>
<td>92,538</td>
<td>63,010</td>
</tr>
<tr>
<td>Listed outside Hong Kong</td>
<td>187,684</td>
<td>169,339</td>
</tr>
<tr>
<td>Unlisted</td>
<td>1,186,773</td>
<td>1,488,281</td>
</tr>
<tr>
<td></td>
<td>1,466,995</td>
<td>1,720,630</td>
</tr>
<tr>
<td>Equity investments analysed into:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed in Hong Kong</td>
<td>1,401</td>
<td>677</td>
</tr>
<tr>
<td>Listed outside Hong Kong</td>
<td>3,262</td>
<td>2,451</td>
</tr>
<tr>
<td>Unlisted</td>
<td>18,631</td>
<td>9,725</td>
</tr>
<tr>
<td></td>
<td>23,294</td>
<td>12,853</td>
</tr>
<tr>
<td>Market value of listed securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>280,222</td>
<td>232,349</td>
</tr>
<tr>
<td>Equity investments</td>
<td>4,663</td>
<td>3,128</td>
</tr>
<tr>
<td></td>
<td>284,885</td>
<td>235,477</td>
</tr>
</tbody>
</table>

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment recognised is recorded in the carrying amount directly. As at 31 December 2017, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount was RMB885 million (31 December 2016: RMB70 million), and impaired equity investments whose impairment provision has been fully charged (31 December 2016: impaired equity investments whose carrying amount was RMB656 million), with the accrual of impairment recognised in profit or loss for the year of RMB22 million (2016: accrual of impairment of RMB419 million) on available-for-sale debt securities; and the accrual of impairment recognised in profit or loss for the year of RMB84 million (2016: accrual of impairment of RMB162 million) on available-for-sale equity investments.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment. There is no active market for these investments and it is the Group’s intention to dispose of them as opportunities arise. During the year, the carrying amount of these equity investments decreased by RMB71 million (2016: Nil). The gain on disposal of these equity investments is RMB743 million during the year (2016: Nil).
(d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held-to-maturity investments</td>
<td>Available-for-sale equity investments</td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>95</td>
<td>673</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>13</td>
<td>–</td>
</tr>
<tr>
<td>Reversals</td>
<td>(7)</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>At 31 December 2016 and 1 January 2017</td>
<td>107</td>
<td>678</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>70</td>
<td>–</td>
</tr>
<tr>
<td>Reversals</td>
<td>(4)</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(6)</td>
<td>(194)</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>(5)</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>167</td>
<td>479</td>
</tr>
</tbody>
</table>

28. INVESTMENTS IN SUBSIDIARIES

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Unlisted investments, at cost</td>
<td>120,301</td>
</tr>
</tbody>
</table>
Particulars of the Group’s principal subsidiaries as at the end of the reporting period are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Percentage of equity interest %</th>
<th>Voting rights %</th>
<th>Nominal value of issued share/ paid-in capital</th>
<th>Amount invested by the Bank</th>
<th>Place of incorporation/ registration and operations</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial and Commercial Bank of China (Asia) Limited (“ICBC Asia”)</td>
<td>100</td>
<td>100</td>
<td>HKD36,579 million</td>
<td>HKD46,930 million</td>
<td>Hong Kong, the PRC</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC International Holdings Limited (“ICBC International”)</td>
<td>100</td>
<td>100</td>
<td>HKD4,882 million</td>
<td>HKD4,882 million</td>
<td>Hong Kong, the PRC</td>
<td>Investment banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Almaty) Joint Stock Company</td>
<td>100</td>
<td>100</td>
<td>KZT18,933 million</td>
<td>KZT18,933 million</td>
<td>Almaty, Kazakhstan</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC (London) PLC (“ICBC London”)</td>
<td>100</td>
<td>100</td>
<td>USD200 million</td>
<td>USD200 million</td>
<td>London, United Kingdom</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC Credit Suisse Asset Management Co., Ltd. *</td>
<td>80</td>
<td>80</td>
<td>RMB200 million</td>
<td>RMB433 million</td>
<td>Beijing, the PRC</td>
<td>Fund management</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Europe) S.A.</td>
<td>100</td>
<td>100</td>
<td>EUR437 million</td>
<td>EUR437 million</td>
<td>Luxembourg</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>PT. Bank ICBC Indonesia (“ICBC Indonesia”)</td>
<td>98.61</td>
<td>98.61</td>
<td>IDR3,692 billion</td>
<td>USD361 million</td>
<td>Jakarta, Indonesia</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Bank ICBC (Joint stock company)</td>
<td>100</td>
<td>100</td>
<td>RMB10,810 million</td>
<td>RMB10,810 million</td>
<td>Moscow, Russia</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC Financial Leasing Co., Ltd. *</td>
<td>100</td>
<td>100</td>
<td>RMB11,000 million</td>
<td>RMB11,000 million</td>
<td>Tianjin, the PRC</td>
<td>Leasing</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Macau) Limited (“ICBC Macau”)</td>
<td>89.33</td>
<td>89.33</td>
<td>MOP589 million</td>
<td>MOP12,064 million</td>
<td>Macau, the PRC</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *</td>
<td>60</td>
<td>60</td>
<td>RMB200 million</td>
<td>RMB120 million</td>
<td>Zhejiang, the PRC</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Chongqing Bishan ICBC Rural Bank Co., Ltd. *</td>
<td>100</td>
<td>100</td>
<td>RMB100 million</td>
<td>RMB100 million</td>
<td>Chongqing, the PRC</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Canada)</td>
<td>80</td>
<td>80</td>
<td>CAD1,588 million</td>
<td>CAD1,588 million</td>
<td>Toronto, Canada</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Malaysia) Berhad</td>
<td>100</td>
<td>100</td>
<td>MYR833 million</td>
<td>MYR833 million</td>
<td>Kuala Lumpur, Malaysia</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Thailand) Public Company Limited (“ICBC Thai”)</td>
<td>97.86</td>
<td>97.86</td>
<td>THB20,132 million</td>
<td>THB23,711 million</td>
<td>Bangkok, Thailand</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China Financial Services LLC</td>
<td>100</td>
<td>100</td>
<td>USD50 million</td>
<td>USD50 million</td>
<td>Delaware and New York, United States</td>
<td>Broker dealer</td>
</tr>
<tr>
<td>ICBC-AXA Assurance Co., Ltd. *</td>
<td>60</td>
<td>60</td>
<td>RMB12,505 million</td>
<td>RMB12,505 million</td>
<td>Shanghai, the PRC</td>
<td>Insurance</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (USA) NA</td>
<td>100</td>
<td>100</td>
<td>USD309 million</td>
<td>USD309 million</td>
<td>New York, United States</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Argentina) S.A. (“ICBC Argentina”)</td>
<td>80</td>
<td>80</td>
<td>ARS1,345 million</td>
<td>ARS1,345 million</td>
<td>Buenos Aires, Argentina</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC PERU BANK</td>
<td>100</td>
<td>100</td>
<td>USD50 million</td>
<td>USD50 million</td>
<td>Lima, Peru</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Brazil) S.A.</td>
<td>100</td>
<td>100</td>
<td>Real202 million</td>
<td>Real202 million</td>
<td>Sao Paolo, Brazil</td>
<td>Commercial and investment banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (New Zealand) Limited (“ICBC New Zealand”)</td>
<td>100</td>
<td>100</td>
<td>NZD145 million</td>
<td>NZD145 million</td>
<td>Auckland, New Zealand</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Mexico) S.A.</td>
<td>100</td>
<td>100</td>
<td>MXN1,597 million</td>
<td>MXN1,597 million</td>
<td>Mexico City, Mexico</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC Turkey Bank Anonim Şirketi (“ICBC Turkey”)</td>
<td>92.84</td>
<td>92.84</td>
<td>TRY880 million</td>
<td>TRY880 million</td>
<td>Istanbul, Turkey</td>
<td>Commercial banking</td>
</tr>
<tr>
<td>ICBC Standard Bank PLC (“ICBC Standard”)</td>
<td>60</td>
<td>60</td>
<td>USD1,083 million</td>
<td>USD1,083 million</td>
<td>London, United Kingdom</td>
<td>Banking</td>
</tr>
<tr>
<td>ICBC Financial Asset Investment Co., Limited*</td>
<td>100</td>
<td>–</td>
<td>RMB12,000 million</td>
<td>RMB12,000 million</td>
<td>Nanjing, the PRC</td>
<td>Financial asset investment</td>
</tr>
</tbody>
</table>

* These subsidiaries incorporated in Mainland China are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.
29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investment in associates and joint ventures comprise the following:

<table>
<thead>
<tr>
<th>Group</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest in associates (a)</td>
<td>28,586</td>
<td>27,443</td>
</tr>
<tr>
<td>Interest in joint ventures (b)</td>
<td>3,855</td>
<td>2,634</td>
</tr>
<tr>
<td>Total</td>
<td>32,441</td>
<td>30,077</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of net assets</td>
<td>21,614</td>
<td>19,663</td>
</tr>
<tr>
<td>Goodwill</td>
<td>11,175</td>
<td>10,762</td>
</tr>
<tr>
<td>Total</td>
<td>32,789</td>
<td>30,425</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses</td>
<td>(348)</td>
<td>(348)</td>
</tr>
<tr>
<td>Total</td>
<td>32,441</td>
<td>30,077</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares listed outside Hong Kong, at cost</td>
<td>34,242</td>
<td>34,242</td>
</tr>
</tbody>
</table>

(a) Interest in associates

(i) Particulars of the Group’s only material associate are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Percentage of equity interest %</th>
<th>Percentage of voting rights %</th>
<th>Place of incorporation/ registration</th>
<th>Principal activities</th>
</tr>
</thead>
</table>

(i) Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

The market value of the Group’s investment in Standard Bank amounts to RMB33,564 million as at 31 December 2017 (31 December 2016: RMB25,067 million).
The summarised financial information of Standard Bank, being consistent with the Group’s accounting policies, and reconciled to the carrying amounts using the equity method in the Group’s consolidated financial statements is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross amounts of the associate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>1,070,509</td>
<td>992,219</td>
</tr>
<tr>
<td>Liabilities</td>
<td>970,202</td>
<td>901,048</td>
</tr>
<tr>
<td>Net assets</td>
<td>100,307</td>
<td>91,171</td>
</tr>
<tr>
<td>Revenue</td>
<td>54,624</td>
<td>48,603</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>13,891</td>
<td>10,808</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(2,500)</td>
<td>(5,512)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>11,391</td>
<td>5,296</td>
</tr>
<tr>
<td>Dividends received from the associate</td>
<td>7,176</td>
<td>5,579</td>
</tr>
</tbody>
</table>

**Reconciled to the Group’s interests in the associate**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross amounts of net assets of the associate attribute to the parent company</td>
<td>85,254</td>
<td>78,814</td>
</tr>
<tr>
<td>Group’s effective interest</td>
<td>20.07%</td>
<td>20.08%</td>
</tr>
<tr>
<td>Group’s share of net assets of the associate</td>
<td>17,109</td>
<td>15,825</td>
</tr>
<tr>
<td>Goodwill</td>
<td>11,139</td>
<td>10,726</td>
</tr>
<tr>
<td>Carrying amount of the Group’s interest in Standard Bank in the consolidated financial statements</td>
<td>28,248</td>
<td>26,551</td>
</tr>
</tbody>
</table>

(ii) The following tables illustrate the summarised financial information of the associates that are not individually material to the Group:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate amounts of the Group’s share of those associates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>40</td>
<td>29</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(285)</td>
<td>306</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>(245)</td>
<td>335</td>
</tr>
</tbody>
</table>

(iii) Reconciliation of carrying amounts to the Group’s total interests in the associates:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of material associates — Standard Bank</td>
<td>28,248</td>
<td>26,551</td>
</tr>
<tr>
<td>Carrying amount of individually immaterial associates</td>
<td>686</td>
<td>1,240</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses</td>
<td>(348)</td>
<td>(348)</td>
</tr>
<tr>
<td>Interest in associates in the consolidated financial statements</td>
<td>28,586</td>
<td>27,443</td>
</tr>
</tbody>
</table>

All of the above associates are accounted for using the equity method in the consolidated financial statements.

(b) Interest in joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following tables illustrate the summarised financial information of the joint ventures that are not individually material to the Group:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements</td>
<td>3,855</td>
<td>2,634</td>
</tr>
<tr>
<td>Aggregate amounts of the Group’s share of those joint ventures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>138</td>
<td>405</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(20)</td>
<td>21</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>118</td>
<td>426</td>
</tr>
</tbody>
</table>

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.
## 30. PROPERTY AND EQUIPMENT

### Group

<table>
<thead>
<tr>
<th></th>
<th>Properties and buildings</th>
<th>Construction in progress</th>
<th>Leasehold improvements</th>
<th>Office equipment and motor vehicles</th>
<th>Aircraft and vessels</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>134,233</td>
<td>26,142</td>
<td>9,509</td>
<td>71,175</td>
<td>92,785</td>
<td>333,844</td>
</tr>
<tr>
<td>Additions</td>
<td>1,076</td>
<td>6,849</td>
<td>762</td>
<td>6,911</td>
<td>38,252</td>
<td>53,850</td>
</tr>
<tr>
<td>CIP transfer in/out</td>
<td>5,359</td>
<td>(9,741)</td>
<td>–</td>
<td>404</td>
<td>3,978</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(830)</td>
<td>(241)</td>
<td>(198)</td>
<td>(2,497)</td>
<td>(12,508)</td>
<td>(16,274)</td>
</tr>
<tr>
<td><strong>At 31 December 2016 and 1 January 2017</strong></td>
<td>139,838</td>
<td>23,009</td>
<td>10,073</td>
<td>75,993</td>
<td>122,507</td>
<td>371,420</td>
</tr>
<tr>
<td>Additions</td>
<td>922</td>
<td>11,993</td>
<td>438</td>
<td>4,722</td>
<td>16,145</td>
<td>34,220</td>
</tr>
<tr>
<td>CIP transfer in/out</td>
<td>3,104</td>
<td>(5,333)</td>
<td>–</td>
<td>67</td>
<td>2,162</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(1,347)</td>
<td>(97)</td>
<td>(136)</td>
<td>(8,345)</td>
<td>(13,052)</td>
<td>(22,977)</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>142,517</td>
<td>29,572</td>
<td>10,375</td>
<td>72,437</td>
<td>127,762</td>
<td>382,663</td>
</tr>
<tr>
<td>Accumulated depreciation and impairment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>45,667</td>
<td>41</td>
<td>6,585</td>
<td>50,103</td>
<td>7,022</td>
<td>109,418</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>5,646</td>
<td>–</td>
<td>1,067</td>
<td>7,947</td>
<td>5,101</td>
<td>19,761</td>
</tr>
<tr>
<td>Impairment charge for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>492</td>
</tr>
<tr>
<td>Disposals</td>
<td>(499)</td>
<td>–</td>
<td>(169)</td>
<td>(2,433)</td>
<td>(1,339)</td>
<td>(4,460)</td>
</tr>
<tr>
<td><strong>At 31 December 2016 and 1 January 2017</strong></td>
<td>50,814</td>
<td>41</td>
<td>7,483</td>
<td>55,597</td>
<td>11,276</td>
<td>125,211</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>5,654</td>
<td>–</td>
<td>936</td>
<td>7,283</td>
<td>4,085</td>
<td>17,958</td>
</tr>
<tr>
<td>Impairment charge for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>558</td>
</tr>
<tr>
<td>Disposals</td>
<td>(822)</td>
<td>–</td>
<td>(101)</td>
<td>(6,405)</td>
<td>(1,480)</td>
<td>(8,808)</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>55,646</td>
<td>41</td>
<td>8,318</td>
<td>56,475</td>
<td>14,439</td>
<td>134,919</td>
</tr>
<tr>
<td>Net carrying amount:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>89,024</td>
<td>22,968</td>
<td>2,590</td>
<td>20,396</td>
<td>111,231</td>
<td>246,209</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>86,871</td>
<td>29,531</td>
<td>2,057</td>
<td>15,962</td>
<td>113,323</td>
<td>247,744</td>
</tr>
</tbody>
</table>

### Bank

<table>
<thead>
<tr>
<th></th>
<th>Properties and buildings</th>
<th>Construction in progress</th>
<th>Leasehold improvements</th>
<th>Office equipment and motor vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>131,814</td>
<td>19,731</td>
<td>8,743</td>
<td>69,718</td>
<td>230,006</td>
</tr>
<tr>
<td>Additions</td>
<td>936</td>
<td>2,900</td>
<td>634</td>
<td>4,800</td>
<td>9,270</td>
</tr>
<tr>
<td>CIP transfer in/out</td>
<td>5,318</td>
<td>(5,722)</td>
<td>–</td>
<td>404</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(785)</td>
<td>(193)</td>
<td>(82)</td>
<td>(2,487)</td>
<td>(3,547)</td>
</tr>
<tr>
<td><strong>At 31 December 2016 and 1 January 2017</strong></td>
<td>137,283</td>
<td>16,716</td>
<td>9,295</td>
<td>72,435</td>
<td>235,729</td>
</tr>
<tr>
<td>Additions</td>
<td>853</td>
<td>6,720</td>
<td>378</td>
<td>4,454</td>
<td>12,405</td>
</tr>
<tr>
<td>CIP transfer in/out</td>
<td>3,072</td>
<td>(3,132)</td>
<td>–</td>
<td>60</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(995)</td>
<td>(90)</td>
<td>(103)</td>
<td>(6,265)</td>
<td>(7,453)</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>140,213</td>
<td>20,214</td>
<td>9,570</td>
<td>70,684</td>
<td>240,681</td>
</tr>
<tr>
<td>Accumulated depreciation and impairment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>44,976</td>
<td>41</td>
<td>6,177</td>
<td>49,143</td>
<td>100,337</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>5,594</td>
<td>–</td>
<td>987</td>
<td>7,713</td>
<td>14,294</td>
</tr>
<tr>
<td>Disposals</td>
<td>(475)</td>
<td>–</td>
<td>(68)</td>
<td>(2,448)</td>
<td>(2,991)</td>
</tr>
<tr>
<td><strong>At 31 December 2016 and 1 January 2017</strong></td>
<td>50,095</td>
<td>41</td>
<td>7,096</td>
<td>54,408</td>
<td>111,640</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>5,589</td>
<td>–</td>
<td>865</td>
<td>7,087</td>
<td>13,541</td>
</tr>
<tr>
<td>Disposals</td>
<td>(584)</td>
<td>–</td>
<td>(98)</td>
<td>(6,205)</td>
<td>(6,887)</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>55,110</td>
<td>41</td>
<td>7,863</td>
<td>55,290</td>
<td>118,294</td>
</tr>
<tr>
<td>Net carrying amount:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>87,188</td>
<td>16,675</td>
<td>2,199</td>
<td>18,027</td>
<td>124,089</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>85,113</td>
<td>20,173</td>
<td>1,707</td>
<td>15,394</td>
<td>122,387</td>
</tr>
</tbody>
</table>
The carrying value of the Group’s and the Bank’s properties and buildings is analysed based on the remaining terms of the land leases as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-term leases (over 50 years):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in the PRC (other than Hong Kong)</td>
<td>17,656</td>
<td>13,119</td>
<td>17,630</td>
<td>13,115</td>
</tr>
<tr>
<td>Held in Hong Kong</td>
<td>843</td>
<td>644</td>
<td>202</td>
<td>295</td>
</tr>
<tr>
<td>Held overseas</td>
<td>633</td>
<td>741</td>
<td>53</td>
<td>176</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,132</td>
<td>14,504</td>
<td>17,885</td>
<td>13,586</td>
</tr>
<tr>
<td><strong>Medium-term leases (10 to 50 years):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in the PRC (other than Hong Kong)</td>
<td>65,416</td>
<td>70,468</td>
<td>65,404</td>
<td>70,334</td>
</tr>
<tr>
<td>Held in Hong Kong</td>
<td>212</td>
<td>316</td>
<td>163</td>
<td>152</td>
</tr>
<tr>
<td>Held overseas</td>
<td>458</td>
<td>640</td>
<td>33</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>66,086</td>
<td>71,424</td>
<td>65,600</td>
<td>70,523</td>
</tr>
<tr>
<td><strong>Short-term leases (less than 10 years):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in the PRC (other than Hong Kong)</td>
<td>1,618</td>
<td>3,034</td>
<td>1,618</td>
<td>3,034</td>
</tr>
<tr>
<td>Held in Hong Kong</td>
<td>–</td>
<td>36</td>
<td>–</td>
<td>36</td>
</tr>
<tr>
<td>Held overseas</td>
<td>35</td>
<td>26</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,653</td>
<td>3,096</td>
<td>1,628</td>
<td>3,079</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86,871</td>
<td>89,024</td>
<td>85,113</td>
<td>87,188</td>
</tr>
</tbody>
</table>

As at 31 December 2017, the process of obtaining the title for the Group’s properties and buildings with an aggregate net carrying value of RMB12,850 million (31 December 2016: RMB13,342 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2017, the net carrying value of aircraft and vessels leased out by the Group under operating leases was RMB113,323 million (31 December 2016: RMB111,231 million).

As at 31 December 2017, the net carrying value of aircraft and vessels owned by the Group that have been pledged as security for due to banks and other financial institutions was RMB68,355 million (31 December 2016: RMB34,174 million).

### 31. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

#### Group

<table>
<thead>
<tr>
<th></th>
<th>2017 Deductible/ (taxable) temporary differences</th>
<th>2017 Deferred income tax assets/ (liabilities)</th>
<th>2016 Deductible/ (taxable) temporary differences</th>
<th>2016 Deferred income tax assets/ (liabilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>150,493</td>
<td>37,475</td>
<td>114,765</td>
<td>28,616</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>38,471</td>
<td>9,748</td>
<td>(4,005)</td>
<td>(973)</td>
</tr>
<tr>
<td>Change in fair value of financial instruments at fair value through profit or loss</td>
<td>(9,491)</td>
<td>(2,368)</td>
<td>(9,544)</td>
<td>(2,385)</td>
</tr>
<tr>
<td>Accrued staff costs</td>
<td>27,640</td>
<td>6,910</td>
<td>28,104</td>
<td>7,026</td>
</tr>
<tr>
<td>Others</td>
<td>(13,561)</td>
<td>(3,373)</td>
<td>(15,847)</td>
<td>(3,886)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>193,552</td>
<td>48,392</td>
<td>113,473</td>
<td>28,398</td>
</tr>
</tbody>
</table>
### Group

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taxable/ (deductible) temporary differences</td>
<td>Deferred income tax liabilities/ (assets)</td>
</tr>
<tr>
<td>Deferred income tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>(2,012)</td>
<td>(502)</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>(367)</td>
<td>(38)</td>
</tr>
<tr>
<td>Others</td>
<td>4,053</td>
<td>973</td>
</tr>
<tr>
<td>Total</td>
<td>1,674</td>
<td>433</td>
</tr>
</tbody>
</table>

### Bank

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deductible/ (taxable) temporary differences</td>
<td>Deferred income tax assets/ (liabilities)</td>
</tr>
<tr>
<td>Deferred income tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>146,986</td>
<td>36,719</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>40,057</td>
<td>10,116</td>
</tr>
<tr>
<td>Change in fair value of financial instruments at fair value through profit or loss</td>
<td>(9,495)</td>
<td>(2,369)</td>
</tr>
<tr>
<td>Accrued staff costs</td>
<td>27,640</td>
<td>6,910</td>
</tr>
<tr>
<td>Others</td>
<td>(16,584)</td>
<td>(4,126)</td>
</tr>
<tr>
<td>Total</td>
<td>188,604</td>
<td>47,250</td>
</tr>
</tbody>
</table>

(b) Movements of deferred income tax

### Group

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2017</th>
<th>Recognised in profit or loss</th>
<th>Recognised in equity</th>
<th>At 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>28,616</td>
<td>8,859</td>
<td>–</td>
<td>37,475</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>(973)</td>
<td>–</td>
<td>10,721</td>
<td>9,748</td>
</tr>
<tr>
<td>Change in fair value of financial instruments at fair value through profit or loss</td>
<td>(2,385)</td>
<td>17</td>
<td>–</td>
<td>(2,368)</td>
</tr>
<tr>
<td>Accrued staff costs</td>
<td>7,026</td>
<td>(116)</td>
<td>–</td>
<td>6,910</td>
</tr>
<tr>
<td>Others</td>
<td>(3,886)</td>
<td>539</td>
<td>(26)</td>
<td>(3,373)</td>
</tr>
<tr>
<td>Total</td>
<td>28,398</td>
<td>9,299</td>
<td>10,695</td>
<td>48,392</td>
</tr>
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</table>
### Group

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2017</th>
<th>Recognised in profit or loss</th>
<th>Recognised in equity</th>
<th>At 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred income tax liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>(365)</td>
<td>(137)</td>
<td>–</td>
<td>(502)</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>120</td>
<td>–</td>
<td>(158)</td>
<td>(38)</td>
</tr>
<tr>
<td>Others</td>
<td>849</td>
<td>124</td>
<td>–</td>
<td>973</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>604</td>
<td>(13)</td>
<td>(158)</td>
<td>433</td>
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<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2016</th>
<th>Recognised in profit or loss</th>
<th>Recognised in equity</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred income tax assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>28,443</td>
<td>173</td>
<td>–</td>
<td>28,616</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>(9,670)</td>
<td>–</td>
<td>8,697</td>
<td>(973)</td>
</tr>
<tr>
<td>Change in fair value of financial instruments at fair value through profit or loss</td>
<td>(790)</td>
<td>(1,595)</td>
<td>–</td>
<td>(2,385)</td>
</tr>
<tr>
<td>Accrued staff costs</td>
<td>7,174</td>
<td>(148)</td>
<td>–</td>
<td>7,026</td>
</tr>
<tr>
<td>Others</td>
<td>(4,091)</td>
<td>175</td>
<td>30</td>
<td>(3,886)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,066</td>
<td>(1,395)</td>
<td>8,727</td>
<td>28,398</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2016</th>
<th>Recognised in profit or loss</th>
<th>Recognised in equity</th>
<th>At 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred income tax liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>(296)</td>
<td>(69)</td>
<td>–</td>
<td>(365)</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>595</td>
<td>–</td>
<td>(475)</td>
<td>120</td>
</tr>
<tr>
<td>Others</td>
<td>696</td>
<td>153</td>
<td>–</td>
<td>849</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>995</td>
<td>84</td>
<td>(475)</td>
<td>604</td>
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</table>
Bank

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2017</th>
<th>Recognised in profit or loss</th>
<th>Recognised in equity</th>
<th>At 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment losses</td>
<td>28,066</td>
<td>8,653</td>
<td>–</td>
<td>36,719</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>(680)</td>
<td>–</td>
<td>10,796</td>
<td>10,116</td>
</tr>
<tr>
<td>Change in fair value of financial instruments at fair value through profit or loss</td>
<td>(2,388)</td>
<td>19</td>
<td>–</td>
<td>(2,369)</td>
</tr>
<tr>
<td>Accrued staff costs</td>
<td>7,026</td>
<td>(116)</td>
<td>–</td>
<td>6,910</td>
</tr>
<tr>
<td>Others</td>
<td>(4,690)</td>
<td>598</td>
<td>(34)</td>
<td>(4,126)</td>
</tr>
<tr>
<td></td>
<td>27,334</td>
<td>9,154</td>
<td>10,762</td>
<td>47,250</td>
</tr>
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</table>

32. OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable</td>
<td>126,606</td>
<td>112,298</td>
<td>118,644</td>
<td>104,463</td>
</tr>
<tr>
<td>Precious metals</td>
<td>238,714</td>
<td>220,091</td>
<td>212,491</td>
<td>189,722</td>
</tr>
<tr>
<td>Land use rights</td>
<td>18,190</td>
<td>19,264</td>
<td>18,138</td>
<td>19,198</td>
</tr>
<tr>
<td>Advance payments</td>
<td>8,217</td>
<td>10,680</td>
<td>460</td>
<td>391</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>137,022</td>
<td>182,118</td>
<td>115,585</td>
<td>148,610</td>
</tr>
<tr>
<td>Goodwill (i)</td>
<td>8,956</td>
<td>9,480</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Repossessed assets</td>
<td>8,634</td>
<td>8,273</td>
<td>8,415</td>
<td>8,099</td>
</tr>
<tr>
<td>Others</td>
<td>25,330</td>
<td>23,529</td>
<td>9,357</td>
<td>8,713</td>
</tr>
<tr>
<td></td>
<td>571,669</td>
<td>585,733</td>
<td>483,090</td>
<td>479,196</td>
</tr>
</tbody>
</table>

The Group and the Bank did not have significant unrecognised deferred income tax assets or liabilities at the end of the reporting period.
(i) Goodwill arising from business combinations has been allocated to the Group’s CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and thus, no impairment loss was recognised.

### 33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth management products (1)</td>
<td>337,142</td>
<td>270,831</td>
<td>334,469</td>
<td>270,831</td>
</tr>
<tr>
<td>Structured deposits (2)(a)</td>
<td>10,203</td>
<td>17,797</td>
<td>10,203</td>
<td>8,674</td>
</tr>
<tr>
<td>Financial liabilities related to precious metals (2)(b)</td>
<td>60,183</td>
<td>59,192</td>
<td>60,175</td>
<td>59,185</td>
</tr>
<tr>
<td>Debt securities (2)(c)</td>
<td>8,192</td>
<td>13,377</td>
<td>2,919</td>
<td>13,311</td>
</tr>
<tr>
<td>Other</td>
<td>10,228</td>
<td>5,555</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>425,948</strong></td>
<td><strong>366,752</strong></td>
<td><strong>407,766</strong></td>
<td><strong>352,001</strong></td>
</tr>
</tbody>
</table>

1. The principal guaranteed wealth management products issued by the Group and the financial assets invested by the aforementioned products form part of a group of financial instruments that are together managed on a fair value basis, and are classified as financial liabilities and financial assets designated at fair value through profit or loss, respectively. The fair value of the wealth management products was RMB1,043 million higher than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity as at 31 December 2017 (31 December 2016: RMB510 million higher).

2. Structured deposits, certain financial liabilities related to debt securities and precious metals have been matched with derivatives or precious metals as part of a documented risk management strategy of the group to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted at amortised cost, whereas the related derivatives or precious metals were measured at fair value with movements in the fair value taken through profit or loss. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the statement of profit or loss.

   (a) As at 31 December 2017, the fair value of structured deposits was approximately the same as the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (31 December 2016: approximately the same).

   (b) As at 31 December 2017, the fair value of the financial liabilities related to precious metals was higher than the amount that the Group would be contractually required to pay to the holders by RMB156 million (31 December 2016: approximately the same).

   (c) The debt securities including one note issued by Sydney Branch at floating rates as well as five notes at fixed rates in 2016 and 2017, one note issued by London Branch in 2015 at a fixed rate and five equity-linked notes issued by ICBC Asia in 2016 and 2017 were classified as financial liabilities designated at fair value through profit or loss. The fair value of the debt securities is lowered than the amount that the group would be contractually required to pay to the holder of these debt securities upon maturity as at 31 December 2017 by RMB364 million (31 December 2016: RMB555 million lower).

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered insignificant during the year of 2017 and 2016 cumulatively. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.
34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks and other financial institutions operating in Mainland China</td>
<td>1,106,888</td>
<td>1,437,462</td>
<td>1,096,021</td>
<td>1,431,325</td>
</tr>
<tr>
<td>Banks and other financial institutions operating outside Mainland China</td>
<td>107,713</td>
<td>79,230</td>
<td>55,018</td>
<td>40,214</td>
</tr>
<tr>
<td></td>
<td>1,214,601</td>
<td>1,516,692</td>
<td>1,151,039</td>
<td>1,471,539</td>
</tr>
<tr>
<td>Money market takings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks and other financial institutions operating in Mainland China</td>
<td>141,055</td>
<td>134,736</td>
<td>57,022</td>
<td>30,145</td>
</tr>
<tr>
<td>Banks and other financial institutions operating outside Mainland China</td>
<td>350,893</td>
<td>365,371</td>
<td>388,171</td>
<td>419,098</td>
</tr>
<tr>
<td></td>
<td>491,948</td>
<td>500,107</td>
<td>445,193</td>
<td>449,243</td>
</tr>
<tr>
<td></td>
<td>1,706,549</td>
<td>2,016,799</td>
<td>1,596,232</td>
<td>1,920,782</td>
</tr>
</tbody>
</table>

35. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchases of securities, bills and cash received as collateral on securities lending.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchases (note 25(i))</td>
<td>1,009,092</td>
<td>561,031</td>
<td>810,610</td>
<td>304,987</td>
</tr>
<tr>
<td>Cash received as collateral on securities lending</td>
<td>37,246</td>
<td>28,275</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>1,046,338</td>
<td>589,306</td>
<td>810,610</td>
<td>304,987</td>
</tr>
<tr>
<td>Repurchases analysed by counterparty:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>865,350</td>
<td>366,384</td>
<td>809,823</td>
<td>304,587</td>
</tr>
<tr>
<td>Other financial institutions</td>
<td>143,742</td>
<td>194,647</td>
<td>787</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>1,009,092</td>
<td>561,031</td>
<td>810,610</td>
<td>304,987</td>
</tr>
<tr>
<td>Repurchases analysed by collateral:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>998,466</td>
<td>553,278</td>
<td>800,007</td>
<td>297,234</td>
</tr>
<tr>
<td>Bills</td>
<td>10,626</td>
<td>7,753</td>
<td>10,603</td>
<td>7,753</td>
</tr>
<tr>
<td></td>
<td>1,009,092</td>
<td>561,031</td>
<td>810,610</td>
<td>304,987</td>
</tr>
</tbody>
</table>

36. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by Hong Kong Branch, Tokyo Branch, Luxembourg Branch, Seoul Branch, Doha Branch, New York Branch, Sydney Branch, Abu Dhabi Branch, Mumbai Branch, London Branch, Dubai (DIFC) Branch, ICBC Asia, ICBC London, ICBC Macau, ICBC New Zealand and ICBC Standard were recognised at amortised cost.
37. DUE TO CUSTOMERS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand deposits:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate customers</td>
<td>6,069,804</td>
<td>5,271,686</td>
<td>5,939,577</td>
<td>5,156,745</td>
</tr>
<tr>
<td>Personal customers</td>
<td>3,820,392</td>
<td>3,720,374</td>
<td>3,753,389</td>
<td>3,655,850</td>
</tr>
<tr>
<td><strong>Time deposits:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate customers</td>
<td>4,487,885</td>
<td>4,176,834</td>
<td>4,124,225</td>
<td>3,865,570</td>
</tr>
<tr>
<td>Personal customers</td>
<td>4,559,714</td>
<td>4,419,907</td>
<td>4,455,063</td>
<td>4,321,056</td>
</tr>
<tr>
<td>Others</td>
<td>288,554</td>
<td>236,501</td>
<td>288,279</td>
<td>236,366</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,226,349</td>
<td>17,825,302</td>
<td>18,560,533</td>
<td>17,235,587</td>
</tr>
</tbody>
</table>

38. DEBT SECURITIES ISSUED

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subordinated bonds and Tier 2 Capital Notes issued by</strong> (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Bank</td>
<td>269,143</td>
<td>181,999</td>
<td>269,143</td>
<td>181,999</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>11,965</td>
<td>12,812</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>281,108</td>
<td>194,811</td>
<td>269,143</td>
<td>181,999</td>
</tr>
<tr>
<td><strong>Other debt securities issued by</strong> (2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Bank</td>
<td>167,132</td>
<td>97,447</td>
<td>167,132</td>
<td>97,447</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>78,700</td>
<td>65,679</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>245,832</td>
<td>163,126</td>
<td>167,132</td>
<td>97,447</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>526,940</td>
<td>357,937</td>
<td>436,275</td>
<td>279,446</td>
</tr>
</tbody>
</table>

As at 31 December 2017, the amount of debt securities issued due within one year was RMB41,820 million (31 December 2016: RMB28,277 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2009, 2010, 2011, 2012, 2014 and 2017. Approved by the PBOC, these subordinated bonds were traded in the bond market among banks. The relevant information on these subordinated bonds is set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Issue date</th>
<th>Issue Price</th>
<th>Amount</th>
<th>Ending balance</th>
<th>Coupon rate</th>
<th>Value date</th>
<th>Maturity date</th>
<th>Circulation date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>09 ICBC 02 Bond</td>
<td>16/07/2009</td>
<td>100 Yuan</td>
<td>24,000</td>
<td>24,000</td>
<td>4.00%</td>
<td>20/07/2009</td>
<td>20/07/2024</td>
<td>20/08/2009</td>
<td>(i)</td>
</tr>
<tr>
<td>10 ICBC 02 Bond</td>
<td>10/09/2010</td>
<td>100 Yuan</td>
<td>16,200</td>
<td>16,200</td>
<td>4.10%</td>
<td>14/09/2010</td>
<td>14/09/2025</td>
<td>03/11/2010</td>
<td>(ii)</td>
</tr>
<tr>
<td>11 ICBC 01 Bond</td>
<td>29/06/2011</td>
<td>100 Yuan</td>
<td>38,000</td>
<td>38,000</td>
<td>5.56%</td>
<td>30/06/2011</td>
<td>30/06/2021</td>
<td>30/08/2011</td>
<td>(iii)</td>
</tr>
<tr>
<td>11 ICBC 02 Bond</td>
<td>29/12/2011</td>
<td>100 Yuan</td>
<td>50,000</td>
<td>50,000</td>
<td>5.50%</td>
<td>30/12/2011</td>
<td>30/12/2026</td>
<td>17/01/2012</td>
<td>(iv)</td>
</tr>
<tr>
<td>12 ICBC 01 Bond</td>
<td>11/06/2012</td>
<td>100 Yuan</td>
<td>20,000</td>
<td>20,000</td>
<td>4.99%</td>
<td>13/06/2012</td>
<td>13/06/2027</td>
<td>13/07/2012</td>
<td>(v)</td>
</tr>
<tr>
<td>14 ICBC 01 Bond</td>
<td>04/08/2014</td>
<td>100 Yuan</td>
<td>20,000</td>
<td>20,000</td>
<td>5.80%</td>
<td>05/08/2014</td>
<td>05/08/2024</td>
<td>24/09/2014</td>
<td>(vi)</td>
</tr>
<tr>
<td>17 ICBC 01 Bond</td>
<td>06/11/2017</td>
<td>100 Yuan</td>
<td>44,000</td>
<td>44,000</td>
<td>4.45%</td>
<td>08/11/2017</td>
<td>08/11/2027</td>
<td>10/11/2017</td>
<td>(vii)</td>
</tr>
<tr>
<td>17 ICBC 02 Bond</td>
<td>20/11/2017</td>
<td>100 Yuan</td>
<td>44,000</td>
<td>44,000</td>
<td>4.45%</td>
<td>22/11/2017</td>
<td>22/11/2027</td>
<td>23/11/2017</td>
<td>(viii)</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
Financial Statements for the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

(i) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points thereafter.

(ii) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.

(iii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(iv) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(v) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds on 5 August 2019 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds on 8 November 2022 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 22 November 2022 upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Issue date</th>
<th>Currency</th>
<th>Issue Price</th>
<th>Amount (Original Currency)</th>
<th>Ending balance (In RMB)</th>
<th>Coupon rate</th>
<th>Value date</th>
<th>Maturity date</th>
<th>Circulation date</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2 Capital Notes</td>
<td>15/09/2015</td>
<td>USD</td>
<td>99.189</td>
<td>2,000</td>
<td>13,023</td>
<td>4.875%</td>
<td>21/09/2015</td>
<td>21/09/2025</td>
<td>22/09/2015</td>
<td>(ix)</td>
</tr>
</tbody>
</table>

(ix) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and Tier 2 Capital Notes during the current year (2016: Nil).

Subsidiaries:

On 2 December 2009, ICBC Standard issued a subordinated bond with an amount of USD500 million, bearing a fixed interest rate of 8.125% per annum and with maturity due on 2 December 2019.

On 30 November 2010, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020.

On 10 October 2013, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 4.50% per annum. The bond was issued at the price fixed at 99.463% of the nominal amount with maturity due on 10 October 2023.

On 10 September 2014, ICBC Macau issued a subordinated bond with an aggregate nominal amount of USD320 million, bearing a floating interest rate. The bond was issued at the price fixed at 99.298% of the nominal amount with maturity due on 10 September 2024.

The above subordinated bonds and notes are separately listed on the London Stock Exchange Plc and the Stock Exchange of Hong Kong Limited. ICBC Standard, ICBC Asia and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and notes during the period (2016: Nil).
(2) Other debt securities issued

As at 31 December 2017, the Group’s other debt securities issued mainly include:

The Bank:

(i) Sydney Branch issued notes amounting to RMB13,963 million denominated in AUD, CHF, RMB, HKD and USD with maturities between 2018 and 2024 at fixed or floating interest rates. Of which, in 2017, Sydney Branch issued notes amounting to RMB2,541 million denominated in AUD at floating interest rates with maturities in 2018 and 2020.

(ii) Singapore Branch issued notes amounting to RMB28,142 million denominated in RMB and USD with maturities between 2018 and 2022 at fixed or floating interest rates. Of which, in 2017, Singapore Branch issued notes amounting to RMB12,996 million denominated in RMB at floating interest rates.

(iii) Tokyo Branch issued notes amounting to RMB1,888 million denominated in JPY and RMB with maturities in 2018 and 2019 at fixed interest rates. Of which, in 2017, Tokyo Branch issued notes amounting to RMB520 million denominated in JPY at floating interest rates.

(iv) New York Branch issued notes amounting to RMB43,948 million denominated in USD with maturities between 2018 and 2027 at fixed or floating interest rates. Of which, in 2017, New York Branch issued notes amounting to RMB20,702 million denominated in USD at fixed or floating interest rates.

(v) Luxembourg Branch issued notes amounting to RMB29,844 million denominated in USD and EUR with maturities between 2018 and 2022 at fixed or floating interest rates. Of which, in 2017, Luxembourg Branch issued notes amounting to RMB14,887 million denominated in USD and EUR at floating interest rates.

(vi) Dubai (DIFC) Branch issued notes amounting to RMB16,850 million denominated in USD and EUR with maturities between 2019 and 2022 at fixed or floating interest rates. Of which, in 2017, Dubai (DIFC) Branch issued notes amounting to RMB9,476 million denominated in USD at floating interest rates.

(vii) Hong Kong Branch issued notes amounting to RMB22,084 million denominated in USD with maturities between 2019 and 2022 at fixed interest rates. Of which, in 2017, Hong Kong Branch issued notes amounting to RMB18,846 million denominated in USD at fixed interest rates.

(viii) London Branch issued notes amounting to RMB9,116 million denominated in USD with maturities between 2019 and 2022 at floating interest rates. Of which, in 2017, London Branch issued notes amounting to RMB5,860 million denominated in USD at floating interest rates.

(ix) The Head Office issued debt securities in Hong Kong amounting to RMB500 million denominated in RMB with maturity in 2019 at fixed interest rates.

(x) The Head Office issued debt securities in London amounting to RMB699 million denominated in RMB with maturity in 2018 at fixed interest rates.
Subsidiaries:

(i) ICBC Asia issued notes and interbank deposit amounting to RMB1,986 million denominated in RMB, USD, EUR and HKD with maturities in 2018 and 2020 at fixed or floating interest rates. Of which, in 2017, ICBC Asia issued notes amounting to RMB605 million denominated in RMB, USD, EUR and HKD with maturities in 2018 and 2020 at fixed or floating interest rates and issued interbank deposit amounting to RMB495 million denominated in RMB with maturities in 2018.

(ii) ICBC Financial Leasing issued medium and long term debt securities and notes amounting to RMB61,391 million denominated in RMB and USD with maturities between 2018 and 2027 at fixed or floating interest rates. Of which, Skysea International Capital Management Limited (“Skysea International”), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 31 December 2017, Skysea International has redeemed USD153 million and the carrying amount of the Notes were RMB3,840 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturity due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co., Ltd., which is controlled by the Group, issued medium and long term notes amounting to RMB56,490 million denominated in RMB and USD, with maturities between 2018 and 2027 at fixed or floating interest rates. Of which, in 2017, ICBCIL Finance Co., Ltd. issued medium and long term notes amounting to RMB19,521 million denominated in USD, with maturities between 2020 and 2027 at fixed interest rates. By satisfying certain conditions, ICBCIL Finance Co., Ltd. has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Financial Leasing Co., Ltd. and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB1,061 million denominated in USD with maturity in 2025 at a fixed interest rate. The bond was guaranteed by The Export-Import Bank of Korea.

(iii) ICBC Thai issued debt securities amounting to RMB5,239 million denominated in THB with maturities between 2018 and 2026 at fixed interest rates. Of which, in 2017, ICBC Thai issued debt securities of RMB2,328 million denominated in THB with maturities between 2018 and 2021 at fixed interest rates.

(iv) ICBC International issued medium and long term bonds amounting to RMB8,740 million denominated in USD with maturities in 2019 and 2020 at fixed interest rates. Of which, in 2017, ICBC International issued medium and long term bonds amounting to RMB4,208 million denominated in USD with maturities in 2020 at fixed interest rates.

(v) ICBC New Zealand issued medium and long term bonds and notes amounting to RMB1,442 million denominated in AUD, NZD and USD with maturities between 2018 and 2022 at fixed or floating interest rates. Of which, in 2017, ICBC New Zealand issued medium and long term bonds and notes amounting to RMB1,310 million denominated in NZD and AUD with maturities between 2020 and 2022 at fixed or floating interest rates.
39. OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payable</td>
<td>242,399</td>
<td>243,064</td>
<td>234,991</td>
<td>237,369</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>158,083</td>
<td>220,899</td>
<td>113,252</td>
<td>169,899</td>
</tr>
<tr>
<td>Salaries, bonuses, allowances and subsidies payables (i)</td>
<td>26,716</td>
<td>24,924</td>
<td>23,557</td>
<td>22,923</td>
</tr>
<tr>
<td>Early retirement benefits</td>
<td>1,361</td>
<td>2,739</td>
<td>1,361</td>
<td>2,739</td>
</tr>
<tr>
<td>Sundry tax payables</td>
<td>11,906</td>
<td>10,916</td>
<td>11,298</td>
<td>10,552</td>
</tr>
<tr>
<td>Promissory notes</td>
<td>1,440</td>
<td>2,438</td>
<td>825</td>
<td>1,258</td>
</tr>
<tr>
<td>Others</td>
<td>161,595</td>
<td>132,850</td>
<td>51,092</td>
<td>36,496</td>
</tr>
<tr>
<td></td>
<td>603,500</td>
<td>637,830</td>
<td>436,376</td>
<td>481,236</td>
</tr>
</tbody>
</table>

(i) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 31 December 2017 (31 December 2016: Nil).

(ii) As at 31 December 2017, the amount of other liabilities due within one year was RMB550,736 million (31 December 2016: RMB514,673 million).

40. SHARE CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares (millions)</td>
<td>Nominal value</td>
<td>Number of shares (millions)</td>
<td>Nominal value</td>
</tr>
<tr>
<td>Issued and fully paid:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H shares of RMB1 Yuan each</td>
<td>86,795</td>
<td>86,795</td>
<td>86,795</td>
<td>86,795</td>
</tr>
<tr>
<td>A shares of RMB1 Yuan each</td>
<td>269,612</td>
<td>269,612</td>
<td>269,612</td>
<td>269,612</td>
</tr>
<tr>
<td></td>
<td>356,407</td>
<td>356,407</td>
<td>356,407</td>
<td>356,407</td>
</tr>
</tbody>
</table>

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends.
## 41. OTHER EQUITY INSTRUMENTS

### (1) Preference shares

#### (a) Preference shares outstanding at the end of the year

<table>
<thead>
<tr>
<th>Financial instrument outstanding</th>
<th>Issue date</th>
<th>Accounting classification</th>
<th>Dividend rate</th>
<th>Issue price</th>
<th>Amount (million shares)</th>
<th>In original currency (million)</th>
<th>In RMB (million)</th>
<th>Maturity</th>
<th>Conversion condition</th>
<th>Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Preference Shares in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>2014-12-10</td>
<td>Equity</td>
<td>6.00%</td>
<td>20USD/Share</td>
<td>147</td>
<td>2,940</td>
<td>17,991</td>
<td>None</td>
<td>Mandatory</td>
<td>No</td>
</tr>
<tr>
<td>EUR</td>
<td>2014-12-10</td>
<td>Equity</td>
<td>6.00%</td>
<td>15EUR/Share</td>
<td>40</td>
<td>600</td>
<td>4,558</td>
<td>None</td>
<td>Mandatory</td>
<td>No</td>
</tr>
<tr>
<td>RMB</td>
<td>2014-12-10</td>
<td>Equity</td>
<td>6.00%</td>
<td>100RMB/Share</td>
<td>120</td>
<td>12,000</td>
<td>12,000</td>
<td>None</td>
<td>Mandatory</td>
<td>No</td>
</tr>
<tr>
<td>Domestic Preference Shares in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RMB</td>
<td>2015-11-18</td>
<td>Equity</td>
<td>4.50%</td>
<td>100RMB/Share</td>
<td>450</td>
<td>45,000</td>
<td>45,000</td>
<td>None</td>
<td>Mandatory</td>
<td>No</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>757</td>
<td>79,549</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Issue fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>174</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>79,375</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### (b) Main Clauses

**(1) Overseas preference shares**

a. **Dividend**

Fixed rate for a certain period (5 years for USD and RMB tranche and 7 years for EUR tranche) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. **Conditions to distribution of dividends**

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Group’s capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder’s resolution to be passed.

c. **Dividend stopper**

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. **Order of distribution and liquidation method**

The USD, EUR and RMB Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.
e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

f. Redemption

Under the premise of obtaining the approval of the CBRC and condition of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. Redemption price is equal to issue price plus accrued dividend in current period.

USD Preference Shares: the First Redemption Date is five years after issuance
EUR Preference Shares: the First Redemption Date is seven years after issuance
RMB Preference Shares: the First Redemption Date is five years after issuance

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Group’s capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(2) Domestic preference shares

a. Dividend

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.
b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Group’s capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder’s resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

f. Redemption

After five years have elapsed since the date of issuance (18 November 2015) under the premise of obtaining the approval of the CBRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Group’s capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.
The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(c) Changes in preference shares outstanding

<table>
<thead>
<tr>
<th>Financial instrument outstanding</th>
<th>Preference shares</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overseas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>USD</td>
<td>EUR</td>
</tr>
<tr>
<td>1 January 2017 Amount (million shares)</td>
<td>147</td>
<td>40</td>
</tr>
<tr>
<td>and In original currency (million)</td>
<td>2,940</td>
<td>600</td>
</tr>
<tr>
<td>31 December 2017 In RMB (million)</td>
<td>17,991</td>
<td>4,558</td>
</tr>
</tbody>
</table>

Note: The RMB amounts of offshore preference shares in U.S. dollar and Euro on 31 December 2017 are translated at the spot exchange rate on issuance date.

(2) Perpetual Bond

(a) Perpetual bond outstanding at the end of the year

<table>
<thead>
<tr>
<th>Financial instrument outstanding</th>
<th>Issue date</th>
<th>Accounting classification</th>
<th>Interest rate</th>
<th>Issue price</th>
<th>Amount (million pieces)</th>
<th>In original currency (million)</th>
<th>In RMB (million)</th>
<th>Maturity</th>
<th>Conversion condition</th>
<th>Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD Perpetual bond</td>
<td>2016-07-21</td>
<td>Equity</td>
<td>4.25%</td>
<td>1,000/USD Piece</td>
<td>1</td>
<td>1,000</td>
<td>6,691</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>6,691</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Issue fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,676</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) Main Clauses

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as “Perpetual Bond”) in the aggregate amount of US$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 per cent. per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as “HKMA”) if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contain Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

1. reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;
2. the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or
3. the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.
Notes to the Financial Statements
Financial Statements for the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

(c) Changes in perpetual bond outstanding

<table>
<thead>
<tr>
<th>Financial instrument outstanding</th>
<th>1 January 2017</th>
<th>Movement during the year</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (million pieces)</td>
<td>In original currency (million)</td>
<td>In RMB (million)</td>
</tr>
<tr>
<td>USD Perpetual bond</td>
<td>1,000</td>
<td>6,691</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>1,000</td>
<td>6,691</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: The RMB amount of perpetual bond on 31 December 2017 is translated at the spot exchange rate on issuance date.

(3) Interests attribute to equity instruments’ holders

<table>
<thead>
<tr>
<th>Equity instrument</th>
<th>1 January 2017</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total equity attribute to equity holders of the parent company</td>
<td>1,969,751</td>
<td>2,127,491</td>
</tr>
<tr>
<td>(1) Equity attribute to ordinary equity holders of the parent company</td>
<td>1,883,700</td>
<td>2,041,440</td>
</tr>
<tr>
<td>(2) Equity attribute to other equity holders of the parent company</td>
<td>86,051</td>
<td>86,051</td>
</tr>
<tr>
<td>2. Total equity attribute to non-controlling interests</td>
<td>11,412</td>
<td>13,565</td>
</tr>
<tr>
<td>(1) Equity attribute to non-controlling interests of ordinary shares</td>
<td>11,412</td>
<td>13,565</td>
</tr>
<tr>
<td>(2) Equity attribute to non-controlling interests of other equity instruments</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

42. RESERVES
(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People’s Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors’ meeting held on 27 March 2018, the total appropriation to surplus reserve of the Bank was RMB27,166 million (2016: RMB26,312 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the generally accepted accounting principles of PRC (“PRC GAAP”) to the statutory surplus reserve, in the amount of RMB27,059 million (2016: RMB26,228 million) was approved and the total surplus reserve made by some overseas branches was RMB107 million (2016: RMB84 million) pursuant to the requirements of local authorities.
(ii)  **Discretionary surplus reserve**

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) **Other surplus reserve**

The Bank’s overseas entities appropriate their profits to the surplus reserve in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c)  **General reserve**

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year end balance of its risk assets.

The Bank’s subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The general reserve balance of the Bank as at 31 December 2017 amounted to RMB 259,374 million (2016: RMB246,308 million), which has reached 1.5% of the year end balance of the Bank’s risk assets.

(d)  **Investment revaluation reserve**

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e)  **Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f)  **Cash flow hedge reserve**

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g)  **Other reserves**

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h)  **Distributable profits**

The Bank’s distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank’s subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.
The statement of changes in equity of the Bank during the year are set out below.

<table>
<thead>
<tr>
<th>Issued share capital</th>
<th>Other equity instruments</th>
<th>Capital reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Investment revaluation reserve</th>
<th>Foreign currency translation reserve</th>
<th>Cash flow hedging reserve</th>
<th>Other reserves</th>
<th>Subtotal</th>
<th>Retained profits</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2016</td>
<td>356,407</td>
<td>79,375</td>
<td>156,195</td>
<td>175,668</td>
<td>241,509</td>
<td>28,469</td>
<td>(1,601)</td>
<td>(4,079)</td>
<td>–</td>
<td>596,181</td>
<td>729,783</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>261,218</td>
<td>261,218</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(26,055)</td>
<td>1,364</td>
<td>(672)</td>
<td>(81)</td>
<td>125,044</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(26,055)</td>
<td>1,364</td>
<td>(672)</td>
<td>(81)</td>
<td>125,044</td>
</tr>
<tr>
<td>Dividends – ordinary shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends – preference shares (note 18)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriation to surplus reserve (i)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>26,312</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>26,312</td>
<td>(26,312)</td>
</tr>
<tr>
<td>Appropriation to general reserve (ii)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>–</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>Balance as at 31 December 2016 and 1 January 2017</td>
<td>356,407</td>
<td>79,375</td>
<td>156,204</td>
<td>201,980</td>
<td>246,308</td>
<td>2,434</td>
<td>(237)</td>
<td>(4,751)</td>
<td>(81)</td>
<td>601,857</td>
<td>872,290</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>269,205</td>
<td>269,205</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(31,760)</td>
<td>(968)</td>
<td>786</td>
<td>152</td>
<td>(31,790)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(31,760)</td>
<td>(968)</td>
<td>786</td>
<td>152</td>
<td>(31,790)</td>
</tr>
<tr>
<td>Dividends – ordinary shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends – preference shares (note 18)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriation to surplus reserve (i)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>27,166</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>27,166</td>
<td>(27,166)</td>
</tr>
<tr>
<td>Appropriation to general reserve (ii)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance as at 31 December 2017</td>
<td>356,407</td>
<td>79,375</td>
<td>156,204</td>
<td>229,146</td>
<td>250,374</td>
<td>25,926</td>
<td>(1,205)</td>
<td>(3,965)</td>
<td>71</td>
<td>619,299</td>
<td>1,013,320</td>
</tr>
</tbody>
</table>

(i) Includes the appropriation made by overseas branches in the amount of RMB107 million (2016: RMB84 million).

(ii) Includes the appropriation made by overseas branches in the amount of RMB20 million (2016: Nil).

### 43. COMPONENTS OF OTHER COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items that will not be reclassified to profit or loss:</td>
<td></td>
</tr>
<tr>
<td>Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss</td>
<td>(29)</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
</tr>
<tr>
<td>Net loss from change in fair value of available-for-sale financial assets</td>
<td>(43,742)</td>
</tr>
<tr>
<td>Less: Transfer to profit or loss arising from disposal/impairment</td>
<td>(631)</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>10,879</td>
</tr>
<tr>
<td>(33,494)</td>
<td>(29,449)</td>
</tr>
<tr>
<td>Effective hedging portion of gains or losses arising from cash flow hedging instruments:</td>
<td></td>
</tr>
<tr>
<td>Gains/(losses) during the year</td>
<td>965</td>
</tr>
<tr>
<td>Less: Income tax effect</td>
<td>(26)</td>
</tr>
<tr>
<td>939</td>
<td>(751)</td>
</tr>
<tr>
<td>Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss</td>
<td>(757)</td>
</tr>
<tr>
<td>Foreign currency translation differences</td>
<td>(8,752)</td>
</tr>
<tr>
<td>Others</td>
<td>712</td>
</tr>
<tr>
<td>(41,378)</td>
<td>(17,515)</td>
</tr>
</tbody>
</table>
44. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group held an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, wealth management products, asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions:

<table>
<thead>
<tr>
<th>Group</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount</td>
<td>Maximum exposure</td>
</tr>
<tr>
<td>Investment funds</td>
<td>10,919</td>
<td>10,919</td>
</tr>
<tr>
<td>Wealth management products</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Asset management plans</td>
<td>267,379</td>
<td>267,379</td>
</tr>
<tr>
<td>Trust plans</td>
<td>24,200</td>
<td>24,200</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>24,400</td>
<td>24,400</td>
</tr>
<tr>
<td></td>
<td>327,098</td>
<td>327,098</td>
</tr>
</tbody>
</table>

The following table sets out an analysis of the line items in the statement of financial position in which assets were recognised relating to the Group’s interests in structured entities sponsored by third parties:

<table>
<thead>
<tr>
<th>Group</th>
<th>31 December 2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held-to maturity investments</td>
<td>Available-for-sale financial assets</td>
</tr>
<tr>
<td>Investment funds</td>
<td>–</td>
<td>7,976</td>
</tr>
<tr>
<td>Wealth management products</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Asset management plans</td>
<td>–</td>
<td>6,164</td>
</tr>
<tr>
<td>Trust plans</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>54</td>
<td>18,549</td>
</tr>
<tr>
<td></td>
<td>54</td>
<td>32,689</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
Financial Statements for the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Group</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held-to-maturity investments</td>
</tr>
<tr>
<td>Investment funds</td>
<td>–</td>
</tr>
<tr>
<td>Wealth management products</td>
<td>–</td>
</tr>
<tr>
<td>Asset management plans</td>
<td>–</td>
</tr>
<tr>
<td>Trust plans</td>
<td>–</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>179</td>
</tr>
<tr>
<td></td>
<td>179</td>
</tr>
</tbody>
</table>

The maximum exposures to loss in the above investment funds, wealth management products, asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(b) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2017, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2017, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,665,795 million (31 December 2016: RMB2,423,950 million) and RMB1,296,300 million (31 December 2016: RMB1,127,964 million) respectively.

(c) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2017

During the year of 2017, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB4,107 million (2016: RMB2,169 million).

During the year of 2017, the amount of income received from such category of investment funds was RMB1,914 million. (2016: RMB1 million).

The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2017 but matured before 31 December 2017 was RMB1,439,371 million (The aggregate amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 was RMB252,931 million).

The aggregate amount of the investment funds sponsored and issued by the Group after 1 January 2017 but matured before 31 December 2017 was RMB42,400 million (The aggregate amount of the investment funds sponsored and issued by the Group after 1 January 2016 but matured before 31 December 2016 was RMB5,244 million).
45. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of balances of cash and cash equivalents

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>75,214</td>
<td>84,572</td>
</tr>
<tr>
<td>Balances with central banks other than restricted deposits</td>
<td>177,357</td>
<td>113,106</td>
</tr>
<tr>
<td>Nostro accounts with banks and other financial institutions with original maturity of three months or less</td>
<td>292,694</td>
<td>86,312</td>
</tr>
<tr>
<td>Placements with banks and other financial institutions with original maturity of three months or less</td>
<td>195,393</td>
<td>249,296</td>
</tr>
<tr>
<td>Reverse repurchase agreements with original maturity of three months or less</td>
<td>779,672</td>
<td>656,082</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,520,330</strong></td>
<td><strong>1,189,368</strong></td>
</tr>
</tbody>
</table>

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

<table>
<thead>
<tr>
<th>Group</th>
<th>Liabilities</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt securities issued</td>
<td>Interest payable on securities</td>
</tr>
<tr>
<td>Balance as at 1 January 2017</td>
<td>357,937</td>
<td>940,663</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital injection by non-controlling shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of debt securities</td>
<td>943,954</td>
<td></td>
</tr>
<tr>
<td>Interest paid on debt securities</td>
<td>–</td>
<td>849</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of debt securities</td>
<td>(759,095)</td>
<td></td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid on ordinary shares</td>
<td></td>
<td>(83,506)</td>
</tr>
<tr>
<td>Dividends paid on preference shares</td>
<td></td>
<td>(4,437)</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>184,859</td>
<td>849</td>
</tr>
<tr>
<td>The effect of changes in foreign exchange rates</td>
<td>(16,043)</td>
<td></td>
</tr>
<tr>
<td>Amortisation of debt securities</td>
<td>187</td>
<td></td>
</tr>
<tr>
<td>Total liability-related other changes</td>
<td>187</td>
<td></td>
</tr>
<tr>
<td>Total equity-related other changes</td>
<td></td>
<td>261,043</td>
</tr>
<tr>
<td>Balance as at 31 December 2017</td>
<td>526,940</td>
<td>4,619</td>
</tr>
</tbody>
</table>

46. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase
or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral in certain circumstance. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount of transferred assets</td>
<td>Carrying amount of associated liabilities</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>44,458</td>
<td>44,433</td>
</tr>
<tr>
<td>Securities lending agreements</td>
<td>277,169</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>321,627</td>
<td>44,433</td>
</tr>
</tbody>
</table>

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has retained control of them, those financial assets are recognised on the statement of financial position to the extent of the Group’s continuing involvement. The Group recognises the assets on the statement of financial position in accordance with the Group’s continuing involvement and the rest is derecognised. The extent of the Group’s continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 31 December 2017, loans with an original carrying amount of RMB91,855 million (31 December 2016: RMB45,290 million) had been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 31 December 2017, the carrying amount of assets that the Group continues to recognise was RMB5,466 million (31 December 2016: RMB2,107 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. As at 31 December 2017, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2016: Nil).

47. SHARE APPRECIATION RIGHTS PLAN

The Bank’s share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank’s H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

48. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group and the Bank had capital commitments as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised, but not contracted for</td>
<td>644</td>
<td>535</td>
</tr>
<tr>
<td>Contracted, but not provided for</td>
<td>22,380</td>
<td>27,833</td>
</tr>
<tr>
<td></td>
<td>23,024</td>
<td>28,368</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

Financial Statements for the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

Annual Report 2017

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group and the Bank leased certain office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>5,451</td>
<td>5,455</td>
<td>4,961</td>
<td>4,922</td>
</tr>
<tr>
<td>Over one year but within five years</td>
<td>9,166</td>
<td>9,899</td>
<td>8,280</td>
<td>9,034</td>
</tr>
<tr>
<td>Over five years</td>
<td>1,011</td>
<td>2,266</td>
<td>808</td>
<td>2,044</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,628</strong></td>
<td><strong>17,620</strong></td>
<td><strong>14,049</strong></td>
<td><strong>16,000</strong></td>
</tr>
</tbody>
</table>

Operating lease commitments — Lessor

At the end of the reporting period, the Group leased certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group 2017</th>
<th>Group 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>10,551</td>
<td>10,046</td>
</tr>
<tr>
<td>Over one year but within five years</td>
<td>42,806</td>
<td>39,092</td>
</tr>
<tr>
<td>Over five years</td>
<td>35,255</td>
<td>37,331</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>88,612</strong></td>
<td><strong>86,469</strong></td>
</tr>
</tbody>
</table>

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank acceptances</td>
<td>245,542</td>
<td>271,691</td>
<td>240,052</td>
<td>265,625</td>
</tr>
<tr>
<td>Guarantees issued:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing letters of guarantees</td>
<td>160,947</td>
<td>137,076</td>
<td>215,556</td>
<td>175,554</td>
</tr>
<tr>
<td>Non-financing letters of guarantees</td>
<td>337,930</td>
<td>295,471</td>
<td>362,367</td>
<td>301,898</td>
</tr>
<tr>
<td>Sight letters of credit</td>
<td>37,353</td>
<td>45,752</td>
<td>34,556</td>
<td>42,966</td>
</tr>
<tr>
<td>Usance letters of credit and other commitments</td>
<td>153,182</td>
<td>143,393</td>
<td>147,524</td>
<td>135,910</td>
</tr>
<tr>
<td>Loan commitments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With an original maturity of under one year</td>
<td>234,675</td>
<td>173,392</td>
<td>221,628</td>
<td>159,962</td>
</tr>
<tr>
<td>With an original maturity of one year or over</td>
<td>1,439,090</td>
<td>1,064,189</td>
<td>1,383,145</td>
<td>1,011,280</td>
</tr>
<tr>
<td>Undrawn credit card limit</td>
<td>902,217</td>
<td>647,448</td>
<td>871,289</td>
<td>620,680</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,510,936</strong></td>
<td><strong>2,778,412</strong></td>
<td><strong>3,476,117</strong></td>
<td><strong>2,713,875</strong></td>
</tr>
</tbody>
</table>
(d) Legal proceedings

As at 31 December 2017, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,496 million (31 December 2016: RMB5,515 million).

In the opinion of management, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group and the Bank.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2017, the Bank had underwritten and sold bonds with an accumulated amount of RMB87,981 million (31 December 2016: RMB97,646 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2017, the Group and the Bank had no unexpired securities underwriting obligations (31 December 2016: Nil).

49. DESIGNATED FUNDS AND LOANS

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Designated funds</td>
<td>1,327,990</td>
<td>1,170,264</td>
</tr>
<tr>
<td>Designated loans</td>
<td>1,327,433</td>
<td>1,169,979</td>
</tr>
</tbody>
</table>

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

50. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2017, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB878,823 million (31 December 2016: RMB341,593 million).
51. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in “net fee and commission income” set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group’s consolidated statement of financial position.

52. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2017, the MOF directly owned approximately 34.60% (31 December 2016: approximately 34.60%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the major transactions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at end of the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The PRC government bonds and the special government bond</td>
<td>927,432</td>
<td>847,923</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions during the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription of the PRC government bonds</td>
<td>351,138</td>
<td>225,366</td>
</tr>
<tr>
<td>Redemption of the PRC government bonds</td>
<td>184,792</td>
<td>127,314</td>
</tr>
<tr>
<td>Interest income on the PRC government bonds</td>
<td>31,366</td>
<td>31,006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate ranges during the year:</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Bond investments</td>
<td>2.10 to 5.41</td>
<td>2.10 to 6.15</td>
</tr>
</tbody>
</table>

As at 31 December 2017, the Group holds a series of long-term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB90,309 million (31 December 2016: RMB94,249 million). The details of the Huarong bonds are included in note 27.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 52(g) “transactions with state-owned entities in the PRC”.

(ii) Huijin

As at 31 December 2017, Central Huijin Investment Ltd (“Huijin”) directly owned approximately 34.71% (31 December 2016: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2017, the Huijin Bonds held by the Bank are of an aggregate face value of RMB22.75 billion (31 December 2016: RMB16.91 billion), with terms ranging from 3 to 30 years and coupon rates ranging from 3.16% to 4.98% per annum. The Huijin Bonds are government-backed and medium-term notes. The Bank’s subscription of the Huijin
Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the major transactions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balances at end of the year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities purchased</td>
<td>21,934</td>
<td>16,786</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>317</td>
<td>200</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>27,000</td>
<td>–</td>
</tr>
<tr>
<td>Due to customers</td>
<td>5,606</td>
<td>5</td>
</tr>
<tr>
<td>Interest payable</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>–</td>
<td>2,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transactions during the year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income on debt securities purchased</td>
<td>672</td>
<td>621</td>
</tr>
<tr>
<td>Interest income on loans and advances to customers</td>
<td>603</td>
<td>–</td>
</tr>
<tr>
<td>Interest expense on amounts due to customers</td>
<td>202</td>
<td>50</td>
</tr>
<tr>
<td>Net loss on financial liabilities designated at fair value through profit or loss</td>
<td>26</td>
<td>146</td>
</tr>
<tr>
<td>Interest rate ranges during the year:</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Debt securities purchased</td>
<td>3.16 to 4.98</td>
<td>3.16 to 4.20</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>3.92 to 4.75</td>
<td>–</td>
</tr>
<tr>
<td>Due to customers</td>
<td>0.30 to 1.76</td>
<td>0.30 to 1.76</td>
</tr>
</tbody>
</table>

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the year conducted with these banks and financial institutions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balances at end of the year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities purchased</td>
<td>650,186</td>
<td>781,753</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>128,185</td>
<td>59,283</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>691</td>
<td>702</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>6,431</td>
<td>2,329</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>157,412</td>
<td>140,601</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>6,023</td>
<td>2,533</td>
</tr>
<tr>
<td>Due to customers</td>
<td>10,758</td>
<td>18,317</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>15,954</td>
<td>13,530</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transactions during the year:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income on debt securities purchased</td>
<td>23,758</td>
<td>28,746</td>
</tr>
<tr>
<td>Interest income on amounts due from banks and other financial institutions</td>
<td>418</td>
<td>130</td>
</tr>
<tr>
<td>Interest income on loans and advances to customers</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>Interest expense on amounts due to banks and other financial institutions</td>
<td>911</td>
<td>1,051</td>
</tr>
<tr>
<td>Interest expense on amounts due to customers</td>
<td>284</td>
<td>519</td>
</tr>
<tr>
<td>Interest rate ranges during the year:</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Debt securities purchased</td>
<td>0.13 to 7.67</td>
<td>0.12 to 6.80</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>0 to 10.00</td>
<td>0 to 15.00</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>2.31 to 4.13</td>
<td>1.33 to 6.50</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>0 to 9.07</td>
<td>0 to 6.95</td>
</tr>
<tr>
<td>Due to customers</td>
<td>0 to 7.20</td>
<td>0.01 to 2.00</td>
</tr>
</tbody>
</table>
The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain major or long dated transactions can vary across the market.

(b) Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at end of the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities purchased</td>
<td>10,063</td>
<td>25,971</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>387,233</td>
<td>427,149</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>37,385</td>
<td>15,442</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>757</td>
<td>8,757</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>383,376</td>
<td>435,283</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>4,353</td>
<td>3,643</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>1,235</td>
<td>18,456</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>5,913</td>
<td>21,328</td>
</tr>
<tr>
<td>Financial investments</td>
<td>4,415</td>
<td>3,599</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>144,810</td>
<td>103,473</td>
</tr>
</tbody>
</table>

Transactions during the year:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on debt securities purchased</td>
<td>147</td>
<td>135</td>
</tr>
<tr>
<td>Interest income on amounts due from banks and other financial institutions</td>
<td>1,186</td>
<td>955</td>
</tr>
<tr>
<td>Interest income on loans and advances to customers</td>
<td>265</td>
<td>314</td>
</tr>
<tr>
<td>Interest expense on amounts due to banks and other financial institutions</td>
<td>1,262</td>
<td>917</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>1,566</td>
<td>1,635</td>
</tr>
</tbody>
</table>

Interest rate ranges during the year:

- Debt securities purchased: 0.50 to 4.00%
- Due from banks and other financial institutions: -0.42 to 105.00%
- Loans and advances to customers: 0.25 to 6.15%
- Due to banks and other financial institutions: -0.36 to 105.00%

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(c) Associates and affiliates

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at end of the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>3,075</td>
<td>1,714</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,667</td>
<td>1,802</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>1,238</td>
<td>1,151</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>17,535</td>
<td>8,588</td>
</tr>
<tr>
<td>Due to customers</td>
<td>121</td>
<td>7</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>1,178</td>
<td>941</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>65</td>
<td>43</td>
</tr>
</tbody>
</table>

Transactions during the year:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on amounts due from banks and other financial institutions</td>
<td>16</td>
<td>57</td>
</tr>
<tr>
<td>Interest income on loans and advances to customers</td>
<td>55</td>
<td>163</td>
</tr>
<tr>
<td>Interest expense on amounts due to banks and other financial institutions</td>
<td>133</td>
<td>104</td>
</tr>
<tr>
<td>Interest expense on amounts due to customers</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Interest rate ranges during the year:

- Due from banks and other financial institutions: 0 to 2.50%
- Loans and advances to customers: 0.50 to 14.00%
- Due to banks and other financial institutions: 0 to 8.54%
- Due to customers: 0 to 2.30%
The major transactions between the Group and the associates and their affiliates mainly comprised due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Joint ventures and affiliates

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at end of the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to customers</td>
<td>145</td>
<td>227</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions during the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense on amounts due to customers</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Interest rate ranges during the year:</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Due to customers</td>
<td>0.01 to 1.30</td>
<td>0 to 1.30</td>
</tr>
</tbody>
</table>

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 13 above, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017 RMB'000</th>
<th>2016 RMB'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employment benefits</td>
<td>4,396</td>
<td>4,716</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>304</td>
<td>151</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,700</strong></td>
<td><strong>4,867</strong></td>
</tr>
</tbody>
</table>

Note: The above remuneration before tax payable to key management personnel for 2016 represents the total amount of annual remuneration, which includes the amount disclosed in the 2016 Annual Report.

The total compensation packages for senior management of the Bank for the year ended 31 December 2017 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group’s and the Bank’s 2017 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017 RMB'000</th>
<th>2016 RMB'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>2,603</td>
<td>2,693</td>
</tr>
</tbody>
</table>

There were no other material transactions and balances with key management personnel on an individual basis for the year ended 31 December 2017. The Group enters into banking transactions with key management personnel in the normal course of business.
The aggregate balance of loans and credit card overdraft to the person which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB36.52 million as at 31 December 2017 (31 December 2016: RMB28.58 million).

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds A shares of the Bank with an amount of RMB21.58 million as at 31 December 2017 (31 December 2016: Nil).

(g) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

53. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group’s treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.
Others

This segment covers the Group’s assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as “internal net interest income/expense”. Net interest income and expense relating to third parties are referred to as “external net interest income/expense”.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

<table>
<thead>
<tr>
<th>Year ended 31 December 2017</th>
<th>Corporate banking</th>
<th>Personal banking</th>
<th>Treasury operations</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>External net interest income</td>
<td>251,100</td>
<td>58,384</td>
<td>212,594</td>
<td>–</td>
<td>522,078</td>
</tr>
<tr>
<td>Internal net interest income/(expense)</td>
<td>1,308</td>
<td>127,684</td>
<td>(128,992)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>76,923</td>
<td>62,325</td>
<td>377</td>
<td>–</td>
<td>139,625</td>
</tr>
<tr>
<td>Other income/(expense), net (i)</td>
<td>2,933</td>
<td>(474)</td>
<td>6,620</td>
<td>4,872</td>
<td>13,951</td>
</tr>
<tr>
<td>Operating income</td>
<td>332,264</td>
<td>247,919</td>
<td>90,599</td>
<td>4,872</td>
<td>675,654</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(70,089)</td>
<td>(93,935)</td>
<td>(15,857)</td>
<td>(6,313)</td>
<td>(186,194)</td>
</tr>
<tr>
<td>Impairment losses on:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(108,172)</td>
<td>(15,924)</td>
<td>–</td>
<td>–</td>
<td>(124,096)</td>
</tr>
<tr>
<td>Others</td>
<td>(1,130)</td>
<td>(217)</td>
<td>(2,029)</td>
<td>(297)</td>
<td>(3,673)</td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>152,873</td>
<td>137,843</td>
<td>72,713</td>
<td>(1,738)</td>
<td>361,691</td>
</tr>
<tr>
<td>Share of profits of associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,950</td>
<td>2,950</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>152,873</td>
<td>137,843</td>
<td>72,713</td>
<td>1,212</td>
<td>364,641</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td></td>
<td></td>
<td>(77,190)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>287,451</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other segment information:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,122</td>
<td>5,070</td>
<td>2,404</td>
<td>277</td>
<td>13,873</td>
</tr>
<tr>
<td>Amortisation</td>
<td>967</td>
<td>682</td>
<td>406</td>
<td>59</td>
<td>2,114</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>15,794</td>
<td>12,964</td>
<td>6,185</td>
<td>728</td>
<td>35,671</td>
</tr>
<tr>
<td>As at 31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>9,309,390</td>
<td>4,992,999</td>
<td>11,629,855</td>
<td>154,799</td>
<td>26,087,043</td>
</tr>
<tr>
<td>Including: Investments in associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>32,441</td>
<td>32,441</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>96,515</td>
<td>79,646</td>
<td>37,649</td>
<td>33,934</td>
<td>247,744</td>
</tr>
<tr>
<td>Other non-current assets (ii)</td>
<td>20,975</td>
<td>7,076</td>
<td>4,435</td>
<td>11,124</td>
<td>43,610</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>11,294,092</td>
<td>8,627,592</td>
<td>3,854,496</td>
<td>169,807</td>
<td>23,945,987</td>
</tr>
<tr>
<td>Other segment information:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit commitments</td>
<td>2,608,719</td>
<td>902,217</td>
<td>–</td>
<td>–</td>
<td>3,510,936</td>
</tr>
</tbody>
</table>

(i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.
Year ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Corporate banking</th>
<th>Personal banking</th>
<th>Treasury operations</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>External net interest income</td>
<td>242,432</td>
<td>30,433</td>
<td>198,981</td>
<td></td>
<td>471,846</td>
</tr>
<tr>
<td>Internal net interest (expense)/income</td>
<td>(13,456)</td>
<td>142,221</td>
<td>(128,765)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>79,012</td>
<td>65,882</td>
<td>79</td>
<td></td>
<td>144,973</td>
</tr>
<tr>
<td>Other income/(expense), net (i)</td>
<td>6,410</td>
<td>(403)</td>
<td>14,193</td>
<td>4,662</td>
<td>24,862</td>
</tr>
<tr>
<td>Operating income</td>
<td>314,398</td>
<td>238,133</td>
<td>84,488</td>
<td>4,662</td>
<td>641,681</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(76,432)</td>
<td>(93,718)</td>
<td>(16,628)</td>
<td>(6,334)</td>
<td></td>
</tr>
<tr>
<td>Impairment losses on:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(73,050)</td>
<td>(13,088)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>(83)</td>
<td></td>
<td>(1,004)</td>
<td>(669)</td>
<td>(1,756)</td>
</tr>
<tr>
<td>Operating profit/loss</td>
<td>164,833</td>
<td>131,327</td>
<td>66,856</td>
<td>(2,341)</td>
<td>360,675</td>
</tr>
<tr>
<td>Share of profits of associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
<td>2,604</td>
<td>2,604</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>164,833</td>
<td>131,327</td>
<td>66,856</td>
<td></td>
<td>363,279</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td></td>
<td></td>
<td>(84,173)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td>279,106</td>
<td></td>
</tr>
<tr>
<td>Other segment information:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,535</td>
<td>5,254</td>
<td>2,578</td>
<td>293</td>
<td>14,660</td>
</tr>
<tr>
<td>Amortisation</td>
<td>948</td>
<td>657</td>
<td>397</td>
<td>57</td>
<td>2,059</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>24,779</td>
<td>19,758</td>
<td>9,716</td>
<td>1,131</td>
<td>55,384</td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>8,914,597</td>
<td>4,245,097</td>
<td>10,840,773</td>
<td>136,798</td>
<td>24,137,265</td>
</tr>
<tr>
<td>Including: Investments in associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
<td>30,077</td>
<td>30,077</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>99,810</td>
<td>79,878</td>
<td>39,045</td>
<td>27,476</td>
<td>246,209</td>
</tr>
<tr>
<td>Other non-current assets (ii)</td>
<td>19,817</td>
<td>7,189</td>
<td>4,547</td>
<td>11,390</td>
<td>42,943</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>10,088,166</td>
<td>8,376,975</td>
<td>3,336,514</td>
<td>154,447</td>
<td>22,156,102</td>
</tr>
<tr>
<td>Other segment information:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit commitments</td>
<td>2,130,964</td>
<td>647,448</td>
<td></td>
<td></td>
<td>2,778,412</td>
</tr>
</tbody>
</table>

(i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

### (b) Geographical Information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague and Zurich, etc.).

The distribution of the geographical areas is as follows:

**Mainland China (Head Office and domestic branches):**
- Head Office (“HO”): the HO business division (including institutions directly controlled by the HO and their offices);
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;
- Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;
- Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
- Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

**Overseas and others:** branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.
### Notes to the Financial Statements

**Financial Statements for the year ended 31 December 2017**
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Notes to the Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Statements for the year ended 31 December 2017</td>
</tr>
<tr>
<td>(In RMB millions, unless otherwise stated)</td>
</tr>
</tbody>
</table>

#### Year ended 31 December 2017

<table>
<thead>
<tr>
<th>Head Office</th>
<th>Mainland China (HO and domestic branches)</th>
<th>Yangtze River Delta</th>
<th>Pearl River Delta</th>
<th>Bohai Rim</th>
<th>Central China</th>
<th>Western China</th>
<th>Northeastern China</th>
<th>Overseas and others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External net interest income</strong></td>
<td>212,369</td>
<td>50,808</td>
<td>47,429</td>
<td>28,671</td>
<td>50,020</td>
<td>71,964</td>
<td>15,441</td>
<td>45,376</td>
<td>–</td>
<td>522,078</td>
</tr>
<tr>
<td><strong>Internal net interest (expense)/income</strong></td>
<td>(142,941)</td>
<td>28,970</td>
<td>15,958</td>
<td>73,129</td>
<td>13,526</td>
<td>8,597</td>
<td>7,876</td>
<td>(5,115)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>6,063</td>
<td>36,449</td>
<td>24,415</td>
<td>21,282</td>
<td>17,548</td>
<td>19,383</td>
<td>4,596</td>
<td>7,904</td>
<td>(15)</td>
<td>139,625</td>
</tr>
<tr>
<td><strong>Other (expense)/income, net (i)</strong></td>
<td>(1,650)</td>
<td>905</td>
<td>714</td>
<td>924</td>
<td>247</td>
<td>851</td>
<td>719</td>
<td>11,280</td>
<td>(39)</td>
<td>13,951</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>73,841</td>
<td>117,132</td>
<td>88,516</td>
<td>128,006</td>
<td>81,341</td>
<td>100,795</td>
<td>28,632</td>
<td>59,441</td>
<td>(54)</td>
<td>675,654</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(15,739)</td>
<td>(28,487)</td>
<td>(21,383)</td>
<td>(30,653)</td>
<td>(27,495)</td>
<td>(32,179)</td>
<td>(12,170)</td>
<td>(18,142)</td>
<td>54</td>
<td>(106,194)</td>
</tr>
<tr>
<td><strong>Impairment (losses)/reversal on:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(16,635)</td>
<td>(16,972)</td>
<td>(19,265)</td>
<td>(28,478)</td>
<td>(20,189)</td>
<td>(19,878)</td>
<td>(3,656)</td>
<td>(3,023)</td>
<td>–</td>
<td>(124,096)</td>
</tr>
<tr>
<td>Others</td>
<td>(276)</td>
<td>(40)</td>
<td>(307)</td>
<td>(57)</td>
<td>(998)</td>
<td>(1,044)</td>
<td>6</td>
<td>(957)</td>
<td>–</td>
<td>(3,673)</td>
</tr>
<tr>
<td><strong>Share of profits of associates and joint ventures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>47,191</td>
<td>71,633</td>
<td>47,561</td>
<td>66,818</td>
<td>32,659</td>
<td>47,694</td>
<td>10,812</td>
<td>40,273</td>
<td>–</td>
<td>364,641</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(77,190)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>287,451</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Other segment information:

- **Depreciation**: 1,704
- **Amortisation**: 627
- **Capital expenditure**: 1,512

(i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

### As at 31 December 2017

<table>
<thead>
<tr>
<th>Head Office</th>
<th>Mainland China (HO and domestic branches)</th>
<th>Yangtze River Delta</th>
<th>Pearl River Delta</th>
<th>Bohai Rim</th>
<th>Central China</th>
<th>Western China</th>
<th>Northeastern China</th>
<th>Overseas and others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets by geographical areas</strong></td>
<td>9,101,260</td>
<td>5,327,071</td>
<td>3,396,059</td>
<td>3,710,856</td>
<td>2,526,871</td>
<td>3,113,759</td>
<td>1,078,047</td>
<td>3,382,006</td>
<td>(5,560,058)</td>
<td>26,038,651</td>
</tr>
<tr>
<td>Including: Investments in associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Property and equipment</strong></td>
<td>12,166</td>
<td>30,359</td>
<td>10,955</td>
<td>17,080</td>
<td>18,588</td>
<td>23,054</td>
<td>9,000</td>
<td>125,642</td>
<td>–</td>
<td>247,744</td>
</tr>
<tr>
<td><strong>Other non-current assets (i)</strong></td>
<td>11,025</td>
<td>5,782</td>
<td>4,172</td>
<td>3,974</td>
<td>5,371</td>
<td>7,863</td>
<td>1,430</td>
<td>4,213</td>
<td>–</td>
<td>43,610</td>
</tr>
<tr>
<td><strong>Unallocated assets</strong></td>
<td>48,392</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>26,087,043</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Liabilities by geographical areas | 7,179,622 | 5,594,511 | 3,692,171 | 5,568,370 | 2,624,956 | 3,164,294 | 1,069,369 | 571,676 | (5,560,058) | 23,874,911 |
| **Unallocated liabilities** | 71,076 |  |  |  |  |  |  |  |  |  |
| **Total liabilities** | 23,945,987 |  |  |  |  |  |  |  |  |  |

Other segment information:

- **Credit commitments**: 946,311

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.
### Year ended 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Mainland China (HQ and domestic branches)</th>
<th>Overseas and Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Head Office</td>
<td>Yangtze River Delta</td>
<td>Pearl River Delta</td>
<td>Bohai Rim</td>
</tr>
<tr>
<td>External net interest income</td>
<td>225,530</td>
<td>40,617</td>
<td>41,856</td>
<td>21,868</td>
</tr>
<tr>
<td>Internal net interest (expense)/income</td>
<td>(1,42,386)</td>
<td>29,542</td>
<td>13,398</td>
<td>70,362</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>4,357</td>
<td>38,348</td>
<td>23,417</td>
<td>24,919</td>
</tr>
<tr>
<td>Other income, net (i)</td>
<td>786</td>
<td>923</td>
<td>1,294</td>
<td>6,342</td>
</tr>
<tr>
<td>Operating income</td>
<td>70,287</td>
<td>113,430</td>
<td>79,794</td>
<td>123,461</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(16,026)</td>
<td>(30,480)</td>
<td>(21,877)</td>
<td>(18,194)</td>
</tr>
<tr>
<td>Impairment (losses)/reversal on:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(7,940)</td>
<td>(15,477)</td>
<td>(12,278)</td>
<td>(18,194)</td>
</tr>
<tr>
<td>Others</td>
<td>24</td>
<td>(85)</td>
<td>(333)</td>
<td>(104)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>48,345</td>
<td>67,388</td>
<td>45,486</td>
<td>73,386</td>
</tr>
<tr>
<td>Share of profits of associates and joint ventures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>48,345</td>
<td>67,388</td>
<td>45,486</td>
<td>73,386</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(84,173)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>279,106</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other segment information:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,041</td>
<td>2,074</td>
<td>1,412</td>
<td>2,198</td>
</tr>
<tr>
<td>Amortisation</td>
<td>597</td>
<td>235</td>
<td>187</td>
<td>93</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>3,772</td>
<td>4,747</td>
<td>3,458</td>
<td>5,339</td>
</tr>
</tbody>
</table>

(i) Including net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

### As at 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Mainland China (HQ and domestic branches)</th>
<th>Overseas and Others</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Head Office</td>
<td>Yangtze River Delta</td>
<td>Pearl River Delta</td>
<td>Bohai Rim</td>
</tr>
<tr>
<td>Assets by geographical areas</td>
<td>8,368,773</td>
<td>5,194,868</td>
<td>3,096,641</td>
<td>3,626,559</td>
</tr>
<tr>
<td>Including: Investments in associates and joint ventures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>13,020</td>
<td>28,803</td>
<td>11,072</td>
<td>17,791</td>
</tr>
<tr>
<td>Other non-current assets (i)</td>
<td>10,561</td>
<td>5,871</td>
<td>3,557</td>
<td>3,965</td>
</tr>
<tr>
<td>Unallocated assets</td>
<td>28,398</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>24,137,265</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities by geographical areas</td>
<td>6,820,411</td>
<td>5,453,036</td>
<td>3,318,068</td>
<td>5,342,654</td>
</tr>
<tr>
<td>Unallocated liabilities</td>
<td>53,243</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>22,156,102</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other segment information:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit commitments</td>
<td>662,510</td>
<td>441,169</td>
<td>314,846</td>
<td>485,726</td>
</tr>
</tbody>
</table>

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.
54. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the “Board”) has the ultimate responsibility for risk management and oversees the Group’s risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the Head Office and management of the relevant branches.
(a) Credit risk

Credit risk is the risk of loss arising from a borrower’s or counterparty’s inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group’s credit risk management function include:

- Centralised credit management policies and procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers’ guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an International Swaps and Derivatives Association (“ISDA”) Master Agreement, a China Interbank Market Financial Derivatives Master Agreement (“NAFMII master agreement”) with its counterparties for documenting over-the-counter derivative activities. Each of these master agreements provides the contractual framework within which derivative dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Credit risk classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans.

The core definitions of the five categories of loans and advances are set out below:

- Normal: Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers’ abilities to service their loans are apparently in question and they cannot rely entirely on normal business revenues to repay principal and interest. Certain losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
- Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.
(a) Credit risk (continued)

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance has incurred on an individual basis, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty’s business plan;
- The borrower’s ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors’ ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous groups of loans not considered individually significant

For homogeneous groups of loans, the Group uses a collective assessment approach for impairment losses. The approach analyses historical trends of probability of default and the amount of the consequential loss, as well as evaluates current economic conditions that may have a consequential impact on inherent losses in the portfolio.
(a) Credit risk (continued)

Individually assessed loans with no objective evidence of impairment

Individually assessed loans with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management’s experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

As soon as information that specifically identifies objective evidence of impairment on individual assets in a pool is available, those assets are excluded and individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. Fair value of collateral is shown in note 25.

Corporate loans are mainly collateralised by properties or other assets. As at 31 December 2017, the carrying value of corporate loans and discounted bills amounted to RMB9,287,990 million (31 December 2016: RMB8,860,677 million), of which credit exposure of corporate loans covered by collateral amounted to RMB3,335,404 million (31 December 2016: RMB3,771,915 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2017, the carrying value of retail loans amounted to RMB4,945,458 million (31 December 2016: RMB4,196,169 million), of which credit exposure of retail loans covered by collateral amounted to RMB4,313,125 million (31 December 2016: RMB3,666,608 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers’ ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of a collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair value of collateral of past due but not impaired loans and impaired loans are disclosed in note 54(a)(iii).

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group’s policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.
(a) Credit risk (continued)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>3,538,658</td>
<td>3,266,216</td>
</tr>
<tr>
<td>Due from banks and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial institutions</td>
<td>847,611</td>
<td>797,473</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>78,542</td>
<td>183,315</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>353,601</td>
<td>285,144</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>89,013</td>
<td>94,452</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>986,631</td>
<td>755,627</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>13,892,966</td>
<td>12,767,334</td>
</tr>
<tr>
<td>Financial investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Receivables</td>
<td>277,129</td>
<td>291,370</td>
</tr>
<tr>
<td>— Held-to-maturity investments</td>
<td>3,542,184</td>
<td>2,973,042</td>
</tr>
<tr>
<td>— Available-for-sale financial assets</td>
<td>1,473,159</td>
<td>1,729,434</td>
</tr>
<tr>
<td>Others</td>
<td>288,090</td>
<td>315,725</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>25,367,584</td>
<td>23,459,132</td>
</tr>
<tr>
<td>Total maximum credit risk exposure</td>
<td>28,878,520</td>
<td>26,237,544</td>
</tr>
</tbody>
</table>

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.
### (a) Credit risk (continued)

#### By geographical distribution

The following tables set out the breakdown of the Group’s and the Bank’s maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution:

**Group**

31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>Head Office</th>
<th>Yangtze River Delta</th>
<th>Pearl River Delta</th>
<th>Bohai Rim</th>
<th>Central China</th>
<th>Western China</th>
<th>North eastern China</th>
<th>Overseas and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>3,065,933</td>
<td>59,322</td>
<td>34,559</td>
<td>115,233</td>
<td>26,569</td>
<td>33,744</td>
<td>9,270</td>
<td>194,028</td>
<td>3,538,658</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>582,618</td>
<td>2,854</td>
<td>1,128</td>
<td>634</td>
<td>210</td>
<td>1,251</td>
<td>123</td>
<td>258,793</td>
<td>847,611</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<td>18,470</td>
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<td>333,921</td>
<td>557</td>
<td>373</td>
<td>563</td>
<td>253</td>
<td>370</td>
<td>91</td>
<td>17,473</td>
<td>353,601</td>
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<tr>
<td>Derivative financial assets</td>
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<td>647</td>
<td>1,889</td>
<td>2,228</td>
<td>306</td>
<td>1,467</td>
<td>194</td>
<td>47,872</td>
<td>89,013</td>
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<td>Reverse repurchase agreements</td>
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<td>2,451,071</td>
<td>712,922</td>
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<td>49,913</td>
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<td>235,599</td>
<td>1,279</td>
<td>233,559</td>
<td>1,473,159</td>
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<td>– Others</td>
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<td>3,151,023</td>
<td>2,288,579</td>
<td>2,966,387</td>
<td>824,555</td>
<td>3,259,673</td>
<td>28,878,520</td>
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</table>

The compositions of each geographical distribution above are set out in note 53(b).

31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Head Office</th>
<th>Yangtze River Delta</th>
<th>Pearl River Delta</th>
<th>Bohai Rim</th>
<th>Central China</th>
<th>Western China</th>
<th>North eastern China</th>
<th>Overseas and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>2,860,191</td>
<td>44,528</td>
<td>50,706</td>
<td>84,806</td>
<td>23,158</td>
<td>29,242</td>
<td>9,572</td>
<td>164,213</td>
<td>3,026,216</td>
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<tr>
<td>Due from banks and other financial institutions</td>
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<td>11,524</td>
<td>1,347</td>
<td>449</td>
<td>1,970</td>
<td>1,089</td>
<td>162</td>
<td>251,359</td>
<td>797,473</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>47,540</td>
<td>183,315</td>
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<tr>
<td>Financial assets designated at fair value through profit or loss</td>
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<td>259</td>
<td>182</td>
<td>18,214</td>
<td>193</td>
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<td>46</td>
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<td>178</td>
<td>441</td>
<td>416</td>
<td>45,419</td>
<td>94,452</td>
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<td>755,827</td>
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<td>1,783,466</td>
<td>2,264,366</td>
<td>691,375</td>
<td>1,315,696</td>
<td>12,767,334</td>
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<tr>
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<td>– Receivables</td>
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<td>494</td>
<td>2,756</td>
<td>3,800</td>
<td>312</td>
<td>240</td>
<td>47,514</td>
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<tr>
<td>– Held-to-maturity investments</td>
<td>2,678,442</td>
<td>35,640</td>
<td>17,402</td>
<td>16,551</td>
<td>27,706</td>
<td>39,190</td>
<td>9,607</td>
<td>148,504</td>
<td>2,973,042</td>
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<tr>
<td>– Available-for-sale financial assets</td>
<td>1,083,560</td>
<td>51,435</td>
<td>29,902</td>
<td>227,690</td>
<td>20,845</td>
<td>26,833</td>
<td>2,408</td>
<td>286,761</td>
<td>1,729,434</td>
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<tr>
<td>– Others</td>
<td>170,596</td>
<td>15,449</td>
<td>13,374</td>
<td>18,327</td>
<td>13,000</td>
<td>14,371</td>
<td>3,130</td>
<td>67,478</td>
<td>315,725</td>
</tr>
<tr>
<td></td>
<td>9,004,688</td>
<td>2,523,398</td>
<td>1,820,042</td>
<td>2,482,950</td>
<td>1,874,316</td>
<td>2,376,248</td>
<td>716,756</td>
<td>2,660,734</td>
<td>23,459,132</td>
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<td>249,912</td>
<td>67,703</td>
<td>397,963</td>
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<td>Total maximum credit risk exposure</td>
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<td>3,058,697</td>
<td>26,237,544</td>
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</tbody>
</table>

The compositions of each geographical distribution above are set out in note 53(b).
(a) Credit risk (continued)

Bank
31 December 2017

<table>
<thead>
<tr>
<th>Head Office</th>
<th>Yangtze River Delta</th>
<th>Pearl River Delta</th>
<th>Bohai Rim</th>
<th>Central China</th>
<th>Western China</th>
<th>North eastern China</th>
<th>Overseas and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>3,065,933</td>
<td>59,322</td>
<td>34,559</td>
<td>115,233</td>
<td>26,589</td>
<td>33,744</td>
<td>9,270</td>
<td>133,198</td>
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<td>728,091</td>
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<td>634</td>
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<td>123</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>333,921</td>
<td>557</td>
<td>373</td>
<td>563</td>
<td>253</td>
<td>370</td>
<td>91</td>
<td>2,129</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>38,438</td>
<td>647</td>
<td>1,889</td>
<td>2,228</td>
<td>396</td>
<td>1,467</td>
<td>194</td>
<td>10,687</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>739,950</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10,813</td>
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<tr>
<td>Loans and advances to customers</td>
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<td>2,542,533</td>
<td>1,842,347</td>
<td>2,294,258</td>
<td>1,954,528</td>
<td>2,451,071</td>
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<td>707,746</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Receivables</td>
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<td>270</td>
<td>120</td>
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<tr>
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<td>24,344</td>
<td>44,699</td>
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<td>105,669</td>
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<tr>
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<td>17,417</td>
<td>22,933</td>
<td>1,279</td>
<td>84,295</td>
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<tr>
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<td>18,156</td>
<td>20,258</td>
<td>14,598</td>
<td>3,773</td>
<td>7,242</td>
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<tr>
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<td>2,067,780</td>
<td>2,594,630</td>
<td>746,653</td>
<td>1,251,987</td>
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<td>596,587</td>
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<td>227,552</td>
<td>380,078</td>
<td>84,279</td>
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<td>2,295,332</td>
<td>2,974,708</td>
<td>830,932</td>
<td>1,543,069</td>
</tr>
</tbody>
</table>

The compositions of each geographical distribution above are set out in note 53(b), except that “overseas and others” does not include domestic and overseas subsidiaries.

31 December 2016

<table>
<thead>
<tr>
<th>Head Office</th>
<th>Yangtze River Delta</th>
<th>Pearl River Delta</th>
<th>Bohai Rim</th>
<th>Central China</th>
<th>Western China</th>
<th>North eastern China</th>
<th>Overseas and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>2,860,191</td>
<td>44,528</td>
<td>50,706</td>
<td>84,806</td>
<td>23,158</td>
<td>29,242</td>
<td>9,372</td>
<td>107,719</td>
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<td>Due from banks and other financial institutions</td>
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<td>543</td>
<td>1,990</td>
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<td>162</td>
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<td>135,775</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>252,102</td>
<td>259</td>
<td>182</td>
<td>18,214</td>
<td>193</td>
<td>205</td>
<td>46</td>
<td>917</td>
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<td>Derivative financial assets</td>
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<td>1,634</td>
<td>178</td>
<td>640</td>
<td>416</td>
<td>6,742</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>501,776</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>520</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>534,225</td>
<td>2,362,003</td>
<td>1,704,380</td>
<td>2,120,405</td>
<td>1,783,466</td>
<td>2,264,366</td>
<td>691,375</td>
<td>572,980</td>
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<td>Financial investments</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>— Receivables</td>
<td>255,701</td>
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<td>494</td>
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<td>3,800</td>
<td>312</td>
<td>240</td>
<td>–</td>
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<tr>
<td>— Held-to-maturity investments</td>
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<td>17,402</td>
<td>16,551</td>
<td>27,706</td>
<td>39,190</td>
<td>9,607</td>
<td>44,072</td>
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<td>— Available-for-sale financial assets</td>
<td>1,084,057</td>
<td>51,435</td>
<td>29,902</td>
<td>227,690</td>
<td>20,845</td>
<td>26,833</td>
<td>2,408</td>
<td>89,157</td>
</tr>
<tr>
<td>Others</td>
<td>170,667</td>
<td>15,449</td>
<td>13,374</td>
<td>18,327</td>
<td>13,000</td>
<td>14,371</td>
<td>3,130</td>
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</table>

The compositions of each geographical distribution above are set out in note 53(b), except that “overseas and others” does not include domestic and overseas subsidiaries.
(a) Credit risk (continued)

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group’s investments in debt securities are set out in note 54(a)(iv) to the financial statements. The composition of the Group’s and of the Bank’s gross loans and advances to customers by industry is analysed as follows:

<table>
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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>828,686</td>
<td>961,509</td>
<td>792,786</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>heating, gas and water</td>
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<td>Real estate</td>
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<td>495,609</td>
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<td>Wholesale and retail</td>
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<td>658,745</td>
<td>723,799</td>
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<td>Water, environment and public utility management</td>
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<td>536,718</td>
<td>656,895</td>
<td>520,598</td>
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<tr>
<td>Finance</td>
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<td>251,733</td>
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<td>173,701</td>
</tr>
<tr>
<td>Mining</td>
<td>262,262</td>
<td>274,273</td>
<td>230,195</td>
<td>244,543</td>
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<td>Construction</td>
<td>249,244</td>
<td>212,450</td>
<td>231,493</td>
<td>195,771</td>
</tr>
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<td>Science, education, culture and sanitation</td>
<td>146,074</td>
<td>136,799</td>
<td>130,874</td>
<td>127,104</td>
</tr>
<tr>
<td>Others</td>
<td>384,070</td>
<td>397,951</td>
<td>304,901</td>
<td>320,923</td>
</tr>
<tr>
<td>Subtotal for corporate loans</td>
<td>8,936,864</td>
<td>8,140,684</td>
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</tr>
<tr>
<td>Personal mortgage and business loans</td>
<td>4,154,899</td>
<td>3,497,110</td>
<td>4,088,754</td>
<td>3,435,078</td>
</tr>
<tr>
<td>Others</td>
<td>790,559</td>
<td>699,059</td>
<td>754,295</td>
<td>673,362</td>
</tr>
<tr>
<td>Subtotal for personal loans</td>
<td>4,945,458</td>
<td>4,196,169</td>
<td>4,843,049</td>
<td>4,108,440</td>
</tr>
<tr>
<td>Discounted bills</td>
<td>351,126</td>
<td>719,993</td>
<td>349,024</td>
<td>708,339</td>
</tr>
<tr>
<td>Total for loans and advances to customers</td>
<td>14,233,448</td>
<td>13,056,846</td>
<td>13,455,417</td>
<td>12,312,810</td>
</tr>
</tbody>
</table>

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>13,932,977</td>
<td>12,706,016</td>
<td>13,172,458</td>
<td>11,980,647</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>79,483</td>
<td>139,029</td>
<td>68,313</td>
<td>127,030</td>
</tr>
<tr>
<td>Impaired</td>
<td>220,988</td>
<td>211,801</td>
<td>214,646</td>
<td>205,133</td>
</tr>
<tr>
<td>Less: Allowance for impairment losses</td>
<td>14,233,448</td>
<td>13,056,846</td>
<td>13,455,417</td>
<td>12,312,810</td>
</tr>
<tr>
<td></td>
<td>(340,482)</td>
<td>(289,512)</td>
<td>(330,016)</td>
<td>(279,610)</td>
</tr>
<tr>
<td></td>
<td>13,892,966</td>
<td>12,767,334</td>
<td>13,125,401</td>
<td>12,033,200</td>
</tr>
</tbody>
</table>
(a) Credit risk (continued)

Neither past due nor impaired

The balance of loans and advances to customers of the Group and the Bank that are neither past due nor impaired analysed by five-tier classification and by collateral are as follows:

**Group**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th>2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pass</td>
<td>Special mention</td>
<td>Total</td>
<td>Pass</td>
<td>Special mention</td>
<td>Total</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>4,216,126</td>
<td>82,058</td>
<td>4,298,184</td>
<td>3,445,069</td>
<td>60,195</td>
<td>3,505,264</td>
</tr>
<tr>
<td>Guaranteed loans</td>
<td>1,888,968</td>
<td>153,003</td>
<td>2,041,971</td>
<td>1,676,309</td>
<td>137,312</td>
<td>1,813,621</td>
</tr>
<tr>
<td>Loans secured by mortgages</td>
<td>6,112,843</td>
<td>231,869</td>
<td>6,344,712</td>
<td>5,561,633</td>
<td>227,619</td>
<td>5,789,252</td>
</tr>
<tr>
<td>Pledged loans</td>
<td>1,224,048</td>
<td>24,062</td>
<td>1,248,110</td>
<td>1,570,704</td>
<td>27,175</td>
<td>1,597,879</td>
</tr>
<tr>
<td></td>
<td>13,441,985</td>
<td>490,992</td>
<td>13,932,977</td>
<td>12,253,715</td>
<td>452,301</td>
<td>12,706,016</td>
</tr>
</tbody>
</table>

**Bank**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th>2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pass</td>
<td>Special mention</td>
<td>Total</td>
<td>Pass</td>
<td>Special mention</td>
<td>Total</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>4,140,261</td>
<td>81,433</td>
<td>4,221,694</td>
<td>3,376,134</td>
<td>58,996</td>
<td>3,435,130</td>
</tr>
<tr>
<td>Guaranteed loans</td>
<td>1,788,168</td>
<td>151,788</td>
<td>1,939,956</td>
<td>1,554,106</td>
<td>136,101</td>
<td>1,690,207</td>
</tr>
<tr>
<td>Loans secured by mortgages</td>
<td>5,567,618</td>
<td>221,800</td>
<td>5,789,418</td>
<td>5,092,031</td>
<td>215,490</td>
<td>5,307,521</td>
</tr>
<tr>
<td>Pledged loans</td>
<td>1,197,735</td>
<td>23,655</td>
<td>1,221,390</td>
<td>1,521,499</td>
<td>26,290</td>
<td>1,547,789</td>
</tr>
<tr>
<td></td>
<td>12,693,782</td>
<td>478,676</td>
<td>13,172,458</td>
<td>11,543,770</td>
<td>436,877</td>
<td>11,980,647</td>
</tr>
</tbody>
</table>

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

**Group**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th>2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporate loans and advances</td>
<td>Personal loans</td>
<td>Total</td>
<td>Corporate loans and advances</td>
<td>Personal loans</td>
<td>Total</td>
</tr>
<tr>
<td>Past due for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one month</td>
<td>40,201</td>
<td>17,103</td>
<td>57,304</td>
<td>57,540</td>
<td>17,324</td>
<td>74,864</td>
</tr>
<tr>
<td>One to two months</td>
<td>7,513</td>
<td>6,112</td>
<td>13,625</td>
<td>13,414</td>
<td>7,437</td>
<td>20,851</td>
</tr>
<tr>
<td>Two to three months</td>
<td>1,490</td>
<td>7,064</td>
<td>8,554</td>
<td>33,458</td>
<td>9,856</td>
<td>43,314</td>
</tr>
<tr>
<td>Total</td>
<td>49,204</td>
<td>30,279</td>
<td>79,483</td>
<td>104,412</td>
<td>34,617</td>
<td>139,029</td>
</tr>
<tr>
<td>Fair value of collateral held</td>
<td>48,369</td>
<td>56,652</td>
<td>105,021</td>
<td>103,327</td>
<td>67,707</td>
<td>171,034</td>
</tr>
</tbody>
</table>
(a) Credit risk (continued)

Bank

<table>
<thead>
<tr>
<th>Past due for:</th>
<th>2017</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporate</td>
<td>Personal</td>
<td>Total</td>
<td>Corporate</td>
</tr>
<tr>
<td></td>
<td>loans and</td>
<td>loans</td>
<td></td>
<td>loans and</td>
</tr>
<tr>
<td></td>
<td>advances</td>
<td></td>
<td></td>
<td>advances</td>
</tr>
<tr>
<td>Less than one month</td>
<td>31,225</td>
<td>15,424</td>
<td>46,649</td>
<td>48,816</td>
</tr>
<tr>
<td>One to two months</td>
<td>7,428</td>
<td>5,862</td>
<td>13,290</td>
<td>12,988</td>
</tr>
<tr>
<td>Two to three months</td>
<td>1,430</td>
<td>6,944</td>
<td>8,374</td>
<td>33,267</td>
</tr>
<tr>
<td>Total</td>
<td>40,083</td>
<td>28,230</td>
<td>68,313</td>
<td>95,071</td>
</tr>
<tr>
<td>Fair value of collateral held</td>
<td>41,112</td>
<td>54,716</td>
<td>95,828</td>
<td>99,153</td>
</tr>
</tbody>
</table>

Impaired

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as “Substandard”, “Doubtful” or “Loss”.

The fair values of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2017 amounted to RMB30,873 million (31 December 2016: RMB42,046 million) and RMB29,251 million (31 December 2016: RMB40,477 million), respectively. The collateral mainly consists of buildings and land and equipment.

Rescheduled loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectability of loans and to manage customer relationships.

The carrying amount of rescheduled loans and advances to customers is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rescheduled loans and advances to customers</td>
<td>5,158</td>
<td>5,541</td>
</tr>
<tr>
<td>Impaired loans and advances to customers included in above</td>
<td>1,989</td>
<td>2,085</td>
</tr>
</tbody>
</table>

Collateral repossessed

During the year, the Group took possession of collateral held as security with a carrying amount of RMB2,099 million (2016: RMB2,106 million). Such collateral mainly comprises buildings and land and equipment.
(a) Credit risk (continued)
(iv) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group’s total credit risk exposures of debt securities by types of issuers and investments:

**Group**

**31 December 2017**

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments and central banks</td>
<td>85,000</td>
<td>2,671,035</td>
<td>514,604</td>
<td>24,468</td>
<td>10,590</td>
<td>3,305,697</td>
</tr>
<tr>
<td>Policy banks</td>
<td>–</td>
<td>757,051</td>
<td>206,621</td>
<td>2,228</td>
<td>30,729</td>
<td>996,669</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>100</td>
<td>15,779</td>
<td>196,793</td>
<td>4,670</td>
<td>2,953</td>
<td>220,295</td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>123,242</td>
<td>73,004</td>
<td>307,246</td>
<td>8,452</td>
<td>6,966</td>
<td>518,910</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>17,898</td>
<td>25,359</td>
<td>241,795</td>
<td>38,724</td>
<td>8,539</td>
<td>332,315</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>226,240</td>
<td>3,542,268</td>
<td>1,467,059</td>
<td>78,542</td>
<td>59,777</td>
<td>5,373,886</td>
</tr>
<tr>
<td>Less: Collective allowance for impairment losses</td>
<td>(5)</td>
<td>(84)</td>
<td>(149)</td>
<td>–</td>
<td>–</td>
<td>(238)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>226,235</td>
<td>3,542,184</td>
<td>1,466,910</td>
<td>78,542</td>
<td>59,777</td>
<td>5,373,648</td>
</tr>
<tr>
<td>Impaired (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>–</td>
<td>59</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>59</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>–</td>
<td>24</td>
<td>281</td>
<td>–</td>
<td>–</td>
<td>305</td>
</tr>
<tr>
<td><strong>Less: Individual allowance for impairment losses</strong></td>
<td>–</td>
<td>(83)</td>
<td>(196)</td>
<td>–</td>
<td>–</td>
<td>(279)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>226,235</td>
<td>3,542,184</td>
<td>1,466,995</td>
<td>78,542</td>
<td>59,777</td>
<td>5,373,733</td>
</tr>
</tbody>
</table>

**31 December 2016**

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments and central banks</td>
<td>85,000</td>
<td>1,897,917</td>
<td>545,382</td>
<td>14,188</td>
<td>–</td>
<td>2,542,487</td>
</tr>
<tr>
<td>Policy banks</td>
<td>–</td>
<td>969,849</td>
<td>334,477</td>
<td>4,548</td>
<td>10,576</td>
<td>1,319,450</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>2,200</td>
<td>22,236</td>
<td>141,405</td>
<td>10,938</td>
<td>2,212</td>
<td>178,991</td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>134,579</td>
<td>47,724</td>
<td>369,938</td>
<td>107,963</td>
<td>21,277</td>
<td>681,481</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>22,386</td>
<td>35,329</td>
<td>329,358</td>
<td>45,678</td>
<td>6,808</td>
<td>439,559</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>244,165</td>
<td>2,973,055</td>
<td>1,720,560</td>
<td>183,315</td>
<td>40,873</td>
<td>5,161,968</td>
</tr>
<tr>
<td>Less: Collective allowance for impairment losses</td>
<td>–</td>
<td>(13)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>244,165</td>
<td>2,973,042</td>
<td>1,720,560</td>
<td>183,315</td>
<td>40,873</td>
<td>5,161,955</td>
</tr>
<tr>
<td>Impaired (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>–</td>
<td>68</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>68</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>–</td>
<td>26</td>
<td>427</td>
<td>–</td>
<td>–</td>
<td>453</td>
</tr>
<tr>
<td><strong>Less: Individual allowance for impairment losses</strong></td>
<td>–</td>
<td>(94)</td>
<td>(357)</td>
<td>–</td>
<td>–</td>
<td>(451)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>244,165</td>
<td>2,973,042</td>
<td>1,720,630</td>
<td>183,315</td>
<td>40,873</td>
<td>5,162,025</td>
</tr>
</tbody>
</table>

(*) Impaired debt securities above are mainly determined based on individual assessments. In determining whether a debt security is impaired, the Group considers the evidence of a loss event and the decreases in estimated future cash flows. No collateral was held by the Group as security of the impaired debt securities.
(a) Credit risk (continued)

Bank

31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments and central banks</td>
<td>85,000</td>
<td>2,608,776</td>
<td>487,922</td>
<td>7,371</td>
<td>–</td>
<td>3,189,069</td>
</tr>
<tr>
<td>Policy banks</td>
<td>–</td>
<td>728,060</td>
<td>189,069</td>
<td>2,199</td>
<td>30,729</td>
<td>950,057</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>100</td>
<td>7,684</td>
<td>189,865</td>
<td>4,618</td>
<td>2,953</td>
<td>205,220</td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>126,658</td>
<td>90,549</td>
<td>259,678</td>
<td>7,957</td>
<td>6,966</td>
<td>491,808</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>17,898</td>
<td>4,483</td>
<td>198,422</td>
<td>37,927</td>
<td>6,766</td>
<td>265,496</td>
</tr>
</tbody>
</table>

Neither past due nor impaired

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Collective allowance for impairment losses</td>
<td>(5)</td>
<td>(81)</td>
<td>(139)</td>
<td>–</td>
<td>–</td>
<td>(225)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>229,651</td>
<td>3,439,471</td>
<td>1,324,817</td>
<td>60,072</td>
<td>47,414</td>
<td>5,101,425</td>
</tr>
<tr>
<td>Impaired (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate entities</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>24</td>
</tr>
</tbody>
</table>

31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments and central banks</td>
<td>85,000</td>
<td>1,859,025</td>
<td>508,190</td>
<td>7,818</td>
<td>–</td>
<td>2,460,033</td>
</tr>
<tr>
<td>Policy banks</td>
<td>–</td>
<td>944,086</td>
<td>275,427</td>
<td>1,095</td>
<td>10,576</td>
<td>1,231,184</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>2,200</td>
<td>20,023</td>
<td>137,463</td>
<td>1,207</td>
<td>2,212</td>
<td>163,105</td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>137,180</td>
<td>45,435</td>
<td>314,156</td>
<td>103,133</td>
<td>21,277</td>
<td>621,181</td>
</tr>
<tr>
<td>Corporate entities</td>
<td>22,386</td>
<td>7,525</td>
<td>297,021</td>
<td>22,521</td>
<td>6,536</td>
<td>355,989</td>
</tr>
</tbody>
</table>

Neither past due nor impaired

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Collective allowance for impairment losses</td>
<td>–</td>
<td>(13)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>246,766</td>
<td>2,876,094</td>
<td>1,532,257</td>
<td>135,774</td>
<td>40,601</td>
<td>4,831,492</td>
</tr>
<tr>
<td>Impaired (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate entities</td>
<td>–</td>
<td>26</td>
<td>195</td>
<td>–</td>
<td>–</td>
<td>221</td>
</tr>
</tbody>
</table>

31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
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<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments and central banks</td>
<td>85,000</td>
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<td>22,386</td>
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<td>22,521</td>
<td>6,536</td>
<td>355,989</td>
</tr>
</tbody>
</table>

Neither past due nor impaired

<table>
<thead>
<tr>
<th></th>
<th>Receivables</th>
<th>Held-to-maturity investments</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held for trading</th>
<th>Financial assets designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Collective allowance for impairment losses</td>
<td>–</td>
<td>(13)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(13)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>246,766</td>
<td>2,876,094</td>
<td>1,532,257</td>
<td>135,774</td>
<td>40,601</td>
<td>4,831,492</td>
</tr>
<tr>
<td>Impaired (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate entities</td>
<td>–</td>
<td>26</td>
<td>195</td>
<td>–</td>
<td>–</td>
<td>221</td>
</tr>
</tbody>
</table>

(*) Impaired debt securities above are mainly determined based on individual assessments. In determining whether a debt security is impaired, the Bank considers the evidence of a loss event and the decreases in estimated future cash flows. No collateral was held by the Bank as security of the impaired debt securities.
(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

• optimising the structure of assets and liabilities;
• maintaining the stability of the deposit base;
• projecting cash flows and evaluating the level of current assets; and
• in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(i) Analysis of the remaining maturity of the assets and liabilities

The Group and the Bank’s expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

**Group**

**31 December 2017**

<table>
<thead>
<tr>
<th></th>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>529,507</td>
<td>7,598</td>
<td>14,578</td>
<td>14,650</td>
<td>–</td>
<td>–</td>
<td>3,047,539</td>
<td>3,613,872</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>359,750</td>
<td>900,047</td>
<td>213,862</td>
<td>299,346</td>
<td>60,936</td>
<td>301</td>
<td>–</td>
<td>1,834,242</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>7,682</td>
<td>6,099</td>
<td>50,873</td>
<td>7,089</td>
<td>6,799</td>
<td>8,795</td>
<td>87,337</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>4,786</td>
<td>1,630</td>
<td>1,715</td>
<td>157,414</td>
<td>151,689</td>
<td>30,285</td>
<td>6,082</td>
<td>353,601</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>162</td>
<td>15,459</td>
<td>21,188</td>
<td>34,609</td>
<td>12,171</td>
<td>5,424</td>
<td>–</td>
<td>89,013</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>40,414</td>
<td>906,587</td>
<td>780,058</td>
<td>2,643,941</td>
<td>3,244,181</td>
<td>6,195,484</td>
<td>82,301</td>
<td>13,892,966</td>
</tr>
<tr>
<td>Financial investments</td>
<td>–</td>
<td>180,504</td>
<td>173,033</td>
<td>595,880</td>
<td>2,802,426</td>
<td>1,706,519</td>
<td>23,294</td>
<td>5,315,766</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>32,441</td>
<td>247,744</td>
<td>247,744</td>
</tr>
<tr>
<td>Others</td>
<td>338,790</td>
<td>72,876</td>
<td>24,567</td>
<td>57,084</td>
<td>40,105</td>
<td>620,061</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,273,409</td>
<td>2,012,383</td>
<td>1,235,100</td>
<td>3,763,807</td>
<td>6,320,429</td>
<td>7,993,614</td>
<td>3,488,301</td>
<td>26,087,043</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>22</td>
<td>10</td>
<td>20</td>
<td>404</td>
<td>–</td>
<td>456</td>
<td>–</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>60,436</td>
<td>69,111</td>
<td>138,978</td>
<td>142,873</td>
<td>12,740</td>
<td>1,810</td>
<td>–</td>
<td>425,948</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>214</td>
<td>18,752</td>
<td>18,013</td>
<td>27,290</td>
<td>8,628</td>
<td>5,659</td>
<td>–</td>
<td>78,556</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (**)</td>
<td>985,193</td>
<td>1,043,392</td>
<td>254,170</td>
<td>401,526</td>
<td>22,698</td>
<td>45,908</td>
<td>–</td>
<td>2,752,887</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>–</td>
<td>49,685</td>
<td>95,928</td>
<td>102,316</td>
<td>12,049</td>
<td>296</td>
<td>–</td>
<td>260,274</td>
</tr>
<tr>
<td>Due to customers</td>
<td>10,701,914</td>
<td>946,831</td>
<td>1,250,506</td>
<td>3,764,140</td>
<td>2,549,444</td>
<td>13,514</td>
<td>–</td>
<td>19,226,349</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>–</td>
<td>7,330</td>
<td>11,620</td>
<td>22,870</td>
<td>200,826</td>
<td>284,294</td>
<td>–</td>
<td>526,940</td>
</tr>
<tr>
<td>Others</td>
<td>319,177</td>
<td>77,587</td>
<td>61,384</td>
<td>132,359</td>
<td>61,481</td>
<td>22,589</td>
<td>–</td>
<td>674,577</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>12,066,934</td>
<td>2,212,710</td>
<td>1,830,609</td>
<td>4,593,394</td>
<td>2,868,270</td>
<td>374,070</td>
<td>–</td>
<td>23,945,967</td>
</tr>
</tbody>
</table>

**Net liquidity gap**

(10,793,525) (200,327) (595,509) (829,587) 3,452,159 7,619,544 3,488,301 2,141,056

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.
### (b) Liquidity risk (continued)

**31 December 2016**

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Overdue/repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (****)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>436,282</td>
<td>11,639</td>
<td>18,517</td>
<td>47,281</td>
<td>–</td>
<td>–</td>
<td>2,837,069</td>
<td>3,350,788</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>158,433</td>
<td>849,479</td>
<td>244,926</td>
<td>228,917</td>
<td>71,304</td>
<td>41</td>
<td>–</td>
<td>1,553,100</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>46,100</td>
<td>25,488</td>
<td>102,658</td>
<td>935</td>
<td>8,134</td>
<td>6,016</td>
<td>189,331</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>1,448</td>
<td>206</td>
<td>14,260</td>
<td>102,658</td>
<td>935</td>
<td>8,134</td>
<td>6,016</td>
<td>189,331</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>254</td>
<td>14,989</td>
<td>20,320</td>
<td>39,732</td>
<td>14,489</td>
<td>4,668</td>
<td>–</td>
<td>94,452</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>62,087</td>
<td>874,345</td>
<td>774,633</td>
<td>2,785,447</td>
<td>2,970,062</td>
<td>5,144,336</td>
<td>156,404</td>
<td>12,767,334</td>
</tr>
<tr>
<td>Financial investments</td>
<td>–</td>
<td>70,726</td>
<td>185,303</td>
<td>610,237</td>
<td>2,534,397</td>
<td>1,593,183</td>
<td>12,853</td>
<td>5,006,699</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30,077</td>
<td>30,077</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>246,209</td>
<td>246,209</td>
</tr>
<tr>
<td>Others</td>
<td>377,080</td>
<td>44,195</td>
<td>28,506</td>
<td>53,039</td>
<td>33,428</td>
<td>35,983</td>
<td>41,900</td>
<td>614,131</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,035,584</td>
<td>1,911,679</td>
<td>1,311,953</td>
<td>3,903,389</td>
<td>5,829,888</td>
<td>6,810,136</td>
<td>3,334,636</td>
<td>24,137,265</td>
</tr>
</tbody>
</table>

| Liability Category | Due to central banks | – | – | 118 | 427 | – | – | 545 |
| **Liabilities:** | Financial liabilities designated at fair value through profit or loss | 59,279 | 75,000 | 168,142 | 46,949 | 15,144 | 2,238 | – | 366,752 |
| Derivative financial liabilities | 409 | 10,099 | 21,143 | 36,924 | 15,687 | 5,698 | – | 89,960 |
| Due to banks and other financial institutions (**) | 1,283,492 | 874,345 | 774,633 | 2,785,447 | 2,970,062 | 5,144,336 | 156,404 | 12,767,334 |
| Certificates of deposit | – | 29,968 | 67,031 | 103,774 | 17,201 | 453 | – | 218,427 |
| Due to customers | 9,783,195 | 859,224 | 1,286,200 | 3,705,472 | 2,185,850 | 5,362 | – | 17,825,302 |
| Debt securities issued | – | 6,006 | 8,318 | 13,953 | 136,514 | 193,146 | – | 357,937 |
| Others | 300,535 | 72,155 | 60,357 | 135,012 | 70,885 | 52,130 | – | 691,074 |
| **Total liabilities** | 11,426,910 | 1,868,675 | 1,802,366 | 4,281,516 | 2,466,028 | 310,607 | – | 22,156,102 |

| Net liquidity gap | (10,391,326) | 43,004 | (490,413) | (378,127) | 3,363,860 | 6,499,529 | 3,334,636 | 1,981,163 |

(*) Includes reverse repurchase agreements.

(****) Includes repurchase agreements.

(****) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.
(b) Liquidity risk (continued)

**Bank**

**31 December 2017**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Overdue/repayable on demand</th>
<th>Less than one month</th>
<th>One to three months to one year</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>485,599</td>
<td>7,598</td>
<td>14,578</td>
<td>14,650</td>
<td>–</td>
<td>–</td>
<td>3,026,571</td>
<td>3,548,996</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>301,230</td>
<td>784,273</td>
<td>230,954</td>
<td>296,497</td>
<td>64,657</td>
<td>3,745</td>
<td>–</td>
<td>1,681,356</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>5,124</td>
<td>5,871</td>
<td>44,397</td>
<td>4,170</td>
<td>510</td>
<td>–</td>
<td>60,072</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>4,786</td>
<td>1,630</td>
<td>1,715</td>
<td>147,805</td>
<td>149,146</td>
<td>28,554</td>
<td>4,621</td>
<td>338,257</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>10,072</td>
<td>15,916</td>
<td>25,104</td>
<td>1,983</td>
<td>781</td>
<td>–</td>
<td>53,856</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>36,293</td>
<td>879,979</td>
<td>742,641</td>
<td>2,536,478</td>
<td>2,926,940</td>
<td>5,922,029</td>
<td>81,041</td>
<td>13,125,401</td>
</tr>
<tr>
<td>Financial investments</td>
<td>–</td>
<td>80,427</td>
<td>164,815</td>
<td>446,438</td>
<td>2,662,587</td>
<td>1,641,652</td>
<td>33,985</td>
<td>5,029,904</td>
</tr>
<tr>
<td>Investments in subsidiaries and associates</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>154,543</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>122,387</td>
</tr>
<tr>
<td>Others</td>
<td>280,580</td>
<td>65,707</td>
<td>19,116</td>
<td>54,465</td>
<td>36,283</td>
<td>44,295</td>
<td>29,894</td>
<td>530,340</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,108,488</td>
<td>1,834,810</td>
<td>1,195,606</td>
<td>3,565,834</td>
<td>5,845,766</td>
<td>7,641,566</td>
<td>3,453,042</td>
<td>24,645,112</td>
</tr>
</tbody>
</table>

| Liabilities: | Due to central banks | – | – | – | – | 404 | – | 404 |
| Financial liabilities designated at fair value through profit or loss | 60,175 | 67,687 | 137,171 | 134,675 | 8,058 | – | – | 407,766 |
| Derivative financial liabilities | – | 13,505 | 11,548 | 19,410 | 1,401 | 818 | – | 46,682 |
| Due to banks and other financial institutions (**) | 938,854 | 882,839 | 221,053 | 355,043 | 8,862 | 391 | – | 2,406,842 |
| Certificates of deposit | – | 44,283 | 72,616 | 92,464 | 11,830 | 296 | – | 221,489 |
| Due to customers | 10,505,305 | 774,200 | 1,123,942 | 3,616,071 | 2,527,700 | 13,315 | – | 18,560,533 |
| Debt securities issued | – | 6,733 | 8,191 | 14,842 | 132,587 | 273,922 | – | 436,275 |
| Others | 191,349 | 68,903 | 59,266 | 127,169 | 52,957 | 6,076 | – | 505,720 |
| Total liabilities | 11,695,483 | 1,858,150 | 1,633,787 | 4,359,674 | 2,743,799 | 294,818 | – | 22,585,711 |


(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.
### (b) Liquidity risk (continued)

#### 31 December 2016

<table>
<thead>
<tr>
<th>Overdue/repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (**)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>413,572</td>
<td>11,639</td>
<td>18,517</td>
<td>47,281</td>
<td>–</td>
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<td>2,799,261</td>
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<tr>
<td>Due from banks and other financial institutions (*)</td>
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<td>761,207</td>
<td>292,443</td>
<td>248,963</td>
<td>56,690</td>
<td>4,002</td>
<td>1,430,001</td>
</tr>
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<td>42,588</td>
<td>12,889</td>
<td>77,676</td>
<td>1,783</td>
<td>838</td>
<td>48,300</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>1,297</td>
<td>206</td>
<td>14,260</td>
<td>30,745</td>
<td>201,682</td>
<td>19,820</td>
<td>4,108</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>12,974</td>
<td>16,639</td>
<td>30,743</td>
<td>1,749</td>
<td>787</td>
<td>62,892</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>49,222</td>
<td>840,779</td>
<td>725,987</td>
<td>2,675,726</td>
<td>2,682,913</td>
<td>4,904,653</td>
<td>153,920</td>
</tr>
<tr>
<td>Financial investments</td>
<td>–</td>
<td>61,974</td>
<td>168,848</td>
<td>580,312</td>
<td>2,334,396</td>
<td>1,526,334</td>
<td>76,512</td>
</tr>
<tr>
<td>Investments in subsidiaries and associates</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>136,530</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>124,089</td>
</tr>
<tr>
<td>Others</td>
<td>319,652</td>
<td>38,678</td>
<td>8,739</td>
<td>49,645</td>
<td>25,465</td>
<td>34,468</td>
<td>29,883</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>850,439</td>
<td>1,770,045</td>
<td>1,258,322</td>
<td>3,741,091</td>
<td>5,304,678</td>
<td>6,490,902</td>
<td>3,372,603</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>379</td>
<td>–</td>
<td>379</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>59,185</td>
<td>74,912</td>
<td>168,127</td>
<td>36,092</td>
<td>13,685</td>
<td>–</td>
<td>352,001</td>
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<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>8,762</td>
<td>18,411</td>
<td>27,813</td>
<td>2,210</td>
<td>983</td>
<td>58,179</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (**)</td>
<td>1,246,298</td>
<td>644,608</td>
<td>141,150</td>
<td>189,312</td>
<td>4,401</td>
<td>–</td>
<td>2,225,769</td>
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<tr>
<td>Certificates of deposit</td>
<td>–</td>
<td>27,002</td>
<td>56,391</td>
<td>93,721</td>
<td>16,936</td>
<td>453</td>
<td>194,503</td>
</tr>
<tr>
<td>Due to customers</td>
<td>9,603,296</td>
<td>724,528</td>
<td>1,154,911</td>
<td>3,591,901</td>
<td>2,155,589</td>
<td>5,362</td>
<td>17,235,578</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>–</td>
<td>3,308</td>
<td>1,042</td>
<td>10,832</td>
<td>80,530</td>
<td>183,734</td>
<td>279,446</td>
</tr>
<tr>
<td>Others</td>
<td>226,524</td>
<td>59,374</td>
<td>53,285</td>
<td>128,618</td>
<td>58,133</td>
<td>6,553</td>
<td>532,287</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>11,135,303</td>
<td>1,542,494</td>
<td>1,593,317</td>
<td>4,078,089</td>
<td>2,972,815</td>
<td>6,293,817</td>
<td>3,372,603</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(10,284,864)</td>
<td>227,551</td>
<td>(334,995)</td>
<td>(336,998)</td>
<td>(2,972,815)</td>
<td>6,293,817</td>
<td>1,909,929</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

#### (ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group’s and of the Bank’s financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank’s expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.
### Liquidity risk (continued)

#### Group

**31 December 2017**

<table>
<thead>
<tr>
<th></th>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>529,507</td>
<td>7,598</td>
<td>18,692</td>
<td>14,650</td>
<td>–</td>
<td>–</td>
<td>3,047,539</td>
<td>3,617,986</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>360,594</td>
<td>903,213</td>
<td>217,389</td>
<td>308,631</td>
<td>64,958</td>
<td>308</td>
<td>–</td>
<td>1,855,093</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>7,880</td>
<td>6,284</td>
<td>52,330</td>
<td>12,003</td>
<td>12,429</td>
<td>8,713</td>
<td>99,639</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>4,955</td>
<td>1,741</td>
<td>2,007</td>
<td>137,453</td>
<td>157,443</td>
<td>31,276</td>
<td>4,996</td>
<td>339,871</td>
</tr>
<tr>
<td>Loans and advances to customers (**)</td>
<td>40,970</td>
<td>974,577</td>
<td>943,429</td>
<td>3,228,857</td>
<td>5,408,201</td>
<td>9,294,094</td>
<td>235,552</td>
<td>20,125,680</td>
</tr>
<tr>
<td>Financial investments</td>
<td>424</td>
<td>109,323</td>
<td>197,328</td>
<td>631,417</td>
<td>3,199,794</td>
<td>2,012,391</td>
<td>23,878</td>
<td>6,294,555</td>
</tr>
<tr>
<td>Others</td>
<td>328,444</td>
<td>28,573</td>
<td>29,028</td>
<td>4,665</td>
<td>6,271</td>
<td>928</td>
<td>303</td>
<td>398,212</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,264,894</td>
<td>2,032,905</td>
<td>1,414,157</td>
<td>4,378,003</td>
<td>8,968,670</td>
<td>11,351,426</td>
<td>3,320,981</td>
<td>32,731,036</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the rescheduled loans’ contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

**31 December 2017**

<table>
<thead>
<tr>
<th></th>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>22</td>
<td>10</td>
<td>21</td>
<td>404</td>
<td>–</td>
<td>457</td>
<td>449,332</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>63,375</td>
<td>74,504</td>
<td>149,257</td>
<td>411,610</td>
<td>123,953</td>
<td>323</td>
<td>–</td>
<td>263,005</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (*)</td>
<td>985,556</td>
<td>1,046,611</td>
<td>257,957</td>
<td>277,959</td>
<td>351,122</td>
<td>–</td>
<td>–</td>
<td>2,790,769</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>–</td>
<td>49,886</td>
<td>96,506</td>
<td>103,895</td>
<td>323</td>
<td>323</td>
<td>–</td>
<td>236,005</td>
</tr>
<tr>
<td>Due to customers</td>
<td>10,711,266</td>
<td>950,574</td>
<td>1,282,166</td>
<td>3,840,195</td>
<td>15,087</td>
<td>–</td>
<td>–</td>
<td>19,445,665</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>–</td>
<td>7,536</td>
<td>12,846</td>
<td>40,985</td>
<td>272,959</td>
<td>351,122</td>
<td>–</td>
<td>685,548</td>
</tr>
<tr>
<td>Others</td>
<td>260,409</td>
<td>13,301</td>
<td>1,996</td>
<td>2,671</td>
<td>12,017</td>
<td>5,732</td>
<td>–</td>
<td>296,126</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,020,606</td>
<td>2,142,434</td>
<td>1,800,838</td>
<td>4,544,940</td>
<td>2,984,750</td>
<td>437,334</td>
<td>–</td>
<td>23,930,902</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments settled on net basis</td>
<td>–</td>
<td>779</td>
<td>141</td>
<td>3,780</td>
<td>3,088</td>
<td>249</td>
<td>–</td>
<td>8,047</td>
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<td>Derivative financial instruments settled on gross basis:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Cash inflow</td>
<td>10,846</td>
<td>1,337,254</td>
<td>913,371</td>
<td>2,032,741</td>
<td>151,844</td>
<td>48,177</td>
<td>–</td>
<td>4,274,233</td>
</tr>
<tr>
<td>— Cash outflow</td>
<td>(10,773)</td>
<td>(1,330,028)</td>
<td>(906,872)</td>
<td>(2,019,388)</td>
<td>(149,409)</td>
<td>(46,522)</td>
<td>–</td>
<td>(4,462,992)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>73</td>
<td>7,226</td>
<td>6,499</td>
<td>13,353</td>
<td>2,435</td>
<td>1,655</td>
<td>–</td>
<td>31,241</td>
</tr>
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</table>

(*) Includes repurchase agreements.
### (b) Liquidity risk (continued)

#### 31 December 2016

<table>
<thead>
<tr>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>436,282</td>
<td>11,639</td>
<td>22,347</td>
<td>47,281</td>
<td>–</td>
<td>–</td>
<td>2,837,069</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>158,439</td>
<td>851,293</td>
<td>247,894</td>
<td>235,908</td>
<td>74,923</td>
<td>50</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>46,188</td>
<td>25,796</td>
<td>105,143</td>
<td>3,398</td>
<td>13,085</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>1,448</td>
<td>219</td>
<td>14,536</td>
<td>36,907</td>
<td>206,982</td>
<td>24,149</td>
<td>4,108</td>
</tr>
<tr>
<td>Loans and advances to customers (**)</td>
<td>62,950</td>
<td>937,939</td>
<td>924,671</td>
<td>3,313,707</td>
<td>4,824,943</td>
<td>7,560,269</td>
<td>263,899</td>
</tr>
<tr>
<td>Financial investments</td>
<td>–</td>
<td>46,188</td>
<td>25,796</td>
<td>105,143</td>
<td>3,398</td>
<td>13,085</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>373,172</td>
<td>27,824</td>
<td>4,295</td>
<td>6,061</td>
<td>6,614</td>
<td>416</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,032,291</td>
<td>1,947,363</td>
<td>1,430,599</td>
<td>4,377,470</td>
<td>7,738,564</td>
<td>9,240,148</td>
<td>3,127,194</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the rescheduled loans’ contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

### 31 December 2016

<table>
<thead>
<tr>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
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<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>119</td>
<td>427</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>59,943</td>
<td>75,114</td>
<td>169,503</td>
<td>48,348</td>
<td>16,141</td>
<td>2,277</td>
<td>–</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (*)</td>
<td>1,283,844</td>
<td>817,628</td>
<td>192,176</td>
<td>242,106</td>
<td>27,095</td>
<td>68,179</td>
<td>–</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>–</td>
<td>30,075</td>
<td>67,511</td>
<td>105,233</td>
<td>17,590</td>
<td>480</td>
<td>–</td>
</tr>
<tr>
<td>Due to customers</td>
<td>9,791,273</td>
<td>861,958</td>
<td>1,316,461</td>
<td>3,777,425</td>
<td>2,305,827</td>
<td>6,017</td>
<td>–</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>–</td>
<td>6,035</td>
<td>9,400</td>
<td>28,511</td>
<td>186,995</td>
<td>245,210</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>293,113</td>
<td>8,894</td>
<td>4,237</td>
<td>5,340</td>
<td>13,900</td>
<td>10,383</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,428,173</td>
<td>1,799,704</td>
<td>1,758,288</td>
<td>4,207,082</td>
<td>2,567,975</td>
<td>332,546</td>
<td>–</td>
</tr>
</tbody>
</table>

Derivative cash flows:

- Derivative financial instruments settled on net basis: | – | (52) | (137) | (181) | 115 | 182 | – | (73) |
- Derivative financial instruments settled on gross basis:
  - Cash inflow: | 15,916 | 1,009,201 | 1,107,223 | 1,724,950 | 171,304 | 17,675 | – | 4,046,269 |
  - Cash outflow: | (15,820) | (1,005,076) | (1,103,824) | (1,714,270) | (166,880) | (17,001) | – | (4,022,871) |
| **Total** | 96 | 4,125 | 3,399 | 10,680 | 4,424 | 674 | – | 23,398 |

(*) Includes repurchase agreements.
### (b) Liquidity risk (continued)

#### Bank

**31 December 2017**

<table>
<thead>
<tr>
<th></th>
<th>Overdue/repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>485,599</td>
<td>7,598</td>
<td>18,664</td>
<td>14,650</td>
<td>–</td>
<td>–</td>
<td>3,026,571</td>
<td>3,553,082</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>301,494</td>
<td>786,537</td>
<td>234,601</td>
<td>305,769</td>
<td>68,413</td>
<td>4,504</td>
<td>–</td>
<td>1,701,318</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>5,232</td>
<td>5,996</td>
<td>45,691</td>
<td>4,557</td>
<td>575</td>
<td>–</td>
<td>62,051</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>4,675</td>
<td>1,741</td>
<td>2,007</td>
<td>127,719</td>
<td>154,500</td>
<td>28,455</td>
<td>3,633</td>
<td>322,730</td>
</tr>
<tr>
<td>Loans and advances to customers (**)</td>
<td>36,817</td>
<td>944,690</td>
<td>896,919</td>
<td>3,088,065</td>
<td>4,964,245</td>
<td>8,886,493</td>
<td>229,954</td>
<td>19,047,183</td>
</tr>
<tr>
<td>Financial investments</td>
<td>214</td>
<td>88,538</td>
<td>187,406</td>
<td>566,079</td>
<td>3,156,686</td>
<td>1,919,091</td>
<td>34,239</td>
<td>5,952,253</td>
</tr>
<tr>
<td>Others</td>
<td>283,889</td>
<td>22,566</td>
<td>23,444</td>
<td>658</td>
<td>304</td>
<td>42</td>
<td>300</td>
<td>331,203</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,112,688</td>
<td>1,856,902</td>
<td>1,369,037</td>
<td>4,148,631</td>
<td>10,839,160</td>
<td>3,294,697</td>
<td>30,969,820</td>
<td></td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the rescheduled loans’ contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

### Notes to the Financial Statements

**Financial Statements for the year ended 31 December 2017**

(In RMB millions, unless otherwise stated)

---

**Non-derivative cash flows:**

**Financial liabilities:**

Due to central banks

Financial liabilities designated at fair value through profit or loss

Due to banks and other financial institutions (*)

Certificates of deposit

Due to customers

Debt securities issued

Others

**Total**

**Derivative cash flows:**

Derivative financial instruments settled on net basis

Derivative financial instruments settled on gross basis:

— Cash inflow

— Cash outflow

**Total**

(*) Includes repurchase agreements.
### (b) Liquidity risk (continued)

#### 31 December 2016

<table>
<thead>
<tr>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated (***)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>413,572</td>
<td>11,639</td>
<td>22,296</td>
<td>47,281</td>
<td>–</td>
<td>–</td>
<td>2,799,261</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>66,701</td>
<td>763,079</td>
<td>295,868</td>
<td>254,645</td>
<td>58,529</td>
<td>4,814</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>42,658</td>
<td>13,020</td>
<td>79,141</td>
<td>2,189</td>
<td>895</td>
<td>48,300</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>1,297</td>
<td>219</td>
<td>14,536</td>
<td>31,574</td>
<td>203,245</td>
<td>20,178</td>
<td>4,108</td>
</tr>
<tr>
<td>Loans and advances to customers (**)</td>
<td>49,988</td>
<td>901,221</td>
<td>867,533</td>
<td>3,173,863</td>
<td>4,425,087</td>
<td>7,210,629</td>
<td>257,043</td>
</tr>
<tr>
<td>Financial investments</td>
<td>–</td>
<td>63,376</td>
<td>174,177</td>
<td>600,938</td>
<td>2,413,765</td>
<td>1,569,467</td>
<td>76,512</td>
</tr>
<tr>
<td>Others</td>
<td>311,382</td>
<td>23,554</td>
<td>119</td>
<td>242</td>
<td>59</td>
<td>–</td>
<td>1,425</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>842,940</td>
<td>1,805,746</td>
<td>1,387,549</td>
<td>4,187,684</td>
<td>7,102,874</td>
<td>8,805,983</td>
<td>27,319,425</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the rescheduled loans’ contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

#### 31 December 2016

<table>
<thead>
<tr>
<th>Overdue/ repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Undated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative cash flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>379</td>
<td>379</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>59,185</td>
<td>75,114</td>
<td>169,491</td>
<td>36,934</td>
<td>15,752</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (*)</td>
<td>1,246,649</td>
<td>645,735</td>
<td>141,531</td>
<td>191,340</td>
<td>4,436</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>–</td>
<td>27,104</td>
<td>56,790</td>
<td>95,079</td>
<td>17,359</td>
<td>480</td>
<td>–</td>
</tr>
<tr>
<td>Due to customers</td>
<td>9,604,216</td>
<td>725,189</td>
<td>1,178,132</td>
<td>3,651,288</td>
<td>2,227,466</td>
<td>6,017</td>
<td>–</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>–</td>
<td>3,311</td>
<td>1,686</td>
<td>21,491</td>
<td>122,264</td>
<td>237,300</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>184,801</td>
<td>1,042</td>
<td>164</td>
<td>557</td>
<td>1,403</td>
<td>3,311</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,094,851</td>
<td>1,477,495</td>
<td>1,547,794</td>
<td>3,996,689</td>
<td>2,389,059</td>
<td>247,108</td>
<td>–</td>
</tr>
</tbody>
</table>

Derivative cash flows:

- Derivative financial instruments settled on net basis | – | 113 | (99) | (214) | 102 | (39) | – | (137) |
- Derivative financial instruments settled on gross basis:
  - Cash inflow | – | 808,559 | 999,032 | 1,605,798 | 66,739 | 1,644 | – | 3,481,772 |
  - Cash outflow | – | (807,068) | (997,897) | (1,599,245) | (67,176) | (1,804) | – | (3,473,190) |

(*) Includes repurchase agreements.
(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

**Group**

**31 December 2017**

<table>
<thead>
<tr>
<th>Repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit commitments</td>
<td>1,043,584</td>
<td>123,905</td>
<td>281,759</td>
<td>649,759</td>
<td>1,040,917</td>
<td>3,510,936</td>
</tr>
</tbody>
</table>

**31 December 2016**

<table>
<thead>
<tr>
<th>Repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit commitments</td>
<td>756,778</td>
<td>105,676</td>
<td>230,641</td>
<td>611,356</td>
<td>313,218</td>
<td>2,778,412</td>
</tr>
</tbody>
</table>

**Bank**

**31 December 2017**

<table>
<thead>
<tr>
<th>Repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit commitments</td>
<td>1,038,989</td>
<td>97,993</td>
<td>283,876</td>
<td>657,496</td>
<td>370,334</td>
<td>3,476,117</td>
</tr>
</tbody>
</table>

**31 December 2016**

<table>
<thead>
<tr>
<th>Repayable on demand</th>
<th>Less than one month</th>
<th>One to three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit commitments</td>
<td>748,492</td>
<td>91,832</td>
<td>225,685</td>
<td>727,543</td>
<td>300,301</td>
<td>2,713,875</td>
</tr>
</tbody>
</table>

(c) Market risk

Market risk is the risk of loss, in respect of the Group’s on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group’s trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group’s currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.
(c) Market risk (continued)

The Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios as immaterial. Sensitivity analysis, interest rate repricing gap analysis and currency risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Bank adopts VaR analysis as the major tool for calculating and monitoring the market risk of trading portfolios. The following sections include a VaR analysis by risk type of the Group’s trading portfolios of the parent company and a sensitivity analysis based on the Group’s interest rate risk exposure and currency risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days’ historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaR by risk type of the Bank’s trading portfolios is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2017</td>
<td>31 December 2016</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>25</td>
<td>66</td>
</tr>
<tr>
<td>Currency risk</td>
<td>54</td>
<td>240</td>
</tr>
<tr>
<td>Commodity risk</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Total portfolio VaR</td>
<td>62</td>
<td>258</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td></td>
<td>Highest</td>
<td>Highest</td>
</tr>
<tr>
<td></td>
<td>Lowest</td>
<td>Lowest</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>54</td>
<td>76</td>
</tr>
<tr>
<td>Currency risk</td>
<td>111</td>
<td>325</td>
</tr>
<tr>
<td>Commodity risk</td>
<td>23</td>
<td>18</td>
</tr>
<tr>
<td>Total portfolio VaR</td>
<td>136</td>
<td>204</td>
</tr>
<tr>
<td></td>
<td>120</td>
<td>325</td>
</tr>
<tr>
<td></td>
<td>49</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>46</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>360</td>
<td>328</td>
</tr>
<tr>
<td></td>
<td>62</td>
<td>76</td>
</tr>
</tbody>
</table>

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.
(c) Market risk (continued)

(ii) Interest rate risk

The Group’s interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group’s interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group’s management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group’s and the Bank’s net interest income and equity.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end, including the effect of any associated hedges.

### Group

#### 2017

<table>
<thead>
<tr>
<th>Currency</th>
<th>Increased by 100 basis points</th>
<th>Decreased by 100 basis points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Effect on net interest income</td>
<td>Effect on equity</td>
</tr>
<tr>
<td>RMB</td>
<td>(2,945)</td>
<td>(35,901)</td>
</tr>
<tr>
<td>USD</td>
<td>(1,911)</td>
<td>(5,574)</td>
</tr>
<tr>
<td>HKD</td>
<td>495</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>90</td>
<td>(825)</td>
</tr>
<tr>
<td>Total</td>
<td>(4,271)</td>
<td>(42,300)</td>
</tr>
</tbody>
</table>

#### 2016

<table>
<thead>
<tr>
<th>Currency</th>
<th>Increased by 100 basis points</th>
<th>Decreased by 100 basis points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Effect on net interest income</td>
<td>Effect on equity</td>
</tr>
<tr>
<td>RMB</td>
<td>(8,885)</td>
<td>(46,604)</td>
</tr>
<tr>
<td>USD</td>
<td>(178)</td>
<td>(4,450)</td>
</tr>
<tr>
<td>HKD</td>
<td>139</td>
<td>(8)</td>
</tr>
<tr>
<td>Others</td>
<td>467</td>
<td>(635)</td>
</tr>
<tr>
<td>Total</td>
<td>(8,457)</td>
<td>(51,697)</td>
</tr>
</tbody>
</table>
### (c) Market risk (continued)

#### Bank

2017

<table>
<thead>
<tr>
<th>Currency</th>
<th>Effect on net interest income</th>
<th>Effect on equity</th>
<th>Effect on net interest income</th>
<th>Effect on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB</td>
<td>(2,796)</td>
<td>(34,021)</td>
<td>2,796</td>
<td>36,109</td>
</tr>
<tr>
<td>USD</td>
<td>(860)</td>
<td>(2,841)</td>
<td>860</td>
<td>2,842</td>
</tr>
<tr>
<td>HKD</td>
<td>(97)</td>
<td>–</td>
<td>97</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>117</td>
<td>(457)</td>
<td>(117)</td>
<td>457</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(3,636)</strong></td>
<td><strong>(37,319)</strong></td>
<td><strong>3,636</strong></td>
<td><strong>39,408</strong></td>
</tr>
</tbody>
</table>

2016

<table>
<thead>
<tr>
<th>Currency</th>
<th>Effect on net interest income</th>
<th>Effect on equity</th>
<th>Effect on net interest income</th>
<th>Effect on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB</td>
<td>(8,909)</td>
<td>(42,723)</td>
<td>8,909</td>
<td>45,581</td>
</tr>
<tr>
<td>USD</td>
<td>250</td>
<td>(1,726)</td>
<td>(250)</td>
<td>1,727</td>
</tr>
<tr>
<td>HKD</td>
<td>(186)</td>
<td>(8)</td>
<td>186</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>185</td>
<td>(347)</td>
<td>(185)</td>
<td>347</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(8,660)</strong></td>
<td><strong>(44,804)</strong></td>
<td><strong>8,660</strong></td>
<td><strong>47,663</strong></td>
</tr>
</tbody>
</table>

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group’s and the Bank’s current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.
### (c) Market risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group’s assets and liabilities:

#### 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>Less than three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Non-interest-bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>3,224,896</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>388,976</td>
<td>3,613,872</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>1,446,100</td>
<td>300,248</td>
<td>56,177</td>
<td>291</td>
<td>31,426</td>
<td>1,834,242</td>
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<tr>
<td>Financial assets held for trading</td>
<td>14,834</td>
<td>51,087</td>
<td>6,008</td>
<td>6,613</td>
<td>8,795</td>
<td>87,337</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>8,572</td>
<td>156,503</td>
<td>149,682</td>
<td>27,917</td>
<td>10,927</td>
<td>353,601</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>89,013</td>
<td>89,013</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>9,243,369</td>
<td>4,163,670</td>
<td>265,147</td>
<td>163,052</td>
<td>57,728</td>
<td>13,892,966</td>
</tr>
<tr>
<td>Financial investments</td>
<td>384,969</td>
<td>524,266</td>
<td>2,688,511</td>
<td>1,694,726</td>
<td>23,294</td>
<td>5,315,766</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>32,441</td>
<td>32,441</td>
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<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>247,744</td>
<td>247,744</td>
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<tr>
<td>Others</td>
<td>6,277</td>
<td>141</td>
<td>–</td>
<td>–</td>
<td>613,643</td>
<td>620,061</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>14,329,017</td>
<td>5,195,915</td>
<td>3,165,525</td>
<td>1,892,599</td>
<td>1,503,987</td>
<td>26,087,043</td>
</tr>
</tbody>
</table>

| **Liabilities:** |                        |                          |                   |                      |                     |           |
| Due to central banks | 32                     | 20                       | 404               | –                    | –                   | 456       |
| Financial liabilities designated at fair value through profit or loss | 197,487                | 137,501                  | 10,345            | –                    | 80,615              | 425,948   |
| Derivative financial liabilities | –                      | –                        | –                 | –                    | 78,556              | 78,556    |
| Due to banks and other financial institutions (**) | 2,283,966              | 433,980                  | 13,719            | 6,057                | 15,165              | 2,752,887 |
| Certificates of deposit | 159,465                | 97,204                   | 3,309             | 296                  | –                   | 260,274   |
| Due to customers | 12,552,586             | 3,761,438                | 2,547,178         | 13,514               | 351,633             | 19,226,349 |
| Debt securities issued | 84,631                 | 20,919                   | 142,430           | 278,960              | –                   | 526,940   |
| Others | 2,218                  | 99                       | 406               | 410                  | 671,444             | 674,577    |
| **Total liabilities** | 15,280,385             | 4,451,161                | 2,717,791         | 299,237              | 1,197,413           | 23,945,987 |
| **Interest rate mismatch** | (951,368)             | 744,754                  | 447,734           | 1,593,362            | N/A                | N/A       |

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
### (c) Market risk (continued)

#### 31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Less than three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Non-interest-bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>2,950,175</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>400,613</td>
<td>3,350,788</td>
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<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>1,281,652</td>
<td>175,706</td>
<td>65,244</td>
<td>41</td>
<td>30,457</td>
<td>1,553,100</td>
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<td>Financial assets held for trading</td>
<td>73,827</td>
<td>102,259</td>
<td>4,126</td>
<td>3,103</td>
<td>6,016</td>
<td>189,331</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>16,157</td>
<td>40,807</td>
<td>203,561</td>
<td>19,063</td>
<td>5,556</td>
<td>285,144</td>
</tr>
<tr>
<td>Derivative financial assets</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>94,452</td>
<td>94,452</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>8,042,786</td>
<td>4,331,521</td>
<td>154,613</td>
<td>139,700</td>
<td>98,714</td>
<td>12,767,334</td>
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<tr>
<td>Financial investments</td>
<td>403,284</td>
<td>637,160</td>
<td>2,375,341</td>
<td>1,578,061</td>
<td>12,853</td>
<td>5,006,699</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30,077</td>
<td>30,077</td>
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<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>246,209</td>
<td>246,209</td>
</tr>
<tr>
<td>Others</td>
<td>9,294</td>
<td>209</td>
<td>–</td>
<td>–</td>
<td>604,628</td>
<td>614,131</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>12,777,175</td>
<td>5,287,662</td>
<td>2,802,885</td>
<td>1,739,968</td>
<td>1,529,575</td>
<td>24,137,265</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>118</td>
<td>427</td>
<td>–</td>
<td>–</td>
<td>545</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>247,084</td>
<td>45,217</td>
<td>9,870</td>
<td>–</td>
<td>64,581</td>
<td>366,752</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>89,960</td>
<td>89,960</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (**)</td>
<td>2,285,839</td>
<td>270,853</td>
<td>12,912</td>
<td>10,200</td>
<td>26,301</td>
<td>2,606,105</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>118,407</td>
<td>93,236</td>
<td>6,331</td>
<td>453</td>
<td>–</td>
<td>218,427</td>
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<tr>
<td>Due to customers</td>
<td>11,660,480</td>
<td>3,705,066</td>
<td>2,166,979</td>
<td>5,362</td>
<td>287,415</td>
<td>17,825,302</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>34,242</td>
<td>16,039</td>
<td>116,722</td>
<td>190,934</td>
<td>–</td>
<td>357,937</td>
</tr>
<tr>
<td>Others</td>
<td>8,569</td>
<td>382</td>
<td>2,264</td>
<td>1,584</td>
<td>678,275</td>
<td>691,074</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>14,354,621</td>
<td>4,130,911</td>
<td>2,315,505</td>
<td>208,533</td>
<td>1,146,532</td>
<td>22,156,102</td>
</tr>
<tr>
<td>Interest rate mismatch</td>
<td>(1,577,446)</td>
<td>1,156,751</td>
<td>487,380</td>
<td>1,531,435</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
### (c) Market risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank’s assets and liabilities:

#### 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>Less than three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Non-interest-bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>3,164,066</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>384,930</td>
<td>3,548,996</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>1,343,017</td>
<td>296,231</td>
<td>36,427</td>
<td>–</td>
<td>5,681</td>
<td>1,681,356</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>11,678</td>
<td>44,397</td>
<td>3,639</td>
<td>358</td>
<td>–</td>
<td>60,072</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>7,110</td>
<td>147,805</td>
<td>147,140</td>
<td>26,796</td>
<td>9,406</td>
<td>338,257</td>
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<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>53,856</td>
<td>53,856</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>8,758,429</td>
<td>4,091,956</td>
<td>165,498</td>
<td>58,639</td>
<td>50,879</td>
<td>13,125,401</td>
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<tr>
<td>Financial investments</td>
<td>347,099</td>
<td>460,613</td>
<td>2,560,880</td>
<td>1,627,327</td>
<td>33,985</td>
<td>5,029,904</td>
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<tr>
<td>Investments in subsidiaries and associates</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>154,543</td>
<td>154,543</td>
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<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>122,387</td>
<td>122,387</td>
</tr>
<tr>
<td>Others</td>
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<td>–</td>
<td>–</td>
<td>530,340</td>
<td>530,340</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>13,631,399</td>
<td>5,041,002</td>
<td>2,913,584</td>
<td>1,713,120</td>
<td>1,346,007</td>
<td>24,645,112</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Less than three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
<th>More than five years</th>
<th>Non-interest-bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>404</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>196,315</td>
<td>133,431</td>
<td>7,643</td>
<td>–</td>
<td>70,377</td>
<td>407,766</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>46,682</td>
<td>46,682</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (**)</td>
<td>2,039,083</td>
<td>355,697</td>
<td>3,936</td>
<td>–</td>
<td>8,126</td>
<td>2,406,842</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>130,750</td>
<td>87,351</td>
<td>3,092</td>
<td>296</td>
<td>–</td>
<td>221,489</td>
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<tr>
<td>Due to customers</td>
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<td>2,525,246</td>
<td>13,315</td>
<td>290,436</td>
<td>18,560,533</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>75,551</td>
<td>11,682</td>
<td>75,120</td>
<td>273,922</td>
<td>–</td>
<td>436,275</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<td>505,720</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>14,558,434</td>
<td>4,202,962</td>
<td>2,615,441</td>
<td>287,533</td>
<td>921,341</td>
<td>22,585,711</td>
</tr>
</tbody>
</table>

| Interest rate mismatch | (927,035) | 838,040 | 298,143 | 1,425,587 | N/A | N/A |

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
(c) Market risk (continued)
31 December 2016

<table>
<thead>
<tr>
<th></th>
<th>Less than three months</th>
<th>Three months to one year</th>
<th>One to five years</th>
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<th>Non-interest-bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>2,893,681</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>396,589</td>
</tr>
<tr>
<td>Due from banks and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other financial institutions (*)</td>
<td>1,166,598</td>
<td>196,166</td>
<td>54,667</td>
<td>–</td>
<td>12,570</td>
<td>1,430,001</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>56,958</td>
<td>76,803</td>
<td>1,706</td>
<td>307</td>
<td>48,300</td>
<td>184,074</td>
</tr>
<tr>
<td>Financial assets designated at</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>fair value through profit or loss</td>
<td>16,157</td>
<td>31,502</td>
<td>199,990</td>
<td>19,063</td>
<td>5,406</td>
<td>272,118</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>62,892</td>
<td>62,892</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>7,506,073</td>
<td>4,240,147</td>
<td>106,364</td>
<td>86,977</td>
<td>93,639</td>
<td>12,033,200</td>
</tr>
<tr>
<td>Financial investments</td>
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<td>600,860</td>
<td>2,210,827</td>
<td>1,508,705</td>
<td>76,512</td>
<td>4,748,376</td>
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<tr>
<td>Investments in subsidiaries and associates</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>136,530</td>
</tr>
<tr>
<td>Property and equipment</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>124,089</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>506,530</td>
<td>506,530</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>11,990,939</td>
<td>5,145,478</td>
<td>2,573,554</td>
<td>1,615,052</td>
<td>1,463,057</td>
<td>22,788,080</td>
</tr>
</tbody>
</table>

| **Liabilities:**               |                        |                          |                   |                      |                      |           |
| Due to central banks           | –                      | –                        | 379               | –                    | –                    | 379       |
| Financial liabilities designated at | –                      | –                        | –                 | –                    | 58,179               | 58,179    |
| fair value through profit or loss | 247,029                | 36,092                   | 9,695             | –                    | 59,185               | 352,001   |
| Derivative financial liabilities | –                      | –                        | –                 | –                    | –                    | –         |
| Due to banks and               |                        |                          |                   |                      |                      |           |
| other financial institutions (**) | 2,029,768              | 184,154                  | 2,755             | –                    | 9,092                | 2,225,769 |
| Certificates of deposit        | 104,292                | 83,427                   | 6,331             | 453                  | –                    | 194,503   |
| Due to customers               | 11,251,659             | 3,591,913                | 2,154,995         | 5,362                | 231,658              | 17,235,587|
| Debt securities issued         | 21,953                 | 10,827                   | 62,932            | 183,734              | –                    | 279,446   |
| Others                         | –                      | –                        | –                 | –                    | 532,287              | 532,287   |
| **Total liabilities**          | 13,654,701             | 3,906,413                | 2,237,087         | 189,549              | 890,401              | 20,878,151|
| Interest rate mismatch         | (1,663,762)            | 1,239,065                | 336,467           | 1,425,503            | N/A                 | N/A       |

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
(c) Market risk (continued)

(iii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group’s treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge currency risk, and performing currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group’s and the Bank’s foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group and the Bank to mitigate the adverse impact of this currency risk.

### Group

<table>
<thead>
<tr>
<th>Currency</th>
<th>Change in currency rate</th>
<th>Effect on profit before taxation 2017</th>
<th>Effect on profit before taxation 2016</th>
<th>Effect on equity 2017</th>
<th>Effect on equity 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>-1%</td>
<td>23</td>
<td>66</td>
<td>(297)</td>
<td>(313)</td>
</tr>
<tr>
<td>HKD</td>
<td>-1%</td>
<td>307</td>
<td>275</td>
<td>(1,026)</td>
<td>(929)</td>
</tr>
</tbody>
</table>

### Bank

<table>
<thead>
<tr>
<th>Currency</th>
<th>Change in currency rate</th>
<th>Effect on profit before taxation 2017</th>
<th>Effect on profit before taxation 2016</th>
<th>Effect on equity 2017</th>
<th>Effect on equity 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>-1%</td>
<td>22</td>
<td>78</td>
<td>(37)</td>
<td>(27)</td>
</tr>
<tr>
<td>HKD</td>
<td>-1%</td>
<td>82</td>
<td>188</td>
<td>(25)</td>
<td>(19)</td>
</tr>
</tbody>
</table>

While the tables above indicates the effect on profit before taxation and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.
(c) Market risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

**Group**

**31 December 2017**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>USD (equivalent to RMB)</th>
<th>HKD (equivalent to RMB)</th>
<th>Others (equivalent to RMB)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>3,354,447</td>
<td>161,857</td>
<td>18,834</td>
<td>78,734</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>1,302,946</td>
<td>474,008</td>
<td>12,961</td>
<td>44,327</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>66,930</td>
<td>4,355</td>
<td>–</td>
<td>16,052</td>
</tr>
<tr>
<td>Financial assets designated at fair value though profit or loss</td>
<td>338,276</td>
<td>12,302</td>
<td>1,403</td>
<td>1,620</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>38,019</td>
<td>38,278</td>
<td>6,828</td>
<td>5,888</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>12,460,372</td>
<td>894,502</td>
<td>263,423</td>
<td>274,669</td>
</tr>
<tr>
<td>Financial investments</td>
<td>4,921,646</td>
<td>280,390</td>
<td>26,117</td>
<td>87,613</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>1,651</td>
<td>907</td>
<td>1,498</td>
<td>28,385</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>134,446</td>
<td>111,188</td>
<td>736</td>
<td>1,374</td>
</tr>
<tr>
<td>Others</td>
<td>329,095</td>
<td>73,018</td>
<td>3,594</td>
<td>214,354</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>22,947,828</td>
<td>2,050,805</td>
<td>335,394</td>
<td>753,016</td>
</tr>
</tbody>
</table>

| Liabilities: | | | | |
| Due to central banks | 20 | – | – | 436 | 456 |
| Financial liabilities designated at fair value through profit or loss | 357,482 | 7,314 | – | 61,152 | 425,948 |
| Derivative financial liabilities | 39,863 | 27,047 | 3,964 | 7,682 | 78,556 |
| Due to banks and other financial institutions (**) | 1,869,144 | 734,390 | 28,831 | 120,522 | 2,752,887 |
| Certificates of deposit | 20,218 | 164,308 | 10,969 | 62,775 | 260,274 |
| Due to customers | 18,041,034 | 722,852 | 262,791 | 199,672 | 19,226,349 |
| Debt securities issued | 266,870 | 227,961 | 669 | 31,440 | 526,940 |
| Others | 584,016 | 65,228 | 10,120 | 15,213 | 674,577 |
| **Total liabilities** | 21,178,647 | 1,949,100 | 317,893 | 500,347 | 23,945,987 |
| **Net position** | 1,769,181 | 101,705 | 17,501 | 252,669 | 2,141,056 |
| **Credit commitments** | 2,817,674 | 505,943 | 43,071 | 144,248 | 3,510,936 |

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
### (c) Market risk (continued)

#### 31 December 2016

<table>
<thead>
<tr>
<th>Assets:</th>
<th>RMB</th>
<th>USD (equivalent to RMB)</th>
<th>HKD (equivalent to RMB)</th>
<th>Others (equivalent to RMB)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>3,081,709</td>
<td>195,520</td>
<td>17,442</td>
<td>56,117</td>
<td>3,350,788</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>1,023,286</td>
<td>483,688</td>
<td>7,557</td>
<td>38,569</td>
<td>1,553,100</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>180,632</td>
<td>5,732</td>
<td>–</td>
<td>2,967</td>
<td>189,331</td>
</tr>
<tr>
<td>Financial assets designated at fair value</td>
<td>271,780</td>
<td>9,536</td>
<td>272</td>
<td>3,556</td>
<td>285,144</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>41,478</td>
<td>32,020</td>
<td>8,575</td>
<td>12,379</td>
<td>94,452</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>11,490,448</td>
<td>863,960</td>
<td>220,280</td>
<td>192,646</td>
<td>12,767,334</td>
</tr>
<tr>
<td>Financial investments</td>
<td>4,674,842</td>
<td>240,949</td>
<td>20,374</td>
<td>70,534</td>
<td>5,006,699</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>660</td>
<td>875</td>
<td>1,627</td>
<td>26,915</td>
<td>30,077</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>131,354</td>
<td>112,653</td>
<td>758</td>
<td>1,444</td>
<td>246,209</td>
</tr>
<tr>
<td>Others</td>
<td>293,855</td>
<td>125,161</td>
<td>4,261</td>
<td>190,854</td>
<td>614,131</td>
</tr>
<tr>
<td>Total assets</td>
<td>21,190,044</td>
<td>2,070,094</td>
<td>281,146</td>
<td>595,981</td>
<td>24,137,265</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to central banks</td>
<td>30</td>
<td>–</td>
<td>–</td>
<td>515</td>
<td>545</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>289,238</td>
<td>13,949</td>
<td>–</td>
<td>63,565</td>
<td>366,752</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>19,889</td>
<td>46,150</td>
<td>13,210</td>
<td>10,711</td>
<td>89,960</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (**)</td>
<td>1,729,007</td>
<td>723,289</td>
<td>35,485</td>
<td>118,324</td>
<td>2,606,105</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>30,154</td>
<td>137,310</td>
<td>13,330</td>
<td>37,633</td>
<td>218,427</td>
</tr>
<tr>
<td>Due to customers</td>
<td>16,722,751</td>
<td>699,543</td>
<td>235,360</td>
<td>167,648</td>
<td>17,825,302</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>182,367</td>
<td>153,201</td>
<td>726</td>
<td>21,643</td>
<td>357,937</td>
</tr>
<tr>
<td>Others</td>
<td>579,749</td>
<td>93,117</td>
<td>6,335</td>
<td>11,873</td>
<td>691,074</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>19,553,185</td>
<td>1,866,559</td>
<td>304,446</td>
<td>431,912</td>
<td>22,156,102</td>
</tr>
<tr>
<td>Net position</td>
<td>1,636,859</td>
<td>203,535</td>
<td>(23,300)</td>
<td>164,069</td>
<td>1,981,163</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>2,120,542</td>
<td>500,612</td>
<td>30,896</td>
<td>126,362</td>
<td>2,778,412</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
(c) Market risk (continued)

**Bank**

**31 December 2017**

<table>
<thead>
<tr>
<th></th>
<th><strong>RMB</strong></th>
<th><strong>USD (equivalent to RMB)</strong></th>
<th><strong>HKD (equivalent to RMB)</strong></th>
<th><strong>Others (equivalent to RMB)</strong></th>
<th><strong>Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances</td>
<td>3,346,117</td>
<td>153,088</td>
<td>1,751</td>
<td>48,040</td>
<td>3,548,996</td>
</tr>
<tr>
<td>with central banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from banks</td>
<td>1,317,126</td>
<td>308,257</td>
<td>18,396</td>
<td>37,577</td>
<td>1,681,356</td>
</tr>
<tr>
<td>and other financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>institutions (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>58,041</td>
<td>1,817</td>
<td></td>
<td>214</td>
<td>60,072</td>
</tr>
<tr>
<td>held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>designated at fair</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>value through</td>
<td>336,128</td>
<td>523</td>
<td></td>
<td>1,606</td>
<td>338,257</td>
</tr>
<tr>
<td>profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial</td>
<td>39,938</td>
<td>8,700</td>
<td>2</td>
<td>5,216</td>
<td>53,856</td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances</td>
<td>12,309,925</td>
<td>642,281</td>
<td>18,492</td>
<td>154,703</td>
<td>13,125,401</td>
</tr>
<tr>
<td>to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>4,773,006</td>
<td>185,927</td>
<td>12,983</td>
<td>57,988</td>
<td>5,029,904</td>
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<td>investments</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Investments in</td>
<td>31,633</td>
<td>11,897</td>
<td>44,820</td>
<td>66,193</td>
<td>154,543</td>
</tr>
<tr>
<td>subsidiaries and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>associates</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Property and</td>
<td>121,972</td>
<td>216</td>
<td>10</td>
<td>189</td>
<td>122,387</td>
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<tr>
<td>equipment</td>
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<tr>
<td>Others</td>
<td>304,979</td>
<td>13,991</td>
<td>450</td>
<td>210,920</td>
<td>530,340</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>22,638,865</td>
<td>1,326,697</td>
<td>96,904</td>
<td>582,646</td>
<td>24,645,112</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>404</td>
<td>404</td>
</tr>
<tr>
<td>banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities designated at fair value</td>
<td>344,671</td>
<td>1,950</td>
<td>–</td>
<td>61,145</td>
<td>407,766</td>
</tr>
<tr>
<td>through profit or</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>loss</td>
<td>39,717</td>
<td>5,583</td>
<td>36</td>
<td>1,346</td>
<td>46,682</td>
</tr>
<tr>
<td>Derivative financial</td>
<td>1,808,300</td>
<td>466,803</td>
<td>43,260</td>
<td>88,479</td>
<td>2,406,842</td>
</tr>
<tr>
<td>liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and</td>
<td>18,973</td>
<td>133,840</td>
<td>6,854</td>
<td>61,822</td>
<td>221,489</td>
</tr>
<tr>
<td>other financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>institutions (**)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of</td>
<td>17,956,954</td>
<td>512,443</td>
<td>13,431</td>
<td>77,705</td>
<td>18,560,533</td>
</tr>
<tr>
<td>deposit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to customers</td>
<td>265,489</td>
<td>149,032</td>
<td>667</td>
<td>21,087</td>
<td>436,275</td>
</tr>
<tr>
<td>Debt securities</td>
<td>461,882</td>
<td>30,756</td>
<td>4,863</td>
<td>8,219</td>
<td>505,720</td>
</tr>
<tr>
<td>issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>20,895,986</td>
<td>1,300,407</td>
<td>69,111</td>
<td>320,207</td>
<td>22,585,711</td>
</tr>
<tr>
<td><strong>Net position</strong></td>
<td>1,742,879</td>
<td>26,290</td>
<td>27,793</td>
<td>262,439</td>
<td>2,059,401</td>
</tr>
<tr>
<td><strong>Credit commitments</strong></td>
<td>2,793,605</td>
<td>552,981</td>
<td>11,090</td>
<td>118,441</td>
<td>3,476,117</td>
</tr>
</tbody>
</table>

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
(c) Market risk (continued)
31 December 2016

<table>
<thead>
<tr>
<th>Assets:</th>
<th>USD (equivalent to RMB)</th>
<th>HKD (equivalent to RMB)</th>
<th>Others (equivalent to RMB)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>3,069,074</td>
<td>179,180</td>
<td>7,264</td>
<td>34,752</td>
</tr>
<tr>
<td>Due from banks and other financial institutions (*)</td>
<td>1,020,638</td>
<td>291,929</td>
<td>73,128</td>
<td>44,306</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>182,281</td>
<td>1,543</td>
<td>–</td>
<td>250</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>271,781</td>
<td>231</td>
<td>–</td>
<td>106</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>40,325</td>
<td>18,623</td>
<td>2</td>
<td>3,942</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>11,284,741</td>
<td>643,173</td>
<td>9,155</td>
<td>96,131</td>
</tr>
<tr>
<td>Financial investments</td>
<td>4,554,549</td>
<td>132,229</td>
<td>14,757</td>
<td>46,841</td>
</tr>
<tr>
<td>Investments in subsidiaries and associates</td>
<td>17,353</td>
<td>10,011</td>
<td>44,820</td>
<td>64,346</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>123,613</td>
<td>249</td>
<td>9</td>
<td>218</td>
</tr>
<tr>
<td>Others</td>
<td>266,238</td>
<td>51,642</td>
<td>504</td>
<td>188,146</td>
</tr>
<tr>
<td>Total assets</td>
<td>20,830,593</td>
<td>1,328,810</td>
<td>149,639</td>
<td>479,038</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to central banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>379</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>279,504</td>
<td>12,512</td>
<td>–</td>
<td>59,985</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>20,119</td>
<td>31,911</td>
<td>2</td>
<td>6,147</td>
</tr>
<tr>
<td>Due to banks and other financial institutions (**)</td>
<td>1,623,678</td>
<td>401,106</td>
<td>97,087</td>
<td>103,898</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>25,667</td>
<td>122,962</td>
<td>10,691</td>
<td>35,183</td>
</tr>
<tr>
<td>Due to customers</td>
<td>16,640,183</td>
<td>502,777</td>
<td>12,709</td>
<td>79,918</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>177,971</td>
<td>94,553</td>
<td>723</td>
<td>6,199</td>
</tr>
<tr>
<td>Others</td>
<td>471,796</td>
<td>52,601</td>
<td>795</td>
<td>7,095</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>19,238,918</td>
<td>1,218,422</td>
<td>122,007</td>
<td>298,804</td>
</tr>
</tbody>
</table>

Net position | 1,591,675 | 110,388 | 27,632 | 180,234 | 1,909,929 |

Credit commitments | 2,096,950 | 514,280 | 4,868 | 97,777 | 2,713,875 |

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.
(d) Capital management

The Group’s objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group’s business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying other tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group’s Management monitors the capital adequacy ratios regularly based on regulations issued by the CBRC. The required information is respectively filed with the CBRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBRC. In April 2014, CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For systemically important banks, CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.
(d) Capital management (continued)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core tier 1 capital</td>
<td>2,044,390</td>
<td>1,886,536</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>356,407</td>
<td>356,407</td>
</tr>
<tr>
<td>Valid portion of capital reserve</td>
<td>151,952</td>
<td>151,998</td>
</tr>
<tr>
<td>Surplus reserve</td>
<td>232,660</td>
<td>205,021</td>
</tr>
<tr>
<td>General reserve</td>
<td>264,850</td>
<td>251,349</td>
</tr>
<tr>
<td>Retained profits</td>
<td>1,096,868</td>
<td>940,237</td>
</tr>
<tr>
<td>Valid portion of minority interests</td>
<td>2,716</td>
<td>3,164</td>
</tr>
<tr>
<td>Others</td>
<td>(61,063)</td>
<td>(21,640)</td>
</tr>
<tr>
<td>Core tier 1 capital deductions</td>
<td>14,282</td>
<td>11,560</td>
</tr>
<tr>
<td>Goodwill</td>
<td>8,478</td>
<td>9,001</td>
</tr>
<tr>
<td>Other intangible assets other than land use rights</td>
<td>1,532</td>
<td>1,477</td>
</tr>
<tr>
<td>Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet</td>
<td>(3,708)</td>
<td>(4,618)</td>
</tr>
<tr>
<td>Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>7,980</td>
<td>5,700</td>
</tr>
<tr>
<td>Net core tier 1 capital</td>
<td>2,030,108</td>
<td>1,874,976</td>
</tr>
<tr>
<td>Additional tier 1 capital</td>
<td>79,952</td>
<td>79,794</td>
</tr>
<tr>
<td>Additional tier 1 capital instruments and related premium</td>
<td>79,375</td>
<td>79,375</td>
</tr>
<tr>
<td>Valid portion of minority interests</td>
<td>577</td>
<td>419</td>
</tr>
<tr>
<td>Net tier 1 capital</td>
<td>2,110,060</td>
<td>1,954,770</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>297,360</td>
<td>178,292</td>
</tr>
<tr>
<td>Valid portion of tier 2 capital instruments and related premium</td>
<td>222,321</td>
<td>154,861</td>
</tr>
<tr>
<td>Surplus provision for loan impairment</td>
<td>71,736</td>
<td>19,195</td>
</tr>
<tr>
<td>Valid portion of minority interests</td>
<td>3,303</td>
<td>4,236</td>
</tr>
<tr>
<td>Tier 2 capital deductions</td>
<td>500</td>
<td>5,600</td>
</tr>
<tr>
<td>Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>500</td>
<td>5,600</td>
</tr>
<tr>
<td>Net capital base</td>
<td>2,406,920</td>
<td>2,127,462</td>
</tr>
<tr>
<td>Risk-weighted assets (i)</td>
<td>15,902,801</td>
<td>14,564,617</td>
</tr>
<tr>
<td>Core tier 1 capital adequacy ratio</td>
<td>12.77%</td>
<td>12.87%</td>
</tr>
<tr>
<td>Tier 1 capital adequacy ratio</td>
<td>13.27%</td>
<td>13.42%</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>15.14%</td>
<td>14.61%</td>
</tr>
</tbody>
</table>

(i) Refers to risk-weighted assets after capital floor and adjustments.
55. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group’s estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer’s quotations.

Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.
(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

**Group**

**31 December 2017**

<table>
<thead>
<tr>
<th>Financial assets which are measured at fair value on a recurring basis:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>6,582</td>
<td>2,213</td>
<td>–</td>
<td>8,795</td>
</tr>
<tr>
<td>Debt securities</td>
<td>3,033</td>
<td>74,868</td>
<td>641</td>
<td>78,542</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,615</strong></td>
<td><strong>77,081</strong></td>
<td><strong>641</strong></td>
<td><strong>87,337</strong></td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>3,862</td>
<td>54,476</td>
<td>1,439</td>
<td>59,777</td>
</tr>
<tr>
<td>Other debt instruments</td>
<td>1,462</td>
<td>30,600</td>
<td>19,846</td>
<td>51,908</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>105,902</td>
<td>136,014</td>
<td>241,916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,324</strong></td>
<td><strong>190,978</strong></td>
<td><strong>157,299</strong></td>
<td><strong>353,601</strong></td>
</tr>
<tr>
<td>Derivative financial asset</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate contracts</td>
<td>640</td>
<td>51,335</td>
<td>329</td>
<td>52,304</td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>493</td>
<td>15,424</td>
<td>238</td>
<td>16,155</td>
</tr>
<tr>
<td>Commodity derivatives and others</td>
<td>6,841</td>
<td>13,180</td>
<td>533</td>
<td>20,554</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,974</strong></td>
<td><strong>79,939</strong></td>
<td><strong>1,100</strong></td>
<td><strong>89,013</strong></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>14,456</td>
<td>401</td>
<td>5,435</td>
<td>20,292</td>
</tr>
<tr>
<td>Debt securities</td>
<td>219,749</td>
<td>1,241,806</td>
<td>5,440</td>
<td>1,466,995</td>
</tr>
<tr>
<td>Other debt instruments</td>
<td>–</td>
<td>6,164</td>
<td>–</td>
<td>6,164</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>234,205</strong></td>
<td><strong>1,248,371</strong></td>
<td><strong>10,875</strong></td>
<td><strong>1,493,451</strong></td>
</tr>
<tr>
<td>Financial liabilities which are measured at fair value on a recurring basis:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wealth management products</td>
<td>–</td>
<td>337,142</td>
<td>–</td>
<td>337,142</td>
</tr>
<tr>
<td>Structured deposits</td>
<td>–</td>
<td>10,203</td>
<td>–</td>
<td>10,203</td>
</tr>
<tr>
<td>Financial liabilities related to precious metals</td>
<td>–</td>
<td>60,183</td>
<td>–</td>
<td>60,183</td>
</tr>
<tr>
<td>Other debt securities issued</td>
<td>1,950</td>
<td>6,242</td>
<td>–</td>
<td>8,192</td>
</tr>
<tr>
<td>Others</td>
<td>563</td>
<td>8,316</td>
<td>1,349</td>
<td>10,228</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,513</strong></td>
<td><strong>422,086</strong></td>
<td><strong>1,349</strong></td>
<td><strong>425,948</strong></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate contracts</td>
<td>494</td>
<td>49,429</td>
<td>271</td>
<td>50,194</td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>91</td>
<td>14,136</td>
<td>728</td>
<td>14,955</td>
</tr>
<tr>
<td>Commodity derivatives and others</td>
<td>8,169</td>
<td>4,575</td>
<td>663</td>
<td>13,407</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,754</strong></td>
<td><strong>68,140</strong></td>
<td><strong>1,662</strong></td>
<td><strong>78,556</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,267</strong></td>
<td><strong>490,226</strong></td>
<td><strong>3,011</strong></td>
<td><strong>504,504</strong></td>
</tr>
</tbody>
</table>
(a) Financial instruments recorded at fair value (continued)
31 December 2016

<table>
<thead>
<tr>
<th>Financial assets which are measured at fair value on a recurring basis:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets held for trading:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>6,016</td>
<td>–</td>
<td>–</td>
<td>6,016</td>
</tr>
<tr>
<td>Debt securities</td>
<td>3,140</td>
<td>179,984</td>
<td>191</td>
<td>183,315</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>919</td>
<td>39,954</td>
<td>–</td>
<td>40,873</td>
</tr>
<tr>
<td>Other debt instruments</td>
<td>–</td>
<td>25,706</td>
<td>–</td>
<td>25,706</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>61,269</td>
<td>157,296</td>
<td>218,565</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>919</td>
<td>126,929</td>
<td>157,296</td>
<td>285,144</td>
</tr>
</tbody>
</table>

| Derivative financial asset                      |        |        |        |       |
| Exchange rate contracts                         | 188    | 57,770 | 320    | 58,278 |
| Interest rate contracts                         | 30     | 20,167 | 412    | 20,580 |
| Commodity derivatives and others                | 5,662  | 9,836  | 67     | 15,565 |
| Available-for-sale financial assets             |        |        |        |       |
| Equity investments                               | 11,114 | 338    | –      | 11,452 |
| Debt securities                                  | 83,873 | 1,635,493| 1,264   | 1,720,630|
| Other debt instruments                           | –      | 8,804  | –      | 8,804  |
| Financial liabilities which are measured at fair value on a recurring basis: |        |        |        |       |
| Financial liabilities designated at fair value through profit or loss: |        |        |        |       |
| Wealth management products                      | –      | 270,831| –      | 270,831|
| Structured deposits                              | –      | 17,797 | –      | 17,797 |
| Financial liabilities related to precious metals| –      | 59,192 | –      | 59,192 |
| Other debt securities issued                     | 12,512 | 865    | –      | 13,377 |
| Others                                          | 365    | 3,089  | 2,101  | 5,555  |
| Derivative financial liabilities                 |        |        |        |       |
| Exchange rate contracts                         | 326    | 59,581 | 310    | 60,217 |
| Interest rate contracts                         | 1      | 19,161 | 1,308  | 20,470 |
| Commodity derivatives and others                 | 5,239  | 3,861  | 173    | 9,273  |
| Derivative financial liabilities                 |        |        |        |       |
| Exchange rate contracts                         | 5,566  | 82,603 | 1,791  | 89,960 |
| Interest rate contracts                         |        |        |        |       |
| Commodity derivatives and others                 |        |        |        |       |
| Financial liabilities which are measured at fair value on a recurring basis: |        |        |        |       |
| Total                                            | 110,942| 2,039,321| 159,550| 2,309,813|
(a) Financial instruments recorded at fair value (continued)

**Bank**

**31 December 2017**

<table>
<thead>
<tr>
<th>Financial assets which are measured at fair value on a recurring basis:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>2,031</td>
<td>58,041</td>
<td>–</td>
<td>60,072</td>
</tr>
<tr>
<td></td>
<td>2,031</td>
<td>58,041</td>
<td>–</td>
<td>60,072</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>1,934</td>
<td>45,480</td>
<td>–</td>
<td>47,414</td>
</tr>
<tr>
<td>Other debt instruments</td>
<td>–</td>
<td>30,600</td>
<td>19,846</td>
<td>50,446</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
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(a) Financial instruments recorded at fair value (continued)

31 December 2016

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<th>Level 2</th>
<th>Level 3</th>
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<td>153,792</td>
<td>272,118</td>
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<td>62,892</td>
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<td>–</td>
<td>270,831</td>
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<td>–</td>
<td>8,674</td>
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<td>59,185</td>
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<td>166</td>
<td>55,076</td>
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<td>351</td>
<td>1,396</td>
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<td>1,707</td>
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(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

**Group**

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<thead>
<tr>
<th>Financial assets:</th>
<th>As at 1 January 2017</th>
<th>Total gains/(losses) recorded in profit or loss</th>
<th>Total gains/ (losses) recorded in other comprehensive income</th>
<th>Additions</th>
<th>Disposals</th>
<th>Settlements</th>
<th>Transfer out of Level 3</th>
<th>As at 31 December 2017</th>
</tr>
</thead>
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<td>Derivative financial assets</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<td>(1)</td>
<td>(22)</td>
<td>329</td>
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<td>–</td>
<td>1</td>
<td>(4)</td>
<td>(1)</td>
<td>(10)</td>
<td>238</td>
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<td>–</td>
<td>–</td>
<td>(8)</td>
<td>(3)</td>
<td>(39)</td>
<td>533</td>
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<td>–</td>
<td>(86)</td>
<td>–</td>
<td>641</td>
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<td>(1,184)</td>
<td>(2,434)</td>
<td>157,299</td>
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<td>(197)</td>
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<td>159,550</td>
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<td>(1,770)</td>
<td>66,526</td>
<td>(65,366)</td>
<td>(1,586)</td>
<td>(2,443)</td>
<td>169,915</td>
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</table>

<table>
<thead>
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<th>Financial liabilities:</th>
<th>As at 1 January 2016</th>
<th>Total gains/(losses) recorded in profit or loss</th>
<th>Total gains/ (losses) recorded in other comprehensive income</th>
<th>Additions</th>
<th>Disposals</th>
<th>Settlements</th>
<th>Transfer out of Level 3</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
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<td>49</td>
<td>–</td>
<td>(23)</td>
<td>9</td>
<td>9</td>
<td>(5)</td>
<td>(271)</td>
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<td>–</td>
<td>(1)</td>
<td>4</td>
<td>25</td>
<td>1</td>
<td>(728)</td>
</tr>
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<td>(534)</td>
<td>–</td>
<td>(42)</td>
<td>8</td>
<td>81</td>
<td>(3)</td>
<td>(463)</td>
</tr>
<tr>
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<td>(3,892)</td>
<td>(115)</td>
<td>–</td>
<td>(529)</td>
<td>21</td>
<td>1,465</td>
<td>(7)</td>
<td>(3,011)</td>
</tr>
</tbody>
</table>

**Financial assets:**

| Financial liabilities designated at fair value through profit or loss | (2,101) | (81) | – | (437) | – | 1,270 | – | (1,349) |

| Derivative financial liabilities | | | | | | | | |
| Exchange rate contracts | (310) | 49 | – | (23) | 9 | 9 | (5) | (271) |
| Interest rate contracts | (1,308) | 451 | – | (1) | 4 | 25 | 1 | (728) |
| Commodity derivatives and others | (172) | (534) | – | (42) | 8 | 81 | (3) | (463) |
| | (4,681) | 740 | – | (133) | 242 | 1,465 | (7) | (3,011) |

**Financial liabilities:**

| Financial liabilities designated at fair value through profit or loss | (2,211) | 67 | – | 12 | 92 | (83) | 22 | (2,101) |

| Derivative financial liabilities | | | | | | | | |
| Exchange rate contracts | (324) | (24) | – | (9) | (3) | 36 | (16) | (310) |
| Interest rate contracts | (2,181) | 736 | – | (2) | 147 | 26 | (34) | (1,306) |
| Commodity derivatives and others | (55) | (39) | – | (134) | 6 | 48 | 1 | (173) |
| | (4,581) | 740 | – | (133) | 242 | 27 | (87) | (3,862) |
(b)  Movement in level 3 financial instruments measured at fair value (continued)

### Bank

<table>
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<th>Financial assets:</th>
<th>As at 1 January 2017</th>
<th>Total gains/(losses) recorded in profit or loss</th>
<th>Total losses recorded in other comprehensive income</th>
<th>Additions</th>
<th>Disposals</th>
<th>Settlements</th>
<th>Transfer out of Level 3</th>
<th>As at 31 December 2017</th>
</tr>
</thead>
<tbody>
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<td>23</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>193</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>(63)</td>
<td>–</td>
<td>154</td>
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<td>–</td>
<td>–</td>
<td>(2)</td>
<td>–</td>
<td>–</td>
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<td>–</td>
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<td>58,976</td>
<td>(62,137)</td>
<td>(65)</td>
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<td>160,556</td>
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<th>Total losses recorded in other comprehensive income</th>
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<th>Disposals</th>
<th>Settlements</th>
<th>Transfer out of Level 3</th>
<th>As at 31 December 2016</th>
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<td>(23)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(193)</td>
</tr>
<tr>
<td>Interest rate contracts</td>
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<td>134</td>
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<td>63</td>
<td>–</td>
<td>(154)</td>
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<td>–</td>
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<td>–</td>
<td>65</td>
<td>–</td>
<td>(347)</td>
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<th>Total losses recorded in other comprehensive income</th>
<th>Additions</th>
<th>Disposals</th>
<th>Settlements</th>
<th>Transfer out of Level 3</th>
<th>As at 31 December 2016</th>
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<td>(12,796)</td>
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<td>201</td>
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<td>11,481</td>
<td>(13,154)</td>
<td>–</td>
<td>(28,504)</td>
<td>154,512</td>
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</table>

<table>
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<th>Financial liabilities:</th>
<th>As at 1 January 2016</th>
<th>Total gains/(losses) recorded in profit or loss</th>
<th>Total losses recorded in other comprehensive income</th>
<th>Additions</th>
<th>Disposals</th>
<th>Settlements</th>
<th>Transfer out of Level 3</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate contracts</td>
<td>(208)</td>
<td>44</td>
<td>–</td>
<td>(2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(186)</td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>(530)</td>
<td>181</td>
<td>–</td>
<td>(2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(351)</td>
</tr>
<tr>
<td>Commodity derivatives and others</td>
<td>(16)</td>
<td>16</td>
<td>–</td>
<td>(2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>(754)</td>
<td>241</td>
<td>–</td>
<td>(8)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(519)</td>
</tr>
</tbody>
</table>
(b) Movement in level 3 financial instruments measured at fair value (continued)

Gains or losses on level 3 financial instruments included in the statement of net profit or loss for the year comprise:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>Realised</td>
<td>Unrealised</td>
</tr>
<tr>
<td>Net gains/(losses)</td>
<td>10,086</td>
<td>(185)</td>
</tr>
</tbody>
</table>

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy on the balance sheet date.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy on the balance sheet date.

During the year, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

On the balance sheet date, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the year, certain derivatives financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2017, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.
(e) Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, receivables, subordinated bonds and tier 2 capital notes which are not carried at fair value:

**Group**

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>3,542,184</td>
<td>3,453,155</td>
<td>52,723</td>
<td>3,399,055</td>
<td>1,377</td>
</tr>
<tr>
<td>Receivables</td>
<td>277,129</td>
<td>276,551</td>
<td>-</td>
<td>45,877</td>
<td>230,674</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,819,313</td>
<td>3,729,706</td>
<td>52,723</td>
<td>3,444,932</td>
<td>232,051</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated bonds and Tier 2 Capital Notes</td>
<td>281,108</td>
<td>274,307</td>
<td>-</td>
<td>274,307</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>281,108</td>
<td>274,307</td>
<td>-</td>
<td>274,307</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>2,973,042</td>
<td>2,996,641</td>
<td>3,440</td>
<td>2,992,779</td>
<td>422</td>
</tr>
<tr>
<td>Receivables</td>
<td>291,370</td>
<td>291,577</td>
<td>-</td>
<td>56,753</td>
<td>234,824</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,264,412</td>
<td>3,288,218</td>
<td>3,440</td>
<td>3,049,532</td>
<td>235,246</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated bonds and Tier 2 Capital Notes</td>
<td>194,811</td>
<td>202,034</td>
<td>-</td>
<td>202,034</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>194,811</td>
<td>202,034</td>
<td>-</td>
<td>202,034</td>
<td>-</td>
</tr>
</tbody>
</table>

**Bank**

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>3,439,471</td>
<td>3,351,438</td>
<td>17,716</td>
<td>3,333,620</td>
<td>102</td>
</tr>
<tr>
<td>Receivables</td>
<td>231,631</td>
<td>231,129</td>
<td>-</td>
<td>49,169</td>
<td>181,960</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,671,102</td>
<td>3,582,567</td>
<td>17,716</td>
<td>3,382,789</td>
<td>182,062</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated bonds and Tier 2 Capital Notes</td>
<td>269,143</td>
<td>261,922</td>
<td>-</td>
<td>261,922</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>269,143</td>
<td>261,922</td>
<td>-</td>
<td>261,922</td>
<td>-</td>
</tr>
</tbody>
</table>
(e) Fair value of financial assets and liabilities not carried at fair value (continued)

<table>
<thead>
<tr>
<th>Financial assets</th>
<th></th>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held-to-maturity investments</td>
<td>2,876,081</td>
<td>2,899,455</td>
<td>2,388</td>
<td>2,897,067</td>
<td>–</td>
</tr>
<tr>
<td>Receivables</td>
<td>263,456</td>
<td>263,698</td>
<td>–</td>
<td>75,189</td>
<td>188,509</td>
</tr>
<tr>
<td>Total</td>
<td>3,139,537</td>
<td>3,163,153</td>
<td>2,388</td>
<td>2,972,256</td>
<td>188,509</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated bonds and Tier 2 Capital Notes</td>
<td>181,999</td>
<td>188,693</td>
<td>–</td>
<td>188,693</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>181,999</td>
<td>188,693</td>
<td>–</td>
<td>188,693</td>
<td>–</td>
</tr>
</tbody>
</table>

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are not quoted in an active market. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(iii) Available-for-sale equity investments measured at cost were all non-listed shares. The fair values are estimated on the basis of pricing models or discounted cash flows. The fair value was approximately the same with its book value and classified in fair value hierarchy level 3.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank’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.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>Due to banks and other financial institutions</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>Repurchase agreements</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>Due to customers</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>Other financial liabilities</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
</tr>
</tbody>
</table>
## 56. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB millions</td>
<td>RMB millions</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>20</td>
<td>3,548,996</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>21</td>
<td>930,593</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>22</td>
<td>60,072</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td>23</td>
<td>338,257</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>24</td>
<td>53,856</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>25</td>
<td>750,763</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>26</td>
<td>13,125,401</td>
</tr>
<tr>
<td>Financial investments</td>
<td>27</td>
<td>5,029,904</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>28</td>
<td>120,301</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>29</td>
<td>34,242</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>30</td>
<td>122,387</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>31</td>
<td>47,250</td>
</tr>
<tr>
<td>Other assets</td>
<td>32</td>
<td>483,090</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>24,645,112</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to central banks</td>
<td>33</td>
<td>407,766</td>
</tr>
<tr>
<td>Financial liabilities designated at fair value through profit or loss</td>
<td>24</td>
<td>46,682</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>34</td>
<td>1,596,232</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>35</td>
<td>810,610</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>36</td>
<td>221,489</td>
</tr>
<tr>
<td>Due to customers</td>
<td>37</td>
<td>18,560,533</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>38</td>
<td>69,344</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>39</td>
<td>436,275</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>32</td>
<td>436,376</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>22,585,711</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>40</td>
<td>356,407</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>41</td>
<td>79,375</td>
</tr>
<tr>
<td>Reserves</td>
<td>42</td>
<td>610,299</td>
</tr>
<tr>
<td>Retained profits</td>
<td></td>
<td>1,013,320</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>2,059,401</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td></td>
<td>24,645,112</td>
</tr>
</tbody>
</table>
57. AFTER THE REPORTING PERIOD EVENT

The profit distribution plan

A final dividend of RMB0.2408 per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors’ meeting held on 27 March 2018, and is subject to the approval of the Bank’s shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2017, the final dividend amounted to approximately RMB85,823 million. The dividend payable was not recognised as a liability as at 31 December 2017.

58. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year’s presentation.

59. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2018.
Unaudited Supplementary Financial Information

For the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2017 (2016: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2017 (As at 31 December 2016: no differences).

(b) Liquidity ratios

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>Average for the year ended 31 December 2017</th>
<th>As at 31 December 2016</th>
<th>Average for the year ended 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB current assets to RMB current liabilities</td>
<td>41.74%</td>
<td>38.73%</td>
<td>35.72%</td>
<td>35.81%</td>
</tr>
<tr>
<td>Foreign currency current assets to foreign currency current liabilities</td>
<td>86.18%</td>
<td>84.23%</td>
<td>82.28%</td>
<td>94.37%</td>
</tr>
</tbody>
</table>

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

The Group prepares the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(c) Foreign currency concentrations

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
</tr>
<tr>
<td>Spot assets</td>
<td>1,938,710</td>
</tr>
<tr>
<td>Spot liabilities</td>
<td>(1,915,913)</td>
</tr>
<tr>
<td>Forward purchases</td>
<td>2,303,473</td>
</tr>
<tr>
<td>Forward sales</td>
<td>(2,317,162)</td>
</tr>
<tr>
<td>Net option position</td>
<td>(40,225)</td>
</tr>
<tr>
<td>Net (short)/long position</td>
<td>(31,117)</td>
</tr>
<tr>
<td>Net structural position</td>
<td>78,908</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
</tr>
<tr>
<td>Spot assets</td>
<td>1,956,566</td>
</tr>
<tr>
<td>Spot liabilities</td>
<td>(1,836,172)</td>
</tr>
<tr>
<td>Forward purchases</td>
<td>2,797,668</td>
</tr>
<tr>
<td>Forward sales</td>
<td>(2,887,047)</td>
</tr>
<tr>
<td>Net option position</td>
<td>(43,266)</td>
</tr>
<tr>
<td>Net (short)/long position</td>
<td>(12,251)</td>
</tr>
<tr>
<td>Net structural position</td>
<td>83,141</td>
</tr>
</tbody>
</table>
The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank’s overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(d) International claims

International claims refer to the sum of cross-border claims in all currencies and local claims in foreign currencies, including loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

<table>
<thead>
<tr>
<th></th>
<th>Banks and other financial institutions</th>
<th>Official sector</th>
<th>Non-bank private sector</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>449,111</td>
<td>200,396</td>
<td>1,015,836</td>
<td>85,642</td>
<td>1,750,985</td>
</tr>
<tr>
<td>— of which attributed to Hong Kong</td>
<td>40,545</td>
<td>16,143</td>
<td>283,624</td>
<td>79,305</td>
<td>419,617</td>
</tr>
<tr>
<td>North and South America</td>
<td>52,287</td>
<td>112,257</td>
<td>130,222</td>
<td>12,511</td>
<td>307,277</td>
</tr>
<tr>
<td></td>
<td></td>
<td>501,398</td>
<td>1,146,058</td>
<td>98,153</td>
<td>2,058,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Banks and other financial institutions</th>
<th>Official sector</th>
<th>Non-bank private sector</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>350,812</td>
<td>180,831</td>
<td>928,700</td>
<td>73,934</td>
<td>1,534,277</td>
</tr>
<tr>
<td>— of which attributed to Hong Kong</td>
<td>21,608</td>
<td>16,904</td>
<td>262,675</td>
<td>69,083</td>
<td>370,270</td>
</tr>
<tr>
<td>North and South America</td>
<td>50,526</td>
<td>100,621</td>
<td>124,562</td>
<td>9,332</td>
<td>285,041</td>
</tr>
<tr>
<td></td>
<td></td>
<td>401,338</td>
<td>1,053,262</td>
<td>83,266</td>
<td>1,819,318</td>
</tr>
</tbody>
</table>
## (e) Loans and advances to customers

(i) The amount of new impairment loss charged to the consolidated statement of profit or loss and the amount of impaired loans and advances written off during the year are set out below:

<table>
<thead>
<tr>
<th>Loan Sector</th>
<th>New Impairment Loss</th>
<th>Write-offs of Impaired Loans</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation, storage and postal services</td>
<td>13,746</td>
<td>744</td>
<td>10,232</td>
<td>1,395</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>92,526</td>
<td>27,547</td>
<td>73,061</td>
<td>30,920</td>
</tr>
<tr>
<td>Leasing and commercial services</td>
<td>13,415</td>
<td>1,242</td>
<td>11,037</td>
<td>1,073</td>
</tr>
<tr>
<td>Production and supply of electricity, heating, gas and water</td>
<td>5,842</td>
<td>31</td>
<td>6,422</td>
<td>803</td>
</tr>
<tr>
<td>Real estate</td>
<td>12,455</td>
<td>756</td>
<td>10,168</td>
<td>1,955</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>63,318</td>
<td>19,677</td>
<td>51,328</td>
<td>23,754</td>
</tr>
<tr>
<td>Water, environment and public utility management</td>
<td>6,038</td>
<td>272</td>
<td>5,764</td>
<td>430</td>
</tr>
<tr>
<td>Finance</td>
<td>1,314</td>
<td>2</td>
<td>1,393</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>4,508</td>
<td>1,018</td>
<td>6,375</td>
<td>1,492</td>
</tr>
<tr>
<td>Construction</td>
<td>7,441</td>
<td>2,046</td>
<td>6,559</td>
<td>1,528</td>
</tr>
<tr>
<td>Science, education, culture and sanitation</td>
<td>2,659</td>
<td>168</td>
<td>1,776</td>
<td>74</td>
</tr>
<tr>
<td>Others</td>
<td>12,426</td>
<td>2,978</td>
<td>7,873</td>
<td>2,573</td>
</tr>
<tr>
<td>Subtotal for corporate loans</td>
<td>235,688</td>
<td>56,481</td>
<td>191,988</td>
<td>65,999</td>
</tr>
<tr>
<td>Personal mortgage and business loans</td>
<td>16,336</td>
<td>5,904</td>
<td>27,336</td>
<td>3,531</td>
</tr>
<tr>
<td>Others</td>
<td>41,961</td>
<td>8,559</td>
<td>43,176</td>
<td>4,614</td>
</tr>
<tr>
<td>Subtotal for personal loans</td>
<td>58,297</td>
<td>14,463</td>
<td>70,512</td>
<td>8,145</td>
</tr>
<tr>
<td>Discounted bills</td>
<td>46</td>
<td>–</td>
<td>69</td>
<td>–</td>
</tr>
<tr>
<td>Total for loans and advances to customers</td>
<td>294,031</td>
<td>70,944</td>
<td>262,569</td>
<td>74,144</td>
</tr>
</tbody>
</table>

(ii) Analysis by location of the counterparties

<table>
<thead>
<tr>
<th>Location</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td>13,139,958</td>
<td>12,053,041</td>
</tr>
<tr>
<td>Asia Pacific (excluding Mainland China)</td>
<td>673,839</td>
<td>622,803</td>
</tr>
<tr>
<td>— of which attributed to Hong Kong</td>
<td>467,601</td>
<td>449,217</td>
</tr>
<tr>
<td>North and South America</td>
<td>180,746</td>
<td>152,646</td>
</tr>
<tr>
<td>Europe</td>
<td>143,907</td>
<td>112,985</td>
</tr>
<tr>
<td>Africa</td>
<td>94,998</td>
<td>115,371</td>
</tr>
<tr>
<td>Total</td>
<td>14,233,448</td>
<td>13,056,846</td>
</tr>
</tbody>
</table>
(iii) Overdue loans and advances to customers

Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:

<table>
<thead>
<tr>
<th>Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 3 and 6 months</td>
<td>24,122</td>
<td>24,128</td>
</tr>
<tr>
<td>Between 6 and 12 months</td>
<td>44,087</td>
<td>51,422</td>
</tr>
<tr>
<td>Over 12 months</td>
<td>110,648</td>
<td>119,462</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>178,857</strong></td>
<td><strong>195,012</strong></td>
</tr>
</tbody>
</table>

As a percentage of the total gross loans and advances to customers:

<table>
<thead>
<tr>
<th>Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 3 and 6 months</td>
<td>0.17%</td>
<td>0.18%</td>
</tr>
<tr>
<td>Between 6 and 12 months</td>
<td>0.31%</td>
<td>0.39%</td>
</tr>
<tr>
<td>Over 12 months</td>
<td>0.78%</td>
<td>0.91%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.26%</td>
<td>1.48%</td>
</tr>
</tbody>
</table>

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(iv) Overdue and impaired loans and advances to customers by geographical distribution

31 December 2017

<table>
<thead>
<tr>
<th>Gross amount</th>
<th>Individually assessed to be impaired</th>
<th>Individually assessed allowance for impairment losses</th>
<th>Individually assessed to be impaired</th>
<th>Individually assessed allowance for impairment losses</th>
<th>Collectively assessed allowance for impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>28,509</td>
<td>1,363</td>
<td>1,163</td>
<td>1,849</td>
<td>21,862</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>56,270</td>
<td>39,559</td>
<td>24,623</td>
<td>42,915</td>
<td>36,569</td>
</tr>
<tr>
<td>Western China</td>
<td>49,380</td>
<td>27,434</td>
<td>19,029</td>
<td>29,974</td>
<td>41,197</td>
</tr>
<tr>
<td>Central China</td>
<td>39,830</td>
<td>23,828</td>
<td>14,574</td>
<td>26,697</td>
<td>32,612</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>38,161</td>
<td>27,631</td>
<td>23,140</td>
<td>28,300</td>
<td>30,259</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>33,658</td>
<td>21,508</td>
<td>14,978</td>
<td>22,652</td>
<td>41,242</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>23,596</td>
<td>16,750</td>
<td>9,171</td>
<td>16,840</td>
<td>12,209</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>16,662</td>
<td>5,077</td>
<td>2,999</td>
<td>7,001</td>
<td>8,786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>286,075</td>
<td>162,150</td>
<td>109,677</td>
<td>176,428</td>
<td>224,736</td>
</tr>
</tbody>
</table>

31 December 2016

<table>
<thead>
<tr>
<th>Gross amount</th>
<th>Individually assessed to be impaired</th>
<th>Individually assessed allowance for impairment losses</th>
<th>Individually assessed to be impaired</th>
<th>Individually assessed allowance for impairment losses</th>
<th>Collectively assessed allowance for impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>19,725</td>
<td>1,205</td>
<td>518</td>
<td>1,205</td>
<td>46,341</td>
</tr>
<tr>
<td>Bohai Rim</td>
<td>77,630</td>
<td>35,957</td>
<td>12,043</td>
<td>36,058</td>
<td>31,426</td>
</tr>
<tr>
<td>Western China</td>
<td>64,688</td>
<td>26,498</td>
<td>12,241</td>
<td>28,178</td>
<td>36,473</td>
</tr>
<tr>
<td>Yangtze River Delta</td>
<td>52,983</td>
<td>27,327</td>
<td>10,551</td>
<td>27,693</td>
<td>37,747</td>
</tr>
<tr>
<td>Pearl River Delta</td>
<td>47,815</td>
<td>29,414</td>
<td>13,571</td>
<td>29,901</td>
<td>25,394</td>
</tr>
<tr>
<td>Central China</td>
<td>46,969</td>
<td>20,570</td>
<td>7,398</td>
<td>21,427</td>
<td>28,049</td>
</tr>
<tr>
<td>Northeastern China</td>
<td>16,716</td>
<td>8,363</td>
<td>3,665</td>
<td>8,452</td>
<td>11,386</td>
</tr>
<tr>
<td>Overseas and others</td>
<td>19,601</td>
<td>6,998</td>
<td>3,459</td>
<td>7,555</td>
<td>7,139</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>346,127</td>
<td>156,345</td>
<td>63,446</td>
<td>160,469</td>
<td>223,953</td>
</tr>
</tbody>
</table>
(v) Rescheduled loans and advances to customers


<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of total loans and advances</td>
</tr>
<tr>
<td>Rescheduled loans and advances</td>
<td>5,158</td>
</tr>
<tr>
<td>Less: Rescheduled loans and advances overdue for more than three months</td>
<td>(1,374)</td>
</tr>
<tr>
<td>Rescheduled loans and advances overdue for less than three months</td>
<td>3,784</td>
</tr>
</tbody>
</table>

(f) Overdue placements with banks and other financial institutions

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Group’s gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of: Over 12 months</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

As a percentage of total gross placements with banks and other financial institutions: Over 12 months | 0.00% | 0.00% |

(g) Exposures to Mainland China non-bank entities

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-balance sheet exposure</td>
<td>17,106,967</td>
<td>15,090,659</td>
</tr>
<tr>
<td>Off-balance sheet exposure</td>
<td>3,220,988</td>
<td>2,764,365</td>
</tr>
<tr>
<td>Individually assessed allowance for impairment losses</td>
<td>20,327,955</td>
<td>17,855,024</td>
</tr>
<tr>
<td></td>
<td>81,707</td>
<td>64,183</td>
</tr>
</tbody>
</table>

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.
(h) Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on CBRC Notice on issuing regulatory documents on capital regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core tier 1 capital:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Paid-in capital</td>
<td>356,407</td>
<td>356,407</td>
<td>X18</td>
</tr>
<tr>
<td>2. Retained earnings</td>
<td>1,594,378</td>
<td>1,396,607</td>
<td>X19</td>
</tr>
<tr>
<td>2a Surplus reserve</td>
<td>232,660</td>
<td>205,021</td>
<td>X20</td>
</tr>
<tr>
<td>2b General reserve</td>
<td>264,850</td>
<td>251,349</td>
<td>X21</td>
</tr>
<tr>
<td>2c Retained profits</td>
<td>1,096,868</td>
<td>940,237</td>
<td>X22</td>
</tr>
<tr>
<td>3. Accumulated other comprehensive income (and other public reserves)</td>
<td>90,889</td>
<td>130,358</td>
<td>X23</td>
</tr>
<tr>
<td>3a Capital reserve</td>
<td>151,952</td>
<td>151,998</td>
<td>X24</td>
</tr>
<tr>
<td>3b Others</td>
<td>(61,063)</td>
<td>(21,640)</td>
<td>X25</td>
</tr>
<tr>
<td>4. Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>5. Valid portion of minority interests</td>
<td>2,716</td>
<td>3,164</td>
<td></td>
</tr>
<tr>
<td>6. Core tier 1 capital before regulatory adjustments</td>
<td>2,044,390</td>
<td>1,886,536</td>
<td></td>
</tr>
<tr>
<td><strong>Core tier 1 capital: Regulatory adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Prudential valuation adjustments</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>8. Goodwill (net of deferred tax liabilities)</td>
<td>8,478</td>
<td>9,001</td>
<td>X16</td>
</tr>
<tr>
<td>9. Other intangible assets other than land use rights (net of deferred tax liabilities)</td>
<td>1,532</td>
<td>1,477</td>
<td>X17</td>
</tr>
<tr>
<td>10. Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>11. Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet</td>
<td>(3,708)</td>
<td>(4,618)</td>
<td>X20</td>
</tr>
<tr>
<td>12. Shortfall of provision for loan impairment</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>13. Gain on sale related to asset securitization</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>14. Unrealised gains and losses due to changes in own credit risk on fair valued liabilities</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>15. Defined-benefit pension fund net assets (net of related deferred tax liabilities)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>16. Direct or indirect investments in own ordinary shares</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>17. Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>18. Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>19. Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>20. Mortgage servicing rights</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>21. Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liabilities)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>
### Unaudited Supplementary Financial Information

For the year ended 31 December 2017

(In RMB millions, unless otherwise stated)

#### Annual Report 2017

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of related tax liabilities)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>23 Including: Deductible amount in deferred tax assets arising from temporary differences</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>24 Including: Deductible amount of mortgage servicing rights</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>25 Including: Deductible amount in deferred tax assets arising from temporary differences</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>26a Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>7,980</td>
<td>5,700</td>
<td>X11</td>
</tr>
<tr>
<td>26b Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>26c Others that should be deducted from additional tier 1 capital and tier 2 capital</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>27 Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>28 Total regulatory adjustments to core tier 1 capital</td>
<td>14,282</td>
<td>11,560</td>
<td></td>
</tr>
<tr>
<td>29 Core tier 1 capital</td>
<td>2,030,108</td>
<td>1,874,976</td>
<td></td>
</tr>
<tr>
<td>30 Additional tier 1 capital instruments and related premium</td>
<td>79,375</td>
<td>79,375</td>
<td>X28</td>
</tr>
<tr>
<td>31 Including: Portion classified as equity</td>
<td>79,375</td>
<td>79,375</td>
<td>X28</td>
</tr>
<tr>
<td>32 Including: Portion classified as liabilities</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>33 Invalid instruments to additional tier 1 capital after the transition period</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>34 Valid portion of minority interests</td>
<td>577</td>
<td>419</td>
<td>X26</td>
</tr>
<tr>
<td>35 Including: Invalid portion to additional tier 1 capital after the transition period</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>36 Additional tier 1 capital before regulatory adjustments</td>
<td>79,952</td>
<td>79,794</td>
<td></td>
</tr>
<tr>
<td>37 Direct or indirect investments in own additional tier 1 instruments</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>38 Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>39 Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>40 Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>41a Investment in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>41b Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>41c Others that should be deducted from additional tier 1 capital</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>
## Unaudited Supplementary Financial Information

For the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>42 Undeducted shortfall that should be deducted from tier 2 capital</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>43 Total regulatory adjustments to additional tier 1 capital</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>44 Additional tier 1 capital</td>
<td>79,952</td>
<td>79,794</td>
<td></td>
</tr>
<tr>
<td>45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)</td>
<td>2,110,060</td>
<td>1,954,770</td>
<td></td>
</tr>
</tbody>
</table>

### Tier 2 capital:

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>46 Tier 2 capital instruments and related premium</td>
<td>222,321</td>
<td>154,861</td>
<td>X17</td>
</tr>
<tr>
<td>47 Invalid instruments to tier 2 capital after the transition period</td>
<td>101,425</td>
<td>121,710</td>
<td></td>
</tr>
<tr>
<td>48 Valid portion of minority interests</td>
<td>3,303</td>
<td>4,236</td>
<td>X27</td>
</tr>
<tr>
<td>49 Including: Invalid portion to tier 2 capital after the transition period</td>
<td>1,051</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>50 Valid portion of surplus provision for loan impairment</td>
<td>71,736</td>
<td>19,195</td>
<td>X02+X04</td>
</tr>
<tr>
<td>51 Tier 2 capital before regulatory adjustments</td>
<td>297,360</td>
<td>178,292</td>
<td></td>
</tr>
<tr>
<td>52 Direct or indirect investments in own tier 2 instruments</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>53 Reciprocal cross-holdings in tier 2 capital between banks or banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>54 Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>55 Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>500</td>
<td>5,600</td>
<td>X10</td>
</tr>
<tr>
<td>56a Investment in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>56b Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>56c Others that should be deducted from tier 2 capital</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>57 Total regulatory adjustments to tier 2 capital</td>
<td>500</td>
<td>5,600</td>
<td></td>
</tr>
<tr>
<td>58 Tier 2 capital</td>
<td>296,860</td>
<td>172,692</td>
<td></td>
</tr>
<tr>
<td>59 Total capital (tier 1 capital+ tier 2 capital)</td>
<td>2,406,920</td>
<td>2,127,462</td>
<td></td>
</tr>
<tr>
<td>60 Total risk-weighted assets</td>
<td>15,902,801</td>
<td>14,564,617</td>
<td></td>
</tr>
</tbody>
</table>

### Requirements for capital adequacy ratio and reserve capital

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>61 Core tier 1 capital adequacy ratio</td>
<td>12.77%</td>
<td>12.87%</td>
<td></td>
</tr>
<tr>
<td>62 Tier 1 capital adequacy ratio</td>
<td>13.27%</td>
<td>13.42%</td>
<td></td>
</tr>
<tr>
<td>63 Capital adequacy ratio</td>
<td>15.14%</td>
<td>14.61%</td>
<td></td>
</tr>
<tr>
<td>64 Institution specific buffer requirement</td>
<td>3.5%</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>65 Including: Capital conservation buffer requirement</td>
<td>2.5%</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>66 Including: Countercyclical buffer requirement</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>67 Including: G-SIB buffer requirement</td>
<td>1%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets</td>
<td>7.77%</td>
<td>7.87%</td>
<td></td>
</tr>
</tbody>
</table>

### Domestic minima for regulatory capital

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>69 Core tier 1 capital adequacy ratio</td>
<td>5%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>70 Tier 1 capital adequacy ratio</td>
<td>6%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>71 Capital adequacy ratio</td>
<td>8%</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>
Unaudited Supplementary Financial Information
For the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

Annual Report 2017

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>35,059</td>
<td>37,049</td>
</tr>
<tr>
<td>73</td>
<td>Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>28,353</td>
<td>26,859</td>
</tr>
<tr>
<td>74</td>
<td>Mortgage servicing rights (net of deferred tax liabilities)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>75</td>
<td>Deferred tax assets arising from temporary differences (net of deferred tax liabilities)</td>
<td>48,158</td>
<td>28,072</td>
</tr>
</tbody>
</table>

Valid caps of surplus provision for loan impairment in tier 2 capital

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>Provision for loan impairment under the weighted approach</td>
<td>17,943</td>
<td>22,504</td>
</tr>
<tr>
<td>77</td>
<td>Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach</td>
<td>9,937</td>
<td>5,697</td>
</tr>
<tr>
<td>78</td>
<td>Surplus provision for loan impairment under the internal ratings-based approach</td>
<td>322,539</td>
<td>267,008</td>
</tr>
<tr>
<td>79</td>
<td>Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach</td>
<td>61,799</td>
<td>13,498</td>
</tr>
</tbody>
</table>

Capital instruments subject to phase-out arrangements

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>81</td>
<td>Excluded from core tier 1 capital due to cap</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>82</td>
<td>Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>83</td>
<td>Excluded from additional tier 1 capital due to cap</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>84</td>
<td>Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements</td>
<td>101,245</td>
<td>121,710</td>
</tr>
<tr>
<td>85</td>
<td>Excluded from tier 2 capital for the current period due to cap</td>
<td>46,822</td>
<td>26,547</td>
</tr>
</tbody>
</table>

(ii) Consolidated financial statements

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Balance sheet as in published financial statements (i)</td>
<td>Balance sheet Under regulatory scope of consolidation (i)</td>
<td>Consolidated Balance sheet as in published financial statements (i)</td>
<td>Balance sheet Under regulatory scope of consolidation (i)</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>3,613,872</td>
<td>3,613,872</td>
<td>3,350,788</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>370,074</td>
<td>363,278</td>
<td>270,058</td>
</tr>
<tr>
<td>Precious metals</td>
<td>238,714</td>
<td>238,714</td>
<td>200,919</td>
</tr>
<tr>
<td>Placements with banks and other financial institutions</td>
<td>477,537</td>
<td>477,537</td>
<td>527,415</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>440,938</td>
<td>440,912</td>
<td>474,475</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>89,013</td>
<td>89,013</td>
<td>94,672</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>986,631</td>
<td>981,553</td>
<td>755,327</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>13,892,966</td>
<td>13,892,372</td>
<td>12,767,334</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>1,496,453</td>
<td>1,496,021</td>
<td>1,742,287</td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>3,542,184</td>
<td>3,536,757</td>
<td>2,973,042</td>
</tr>
<tr>
<td>Receivables</td>
<td>277,129</td>
<td>227,216</td>
<td>291,370</td>
</tr>
<tr>
<td>Long term equity investments</td>
<td>32,441</td>
<td>40,421</td>
<td>30,077</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>216,156</td>
<td>216,088</td>
<td>220,651</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>29,531</td>
<td>29,531</td>
<td>22,968</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>48,392</td>
<td>48,392</td>
<td>28,398</td>
</tr>
<tr>
<td>Other assets</td>
<td>335,012</td>
<td>318,891</td>
<td>368,232</td>
</tr>
<tr>
<td>Total assets</td>
<td>26,087,043</td>
<td>25,979,568</td>
<td>24,137,265</td>
</tr>
</tbody>
</table>

(i) Prepared in accordance with PRC GAAP.
### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017 Consolidated Balance sheet as in published financial statements (i)</th>
<th>31 December 2017 Balance sheet Under regulatory scope of consolidation (i)</th>
<th>31 December 2016 Consolidated Balance sheet as in published financial statements (i)</th>
<th>31 December 2016 Balance sheet Under regulatory scope of consolidation (i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to central banks</td>
<td>456</td>
<td>456</td>
<td>545</td>
<td>545</td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>1,214,601</td>
<td>1,214,601</td>
<td>1,516,692</td>
<td>1,516,692</td>
</tr>
<tr>
<td>Placements from banks and other financial institutions</td>
<td>491,948</td>
<td>491,948</td>
<td>500,107</td>
<td>500,107</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>425,948</td>
<td>425,946</td>
<td>366,752</td>
<td>366,740</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>78,556</td>
<td>78,556</td>
<td>89,960</td>
<td>89,960</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>1,046,338</td>
<td>1,044,481</td>
<td>589,306</td>
<td>579,651</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>260,274</td>
<td>260,274</td>
<td>218,427</td>
<td>218,427</td>
</tr>
<tr>
<td>Due to customers</td>
<td>19,226,349</td>
<td>19,228,358</td>
<td>17,825,302</td>
<td>17,828,084</td>
</tr>
<tr>
<td>Employee benefits payable</td>
<td>33,142</td>
<td>32,820</td>
<td>32,864</td>
<td>32,536</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>82,550</td>
<td>82,502</td>
<td>63,557</td>
<td>63,500</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>526,940</td>
<td>526,940</td>
<td>357,937</td>
<td>357,937</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>433</td>
<td>233</td>
<td>604</td>
<td>327</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>558,452</td>
<td>456,349</td>
<td>594,049</td>
<td>508,235</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>23,945,987</td>
<td>23,843,464</td>
<td>22,156,102</td>
<td>22,062,741</td>
</tr>
</tbody>
</table>

### Equity

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017 Consolidated Balance sheet as in published financial statements (i)</th>
<th>31 December 2017 Balance sheet Under regulatory scope of consolidation (i)</th>
<th>31 December 2016 Consolidated Balance sheet as in published financial statements (i)</th>
<th>31 December 2016 Balance sheet Under regulatory scope of consolidation (i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>356,407</td>
<td>356,407</td>
<td>356,407</td>
<td>356,407</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>86,051</td>
<td>86,051</td>
<td>86,051</td>
<td>86,051</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>151,952</td>
<td>151,952</td>
<td>151,998</td>
<td>151,998</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(62,058)</td>
<td>(61,063)</td>
<td>(21,738)</td>
<td>(21,640)</td>
</tr>
<tr>
<td>Surplus reserve</td>
<td>232,703</td>
<td>232,660</td>
<td>205,021</td>
<td>205,021</td>
</tr>
<tr>
<td>General reserve</td>
<td>264,892</td>
<td>264,850</td>
<td>251,349</td>
<td>251,349</td>
</tr>
<tr>
<td>Retained profits</td>
<td>1,097,544</td>
<td>1,096,868</td>
<td>940,663</td>
<td>940,237</td>
</tr>
<tr>
<td>Equity attributable to equity holders of the parent company</td>
<td>2,127,491</td>
<td>2,127,725</td>
<td>1,969,751</td>
<td>1,969,423</td>
</tr>
<tr>
<td>Minority interests</td>
<td>13,565</td>
<td>8,379</td>
<td>11,412</td>
<td>7,372</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>2,141,056</td>
<td>2,136,104</td>
<td>1,981,163</td>
<td>1,976,795</td>
</tr>
</tbody>
</table>

(i) Prepared in accordance with PRC GAAP.
### (iii) Description of related items

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance sheet under regulatory scope of consolidation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>440,912</td>
<td></td>
</tr>
<tr>
<td>Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>5,155</td>
<td>X29</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>13,892,372</td>
<td></td>
</tr>
<tr>
<td>Total loans and advances to customers</td>
<td>14,232,854</td>
<td></td>
</tr>
<tr>
<td>Less: Provision for loan impairment under the weighted approach</td>
<td>17,943</td>
<td>X01</td>
</tr>
<tr>
<td>Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach</td>
<td>9,937</td>
<td>X02</td>
</tr>
<tr>
<td>Less: Provision for loan impairment under the Internal Ratings-Based Approach</td>
<td>322,539</td>
<td>X03</td>
</tr>
<tr>
<td>Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the Internal Ratings-Based Approach</td>
<td>61,799</td>
<td>X04</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>1,465,021</td>
<td></td>
</tr>
<tr>
<td>Bond investment measured at fair value</td>
<td>1,450,248</td>
<td></td>
</tr>
<tr>
<td>Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>5,858</td>
<td>X05</td>
</tr>
<tr>
<td>Other debt instrument investment measured at fair value</td>
<td>1,540</td>
<td></td>
</tr>
<tr>
<td>Equity investment</td>
<td>13,233</td>
<td></td>
</tr>
<tr>
<td>Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>979</td>
<td>X06</td>
</tr>
<tr>
<td>Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>210</td>
<td>X07</td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>3,536,757</td>
<td></td>
</tr>
<tr>
<td>Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>–</td>
<td>X08</td>
</tr>
<tr>
<td>Receivables</td>
<td>227,216</td>
<td></td>
</tr>
<tr>
<td>Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>22,793</td>
<td>X09</td>
</tr>
<tr>
<td>Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>500</td>
<td>X10</td>
</tr>
<tr>
<td>Long term equity investments</td>
<td>40,421</td>
<td></td>
</tr>
<tr>
<td>Including: Investment in core tier1 capital instruments issued by financial institutions that are under control but not subject to consolidation</td>
<td>7,980</td>
<td>X11</td>
</tr>
<tr>
<td>Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>274</td>
<td>X12</td>
</tr>
<tr>
<td>Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation</td>
<td>28,143</td>
<td>X13</td>
</tr>
</tbody>
</table>
## Unaudited Supplementary Financial Information

For the year ended 31 December 2017
(In RMB millions, unless otherwise stated)

<table>
<thead>
<tr>
<th>Item</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance sheet</td>
</tr>
<tr>
<td></td>
<td>under regulatory</td>
</tr>
<tr>
<td></td>
<td>scope of</td>
</tr>
<tr>
<td></td>
<td>consolidation</td>
</tr>
<tr>
<td>Other assets</td>
<td>318,891</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>125,611</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>19,722</td>
</tr>
<tr>
<td>Including: land use rights</td>
<td>18,190</td>
</tr>
<tr>
<td>Other receivables</td>
<td>146,389</td>
</tr>
<tr>
<td>Goodwill</td>
<td>8,478</td>
</tr>
<tr>
<td>Long term deferred expenses</td>
<td>3,656</td>
</tr>
<tr>
<td>Repossessed assets</td>
<td>8,637</td>
</tr>
<tr>
<td>Others</td>
<td>6,398</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>526,940</td>
</tr>
<tr>
<td>Including: Valid portion of tier 2 capital instruments and their premium</td>
<td>222,321</td>
</tr>
<tr>
<td>Share capital</td>
<td>356,407</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>86,051</td>
</tr>
<tr>
<td>Including: Preference shares</td>
<td>79,375</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>151,952</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(61,063)</td>
</tr>
<tr>
<td>Reserve for changes in fair value of available-for-sale financial assets</td>
<td>(30,757)</td>
</tr>
<tr>
<td>Reserve for cash flow hedging</td>
<td>(3,761)</td>
</tr>
<tr>
<td>Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet</td>
<td>(3,708)</td>
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<tr>
<td>Changes in share of other owners’ equity of associates and joint ventures</td>
<td>(1,284)</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(25,902)</td>
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<tr>
<td>Others</td>
<td>641</td>
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<td>Surplus reserve</td>
<td>232,660</td>
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<td>General reserve</td>
<td>264,850</td>
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<tr>
<td>Retained profits</td>
<td>1,096,868</td>
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<tr>
<td>Minority interests</td>
<td>8,379</td>
</tr>
<tr>
<td>Including: Valid portion to core tier 1 capital</td>
<td>2,716</td>
</tr>
<tr>
<td>Including: Valid portion to additional tier 1 capital</td>
<td>577</td>
</tr>
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<td>Including: Valid portion to tier 2 capital</td>
<td>3,303</td>
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</table>
## (iv) Main features of eligible capital instruments

<table>
<thead>
<tr>
<th>Main features of regulatory capital instrument</th>
<th>Ordinary shares (A share)</th>
<th>Ordinary shares (H share)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Domestic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>The Bank 601398</td>
<td>The Bank 1398</td>
<td>The Bank 4603</td>
<td>The Bank 4604</td>
<td>The Bank 84602</td>
<td>The Bank 360011</td>
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<td>Unique identifier</td>
<td>Securities Law of the People’s Republic of China/China</td>
<td>Securities and Futures Ordinance of Hong Kong / Hong Kong, China</td>
<td>The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law</td>
<td>The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law</td>
<td>The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law</td>
<td>Company Law of the People’s Republic of China, Securities Law of the People’s Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital /China</td>
<td></td>
</tr>
<tr>
<td>Governing law(s) of the instrument</td>
<td>Securities Law of the People’s Republic of China/China</td>
<td>Ordinance of Hong Kong / Hong Kong, China</td>
<td>Preference Shares, as governed by the securities law of the People’s Republic of China</td>
<td>Preference Shares, as governed by the securities law of the People’s Republic of China</td>
<td>Preference Shares, as governed by the securities law of the People’s Republic of China</td>
<td>Preference Shares, as governed by the securities law of the People’s Republic of China</td>
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<tr>
<td>Instrument type</td>
<td>Core tier 1 capital</td>
<td>Core tier 1 capital</td>
<td>Additional tier 1 capital</td>
<td>Additional tier 1 capital</td>
<td>Additional tier 1 capital</td>
<td>Additional tier 1 capital</td>
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<tr>
<td>Amount recognized in regulatory capital (in millions)</td>
<td>RMB339,126</td>
<td>RMB868,795</td>
<td>USD2,940</td>
<td>EUR 600</td>
<td>RMB12,000</td>
<td>RMB45,000</td>
<td></td>
</tr>
<tr>
<td>Par value of instrument (in millions)</td>
<td>RMB8269,612</td>
<td>RMB868,795</td>
<td>USD2,940</td>
<td>EUR 600</td>
<td>RMB12,000</td>
<td>RMB45,000</td>
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</tr>
<tr>
<td>Issuer call (subject to prior supervisory approval)</td>
<td>No maturity date</td>
<td>No maturity date</td>
<td>Yes</td>
<td>No maturity date</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Including: Optional call date, contingent call dates and redemption amount</td>
<td>N/A</td>
<td>N/A</td>
<td>The First Redemption Date is 10 December 2019, in full or partial amount 10 December in each year after the First Redemption Date</td>
<td>The First Redemption Date is 10 December 2021, in full or partial amount 10 December in each year after the First Redemption Date</td>
<td>The First Redemption Date is 10 December 2019, in full or partial amount 10 December in each year after the First Redemption Date</td>
<td>The First Redemption Date is 18 November 2020, in full or partial amount Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares</td>
<td></td>
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<tr>
<td>Including: Subsequent call dates, if applicable</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Main features of regulatory capital instrument</td>
<td>Ordinary shares (A share)</td>
<td>Ordinary shares (H share)</td>
<td>Preference shares (Offshore)</td>
<td>Preference shares (Offshore)</td>
<td>Preference shares (Offshore)</td>
<td>Preference shares (Domestic)</td>
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<tr>
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<td></td>
</tr>
<tr>
<td>Including: Fixed or floating dividend/coupon</td>
<td>Floating</td>
<td>Floating</td>
<td>Fixed to floating</td>
<td>Fixed to floating</td>
<td>Fixed to floating</td>
<td>Fixed to floating</td>
<td></td>
</tr>
<tr>
<td>Including: Coupon rate and any related index</td>
<td>N/A</td>
<td>N/A</td>
<td>6% (dividend rate) before 10 December 2019</td>
<td>6% (dividend rate) before 10 December 2021</td>
<td>6% (dividend rate) before 10 December 2019</td>
<td>6% (dividend rate) before 10 November 2020</td>
<td></td>
</tr>
<tr>
<td>Including: Existence of a dividend stopper</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends</td>
<td>Fully discretionary</td>
<td>Fully discretionary</td>
<td>Partially discretionary</td>
<td>Partially discretionary</td>
<td>Partially discretionary</td>
<td>Partially discretionary</td>
<td></td>
</tr>
<tr>
<td>Including: Redemption incentive mechanism</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Including: Non-cumulative or cumulative</td>
<td>Non-cumulative</td>
<td>Non-cumulative</td>
<td>Non-cumulative</td>
<td>Non-cumulative</td>
<td>Non-cumulative</td>
<td>Non-cumulative</td>
<td></td>
</tr>
<tr>
<td>Convertible or non-convertible</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, conversion trigger(s)</td>
<td>N/A</td>
<td>N/A</td>
<td>Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event</td>
<td>Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event</td>
<td>Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event</td>
<td>Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, fully or partially</td>
<td>N/A</td>
<td>N/A</td>
<td>Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs</td>
<td>Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs</td>
<td>Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs</td>
<td>Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, conversion rate</td>
<td>N/A</td>
<td>N/A</td>
<td>The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan</td>
<td>The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan</td>
<td>The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan</td>
<td>The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, mandatory or optional conversion</td>
<td>N/A</td>
<td>N/A</td>
<td>Core tier 1 capital</td>
<td>Core tier 1 capital</td>
<td>Core tier 1 capital</td>
<td>Core tier 1 capital</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, specify instrument type convertible into</td>
<td>N/A</td>
<td>N/A</td>
<td>The Bank</td>
<td>The Bank</td>
<td>The Bank</td>
<td>The Bank</td>
<td></td>
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<tr>
<td>Including: If convertible, specify issuer of instrument it converts into</td>
<td>N/A</td>
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<td>The Bank</td>
<td>The Bank</td>
<td>The Bank</td>
<td>The Bank</td>
<td></td>
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</table>
### Main features of regulatory capital instrument

<table>
<thead>
<tr>
<th></th>
<th>Ordinary shares (A share)</th>
<th>Ordinary shares (H share)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Offshore)</th>
<th>Preference shares (Domestic)</th>
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<tr>
<td>Write-down feature</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<td>Including: If write-down,</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>write-down trigger(s)</td>
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<tr>
<td>Including: If write-down,</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>full or partial</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Including: If write-down,</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>permanent or temporary</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Including: If temporary write-down</td>
<td>N/A</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>description of write-up</td>
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<td></td>
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</table>

### Position in subordination hierarchy in liquidation

**Specify instrument type immediately senior to instrument**

<table>
<thead>
<tr>
<th></th>
<th>Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders</th>
<th>Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders</th>
<th>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations</th>
<th>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations</th>
<th>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated to depositor,</td>
<td>Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders</td>
<td>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations</td>
<td>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations</td>
<td>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations</td>
<td></td>
</tr>
<tr>
<td>general creditor, creditor of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the subordinated debts, and preference shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preference shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shares (Offshore)</td>
<td>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shares (Offshore)</td>
<td>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shares (Domestic)</td>
<td>Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations</td>
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### Non-compliant transitioned features

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<tr>
<td>Main features of regulatory capital instrument</td>
<td>Tier 2 capital bonds</td>
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<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
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</tr>
<tr>
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<td>---------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>Issuer</td>
<td>ICBC (Asia)</td>
<td>The Bank</td>
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<tr>
<td>Unique identifier</td>
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<td>1428009</td>
<td>Rule 144A ISIN: US455881AD47</td>
<td>1728021</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governing law(s) of the instrument</td>
<td>The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except that the provision of the Notes relating to Subordination shall be governed by, and construed in accordance with, the laws of Hong Kong</td>
<td>Securities Law of the People’s Republic of China/China</td>
<td>The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law</td>
<td>Governed by the Commercial Banking Law of the People’s Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China’s Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents</td>
<td>Governed by the Commercial Banking Law of the People’s Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China’s Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents</td>
<td></td>
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<tr>
<td>Instrument type</td>
<td>Tier 2 capital instrument</td>
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<td>Tier 2 capital instrument</td>
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<td></td>
</tr>
<tr>
<td>Amount recognised in regulatory capital (in millions, as at the latest reporting date)</td>
<td>RMB equivalent 1,384</td>
<td>RMB equivalent 12,901</td>
<td>RMB equivalent 44,000</td>
<td>RMB equivalent 44,000</td>
<td>RMB equivalent 44,000</td>
<td></td>
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<tr>
<td>Par value of instrument (in millions)</td>
<td>USD500</td>
<td>RMB20,000</td>
<td>USD2,000</td>
<td>RMB 44,000</td>
<td>RMB 44,000</td>
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<tr>
<td>Original date of issuance</td>
<td>Perpetual or dated 10 October 2023</td>
<td>Dated 5 August 2024</td>
<td>Dated 21 September 2025</td>
<td>Dated 08 November 2027</td>
<td>Dated 22 November 2027</td>
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<tr>
<td>Perpetual or dated</td>
<td>Including: Original maturity date Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Issuer call (subject to prior supervisory approval)</td>
<td>Including: Optional call date, contingent call dates and redemption amount 10 October 2018, in full amount</td>
<td>5 August 2019, in full amount</td>
<td>N/A</td>
<td>08 November 2022, in full amount</td>
<td>22 November 2022, in full amount</td>
<td></td>
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<tr>
<td>Main features of regulatory capital instrument</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
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<td>---------------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>Including: Subsequent call dates, if applicable</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</tr>
<tr>
<td>Coupons/dividends</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Fixed</td>
<td></td>
</tr>
<tr>
<td>Including: Fixed or floating dividend/coupon</td>
<td>4.50%</td>
<td>5.80%</td>
<td>4.875%</td>
<td>4.45%</td>
<td>4.45%</td>
<td></td>
</tr>
<tr>
<td>Including: Coupon rate and any related index</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Including: Existence of a dividend stopper</td>
<td>Mandatory</td>
<td>Fully discretionary</td>
<td>Mandatory</td>
<td>Mandatory</td>
<td>Mandatory</td>
<td></td>
</tr>
<tr>
<td>Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Including: Redemption incentive mechanism</td>
<td>Cumulative</td>
<td>Cumulative</td>
<td>Cumulative</td>
<td>Cumulative</td>
<td>Cumulative</td>
<td></td>
</tr>
<tr>
<td>Including: Non-cumulative or cumulative</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Convertible or non-convertible</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, conversion trigger(s)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, fully or partially</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, conversion rate</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, mandatory or optional conversion</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, specify instrument type convertible into</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Including: If convertible, specify issuer of instrument it converts into</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Write-down feature</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Including: If write-down, write-down trigger(s)</td>
<td>Non-viability of ICBC(Asia) or the Bank</td>
<td>Non-viability of the Bank</td>
<td>Whichever occurs earlier: (i) CBRC having decided that a write-down is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable Full write-down</td>
<td>Whichever occurs earlier: (i) CBRC having decided that a write-down is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable Full write-down</td>
<td>Whichever occurs earlier: (i) CBRC having decided that a write-down is necessary, without which the issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable Full write-down</td>
<td></td>
</tr>
<tr>
<td>Main features of regulatory capital instrument</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
<td>Tier 2 capital bonds</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>Including: If write-down, full or partial</td>
<td>Full write-down</td>
<td>Full write-down</td>
<td>Full write-down</td>
<td>Full write-down</td>
<td>Full write-down</td>
<td></td>
</tr>
<tr>
<td>Including: If write-down, permanent or temporary</td>
<td>Permanent write-down</td>
<td>Permanent write-down</td>
<td>Permanent write-down</td>
<td>Permanent write-down</td>
<td>Permanent write-down</td>
<td></td>
</tr>
<tr>
<td>Including: If temporary write-down, description of write-up mechanism</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)</td>
<td>Subordinated to depositor and general creditor, pari passu with other subordinated debts</td>
<td>Subordinated to depositor and general creditor, pari passu with other subordinated debts</td>
<td>Subordinated to depositor and general creditor, pari passu with other subordinated debts</td>
<td>Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds</td>
<td>Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds</td>
<td></td>
</tr>
<tr>
<td>Non-compliant transitioned features</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Including: If yes, specify non-compliant features</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>
(i) Disclosure of Leverage Ratio

The following information is disclosed in accordance with the CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

<table>
<thead>
<tr>
<th>S/N</th>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total consolidated assets as per published financial statements</td>
<td>26,087,043</td>
<td>24,137,265</td>
</tr>
<tr>
<td>2</td>
<td>Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation</td>
<td>(107,475)</td>
<td>(97,729)</td>
</tr>
<tr>
<td>3</td>
<td>Adjustments for fiduciary assets</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>4</td>
<td>Adjustments for derivative financial instruments</td>
<td>61,814</td>
<td>93,733</td>
</tr>
<tr>
<td>5</td>
<td>Adjustment for securities financing transactions</td>
<td>57,693</td>
<td>57,298</td>
</tr>
<tr>
<td>6</td>
<td>Adjustment for off-balance sheet items</td>
<td>2,000,174</td>
<td>1,725,526</td>
</tr>
<tr>
<td>7</td>
<td>Other adjustments</td>
<td>(14,282)</td>
<td>(11,560)</td>
</tr>
<tr>
<td>8</td>
<td>Balance of adjusted on- and off-balance sheet assets</td>
<td>28,084,967</td>
<td>25,904,533</td>
</tr>
</tbody>
</table>

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

<table>
<thead>
<tr>
<th>S/N</th>
<th>Item</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>On-balance sheet items (excluding derivatives and SFTs, but including collateral)</td>
<td>25,174,171</td>
<td>23,433,899</td>
</tr>
<tr>
<td>2</td>
<td>Less: Asset amounts deducted in determining Basel III Tier 1 capital</td>
<td>(14,282)</td>
<td>(11,560)</td>
</tr>
<tr>
<td>3</td>
<td>Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)</td>
<td>25,159,889</td>
<td>23,422,339</td>
</tr>
<tr>
<td>4</td>
<td>Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)</td>
<td>93,955</td>
<td>113,669</td>
</tr>
<tr>
<td>5</td>
<td>Add-on amounts for PFE associated with all derivatives transactions</td>
<td>63,145</td>
<td>58,116</td>
</tr>
<tr>
<td>6</td>
<td>Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7</td>
<td>Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>8</td>
<td>Less: Exempted CCP leg of client-cleared trade exposures</td>
<td>(25,768)</td>
<td>(14,896)</td>
</tr>
<tr>
<td>9</td>
<td>Effective notional amount of written credit derivatives</td>
<td>46,496</td>
<td>58,813</td>
</tr>
<tr>
<td>10</td>
<td>Less: Adjusted effective notional deductions for written credit derivatives</td>
<td>(27,001)</td>
<td>(27,517)</td>
</tr>
<tr>
<td>11</td>
<td>Total derivative exposures</td>
<td>150,827</td>
<td>188,185</td>
</tr>
<tr>
<td>12</td>
<td>Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transaction</td>
<td>716,384</td>
<td>511,185</td>
</tr>
<tr>
<td>13</td>
<td>Less: Netted amounts of cash payables and cash receivables of gross SFT assets</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>14</td>
<td>CCR exposure for SFT assets</td>
<td>57,693</td>
<td>57,298</td>
</tr>
<tr>
<td>15</td>
<td>Agent transaction exposures</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>16</td>
<td>Total securities financing transaction exposures</td>
<td>774,077</td>
<td>568,483</td>
</tr>
<tr>
<td>17</td>
<td>Off-balance sheet exposure at gross notional amount</td>
<td>4,211,871</td>
<td>3,435,098</td>
</tr>
<tr>
<td>18</td>
<td>Less: Adjustments for conversion to credit equivalent amounts</td>
<td>(2,211,697)</td>
<td>(1,709,572)</td>
</tr>
<tr>
<td>19</td>
<td>Balance of adjusted off-balance sheet assets</td>
<td>2,000,174</td>
<td>1,725,526</td>
</tr>
<tr>
<td>20</td>
<td>Net tier 1 capital</td>
<td>2,110,060</td>
<td>1,954,770</td>
</tr>
<tr>
<td>21</td>
<td>Balance of adjusted on- and off-balance sheet assets</td>
<td>28,084,967</td>
<td>25,904,533</td>
</tr>
<tr>
<td>22</td>
<td>Leverage ratio</td>
<td>7.51%</td>
<td>7.55%</td>
</tr>
</tbody>
</table>
(j) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

<table>
<thead>
<tr>
<th>S/N</th>
<th>Item</th>
<th>Fourth-quarter 2017</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total un-weighted value</td>
<td>Total weighted value</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Total high-quality liquid assets (HQLA)</td>
<td>4,809,778</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Retail deposits and deposits form small business customers, of which:</td>
<td>9,293,000</td>
<td>926,296</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Stable deposits</td>
<td>47,275</td>
<td>1,724</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Less stable deposits</td>
<td>9,245,725</td>
<td>924,572</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Unsecured wholesale funding, of which:</td>
<td>11,417,415</td>
<td>3,876,930</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Operational deposits (excluding those generated from correspondent banking activities)</td>
<td>6,471,339</td>
<td>1,570,708</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Non-operational deposits (all counterparties)</td>
<td>4,877,452</td>
<td>2,237,598</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Unsecured debt</td>
<td>68,624</td>
<td>68,624</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Secured funding</td>
<td></td>
<td>31,316</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Additional requirements, of which:</td>
<td>3,826,603</td>
<td>1,378,596</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Outflows related to derivative exposures and other collateral requirements</td>
<td>1,160,655</td>
<td>1,160,652</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Outflows related to loss of funding on debt products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Credit and liquidity facilities</td>
<td>2,665,948</td>
<td>217,944</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Other contractual funding obligations</td>
<td>53,291</td>
<td>52,994</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Other contingent funding obligations</td>
<td>1,138,517</td>
<td>26,570</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Total cash outflows</td>
<td></td>
<td>6,292,702</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Secured lending (including reverse repos and securities borrowing)</td>
<td>729,160</td>
<td>331,256</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Inflows from fully performing exposures</td>
<td>1,504,511</td>
<td>1,065,288</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Other cash inflows</td>
<td>1,186,092</td>
<td>1,175,321</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Total cash inflows</td>
<td>3,419,763</td>
<td>2,571,865</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total adjusted value</strong></td>
<td></td>
<td><strong>4,809,778</strong></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Total HQLA</td>
<td></td>
<td></td>
<td><strong>3,720,837</strong></td>
</tr>
<tr>
<td>22</td>
<td>Total net cash outflows</td>
<td></td>
<td></td>
<td><strong>129.02%</strong></td>
</tr>
</tbody>
</table>

Data of the above table are all the simple arithmetic means of the 92 natural days’ figures of the recent quarter.
2017 Ranking and Awards

2017 Ranking

Forbes
The 1st place among the Global 2000
Ranking in terms of combination of sales, profit, assets and market value

The Banker
The 1st place among the Top 1000 World Banks
Ranking in terms of tier 1 capital of a bank

Fortune
The 22nd place among the Global 500
(The 1st place on the sub-list of commercial banks)
Ranking in terms of operating income

Brand Finance
The 1st place among the Top 500 Banking Brands rankings
Ranking in terms of brand value of a bank

Millward Brown
The 28th place among the Top 100 Most Valuable Global Brands
(The 2nd place among the brands of financial institutions)
Ranking in terms of brand value

China Enterprise Confederation
The 4th place among the Top 500 Enterprises of China
Ranking in terms of operating income

2017 Awards

OVERSEAS AWARDS

Global Finance
World’s Best Emerging Markets Bank
Best Bank in Asia-Pacific
Best Bank in China
Best Corporate Bank in China
Best Asset Manager
Best Private Bank for Millennials
Best Bank for Renewable Energy
Best Corporate/Institutional Digital Banks in China
Best Consumer Digital Banks in China

Euromoney
Best Bank in China
Best Precious Metal Trading Bank in China

Asiamoney
Best Bank For Advising Chinese Institutions on BRI
Best Chinese bank in Southeast Asia for BRI
Best Chinese bank in Central & Eastern Europe for BRI

Finance Asia
Best Bank in China
Best DCM House

The Asian Banker
Custodian Bank of the Year
Best (Mega) Private Bank in China
Achievement in Market Risk Management Award in China
Best (Mega) Transaction Bank in China
Best (Mega) Cash Management Bank in China

Institutional Investor
Diamond Award for Best RMB Internationalization
Cash Management/Settlement

The Asset
Best Bank in China
Best Private Bank in China
Best Wealth Manager in China
Best Commodities Derivatives House in China
Best Bond Adviser in China
Asset Corporate Award — Platinum Award

Project Finance International
Middle East and North Africa Power Deal of the Year

Asia Risk
House of the Year in China

World Bank
First Mulan Bond — Lead Bookrunner

The Berne Union
Deal of the Year

MasterCard Worldwide
Award for Best Risk Monitoring and Control in Asia-Pacific

DOMESTIC AWARDS

PBC
Banking Technological Development Award

China Banking Association
Best Social Responsibility Institution Award
Best Social Contribution Award
1st Place in the Comprehensive Ranking of the Commercial Bank Robust Development Ability Evaluation System
Outstanding Organization Award of the Commercial Bank
Steady Development Ability Evaluation System
Leading Institution of the Best Specialized Committee
Best Private Banking Institution
Best Internet Trade Finance Bank
Best Overall Wealth Management Ability Award
Best Project Award
Best Yield Award
Best Risk Control Award
Best Compliance Award
Best Transformation Award
2017 Ranking and Awards

**China Central Depository & Clearing Co., Ltd.**
- Outstanding Underwriter Award
- Excellent Proprietary Trading Institution Award
- Outstanding Asset Custody Institution Award
- Outstanding Green Bond Underwriting Institution
- Excellent Financial Bond Issuer
- Excellent ABS Sponsor
- Excellent Trading Agency

**National Association of Financial Market Institutional Investors**
- Excellent Comprehensive Market Making Institution
- Excellent Interest Rate Bond Market Maker
- Excellent Unsecured Bond Market Maker

**China Foreign Exchange Trading System**
- Best Market Maker Award in Back-office Support
- Best Technology Market Making Award
- Best Market Maker
- Best Spot Market Making Award
- Best Forward and Swap Market Making Award
- Best Spot Trading Award
- Best Non-USD Trading Award
- Best Foreign Currency Pairs Trading Award
- Most Popular Forward and Swap Market Making Institution Award

**National Interbank Funding Center**
- Outstanding Contribution Award for Opening up Interbank Local Currency Market
- Excellent Bond Trader
- Excellent Clearing Participant
- Excellent Settlement Participant
- Excellent Underwriter
- Excellent Custodian Bank
- Excellent Award for Proprietary Foreign Exchange Clearing

**Shanghai Gold Exchange**
- First Award for Excellent Financial Institution Members
- Outstanding Contribution Award for Auction Market
- Great Contribution Award for OTC Market
- Contribution Award for Leasing Business

**China Federation of IT Promotion Customer Relationship Management Committee**
- Best Customer Contact Center in China

**Internet Society of China**
- Demonstration Case of Internet-driven New Activity in China (ICBC Mobile)

**China Advertising Association**
- China Advertising Great Wall Award: Advertiser

**China Electronics Chamber of Commerce**
- Best Call Center in China

**FinTech Entrepreneurship Innovation Program**
- China FinTech Product Innovation Award — Open Online Banking

**Global Asset Allocation 100**
- Investment Bank Award for Cross-border M&A

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**China Financial Certification Authority**
- China Financial Brand “Gold Chestnut” Award — Social Marketing Pioneer TOP10 (Dare to Dream, Wisdom Goddess)
- Best Personal Online Banking Award

**China Financial Industry Call Center Development League**
- Excellent Team Award for Operation Management
- Operation and Management Elite Team Award
- Elite Team Award for Comprehensive Business Support
- Elite Team Award for Technical Support

**FinTech Innovation Alliance Internet Financial Work Committee**
- China Inclusive Finance Conference Excellent Brand Award for Inclusive Finance (ICBC Mobile)

**CCMWorld Group**
- “Gold Headphone” Best Customer Center in China
- “Gold Headphone” Best Team Culture Customer Center of the Year

**China Business Journal**
- SME Service Bank with Excellent Competitiveness

**Southern Weekly**
- Best Chinese State-owned Listed Companies on Corporate Social Responsibilities
- Annual Meeting of Chinese Enterprises on Social Responsibility — Best Responsibility Report

**Securities Times**
- Jun Ding Award for China’s Private Banking Brand
- Jun Ding Award for Comprehensive Investment Bank
- Jun Ding Award for Financial Advisory Bank
- Jun Ding Award for Cross-border Financing Bank
- China Banking Innovation Pioneer (ICBC Mobile)

**21st Century Business Herald**
- Most Influential Commercial Bank
- Best Corporate Governance Award
- Most Respected Chairman Award

**China Times**
- Excellent Mobile Banking Award of the Year

**International Financial News**
- Bond Underwriting Pioneering Bank
- Pioneering Bank for Underwriting Super Short-term Commercial Paper
- Pioneering Bank for Underwriting Medium-term Note
- ABS Pioneering Bank
- Pioneering Private Bank
- International Pioneering Investment Bank Award
- Cross-border Financing Pioneering Bank

**The Chinese Banker**
- The 1st place in the Ranking of National Commercial Banks in Core Competitiveness
- Top Ten Innovative Institutions in Internet-based Finance
- Best FinTech Bank of the Year
Financial Money
“Golden Pixiu” Awards — Gold Asset Management Bank of the Year
Excellent Contribution Award for Gold Asset Custody Bank

Financial Computerizing
Outstanding Contribution Award for Scientific and Technological Innovation in Financial Industry

Directors & Boards
“Gold Round Table” Best Board of Directors
“Gold Round Table” Most Innovative Board Secretary

Treasury China
Best Treasury Innovation Product
Best Cash Management Bank
Best Global Cash Management Bank

Caijing.com
Best State-owned Commercial Bank
Best Bond Underwriting Bank

Wealth Plus
“Jin Zhen Award” for Best Private Bank in China

CCTV Finance
Top Ten listed Company of the Year

Xinhua.com
China Top 100 Brand
“Gold Innovation Award” Most Active Mobile Banking

Ifeng.com
Best Internet Financing Bank of the Year

Caijing.com
User’s Favorite Brand Best Internet Finance Bank of the Year

Sina Finance.com
Best State-owned Commercial Bank
Most Popular Mobile Banking

Analysys Think Tank
Best App of the Year (ICBC Mobile)

China Internet Banking Union
E-Banking Innovation Award — Best Marketing Service
Innovation Award (Dare to Dream, Wisdom Goddess)

Taihe Consulting
Best Employer in China (Comprehensive Award in Financial Industry)

China HR
Best Employers for University Students — Best Employer in Financial Industry

Zhaopin.com
Best Employer in China
## List of Domestic and Overseas Branches and Offices

### Domestic Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Address</th>
<th>Postcode</th>
<th>Tel</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANHUI PROVINCIAL BRANCH</td>
<td>No. 189 Wuhu Road, Hefei City, Anhui Province, China</td>
<td>230001</td>
<td>0551-62869178/62868101</td>
<td>0551-62868077</td>
</tr>
<tr>
<td>BEIJING MUNICIPAL BRANCH</td>
<td>Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China</td>
<td>100031</td>
<td>010-66410579</td>
<td>010-66410579</td>
</tr>
<tr>
<td>CHONGQING MUNICIPAL BRANCH</td>
<td>No. 9 Jiangnan Road, Nan’an District, Chongqing, China</td>
<td>210025</td>
<td>023-62918002</td>
<td>023-62918059</td>
</tr>
<tr>
<td>DALIAN BRANCH</td>
<td>No. 5 Zhongshan Square, Dalian City, Liaoning Province, China</td>
<td>574000</td>
<td>0411-82378888</td>
<td>0411-82378000</td>
</tr>
<tr>
<td>FUJIAN PROVINCIAL BRANCH</td>
<td>No. 108 Gulian Road, Fuzhou City, Fujian Province, China</td>
<td>350005</td>
<td>0591-88087810</td>
<td>0591-83353905/83347074</td>
</tr>
<tr>
<td>GANSU PROVINCIAL BRANCH</td>
<td>No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China</td>
<td>730030</td>
<td>0931-8434172</td>
<td>0931-8435166</td>
</tr>
<tr>
<td>GUANGDONG PROVINCIAL BRANCH</td>
<td>No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China</td>
<td>510120</td>
<td>020-81308130</td>
<td>020-81308789</td>
</tr>
<tr>
<td>HAINAN PROVINCIAL BRANCH</td>
<td>No. 54 Heping South Road, Haikou City, Hainan Province, China</td>
<td>570203</td>
<td>0898-65303138/65342829</td>
<td>0898-65303138</td>
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<tr>
<td>HEBEI PROVINCIAL BRANCH</td>
<td>Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China</td>
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<tr>
<td>HENAN PROVINCIAL BRANCH</td>
<td>No. 99 Jingsan Road, Zhengzhou City, Henan Province, China</td>
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<td>0371-65776888/65776808</td>
<td>0371-65776988</td>
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<td>HUBEI PROVINCIAL BRANCH</td>
<td>No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China</td>
<td>150010</td>
<td>0451-84668023/84668577/0451-84698115</td>
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<tr>
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<td>No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China</td>
<td>410041</td>
<td>0731-84428833/84420000</td>
<td>0731-84430039</td>
</tr>
<tr>
<td>JILIN PROVINCIAL BRANCH</td>
<td>No. 9559 Renmin Avenue, Changchun City, Jilin Province, China</td>
<td>130022</td>
<td>0431-89569073/89569712</td>
<td>0431-88923808</td>
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<tr>
<td>JIANGSU PROVINCIAL BRANCH</td>
<td>No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China</td>
<td>330008</td>
<td>0791-86695682/86695018/0791-86695230</td>
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<tr>
<td>JIANGXI PROVINCIAL BRANCH</td>
<td>No. 88 Nanjing North Road, Heping District, Nanchang City, Jiangxi City, Jiangsu Province, Jiangsu Province, China</td>
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<td>024-23491600/024-23491609</td>
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<tr>
<td>INNER MONGOLIA AUTONOMOUS REGION BRANCH</td>
<td>No. 10 East 2nd Ring Road, Hohhot City, Inner Mongolia Autonomous Region, China</td>
<td>010060</td>
<td>0471-6940297/0471-6940096</td>
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<tr>
<td>NINGBO BRANCH</td>
<td>No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China</td>
<td>315010</td>
<td>0574-87361112/0574-87361190</td>
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### Overseas Branches

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<th>Institution</th>
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<td>ANDREAS PROVINCIAL BRANCH</td>
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<td>110001</td>
<td>024-23491600/024-23491609</td>
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<td>315010</td>
<td>0574-87361112/0574-87361190</td>
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**List of Domestic and Overseas Branches and Offices**

**ICBC**
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<th>Branch Name</th>
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<th>Postcode</th>
<th>Tel</th>
<th>Fax</th>
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<tr>
<td>NINGXIA AUTONOMOUS REGION BRANCH</td>
<td>Address: No. 901 Huanghe East Road, Jinfeng District, Ningxia Autonomous Region, China</td>
<td>750002</td>
<td>0951-5029200</td>
<td>0951-5042348</td>
</tr>
<tr>
<td>SHENZHEN BRANCH</td>
<td>Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China</td>
<td>518015</td>
<td>0755-82246400</td>
<td>0755-82062761</td>
</tr>
<tr>
<td>ZHEJIANG PROVINCIAL BRANCH</td>
<td>Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China</td>
<td>310009</td>
<td>0571-87803888</td>
<td>0571-87808207</td>
</tr>
<tr>
<td>QINGDAO BRANCH</td>
<td>Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China</td>
<td>266071</td>
<td>0532-85809988-621031</td>
<td>0532-85814711</td>
</tr>
<tr>
<td>QINGHAI PROVINCIAL BRANCH</td>
<td>Address: No. 2 Shengli Road, Xining City, Qinghai Province, China</td>
<td>810001</td>
<td>0971-6169722/6152326</td>
<td>0971-6152326</td>
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<tr>
<td>TIANJIN MUNICIPAL BRANCH</td>
<td>Address: No. 123 Weidi Road, Hexi District, Tianjin, China</td>
<td>300074</td>
<td>022-28400648</td>
<td>022-28400647</td>
</tr>
<tr>
<td>XIAMEN BRANCH</td>
<td>Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China</td>
<td>361012</td>
<td>0592-5292000</td>
<td>0592-5054663</td>
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<tr>
<td>SICHUAN PROVINCIAL BRANCH</td>
<td>Address: No. 35 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China</td>
<td>610016</td>
<td>028-82866000</td>
<td>028-82866025</td>
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<tr>
<td>XINJIANG AUTONOMOUS REGION BRANCH</td>
<td>Address: No. 231 Remin Road, Tianshan District, Urumqi, Xinjiang Autonomous Region, China</td>
<td>830002</td>
<td>0991-5981888</td>
<td>0991-2337527</td>
</tr>
<tr>
<td>TIBET AUTONOMOUS REGION BRANCH</td>
<td>Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region</td>
<td>850000</td>
<td>0891-6898019/6898001</td>
<td>0891-6898001</td>
</tr>
<tr>
<td>YUNNAN PROVINCIAL BRANCH</td>
<td>Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China</td>
<td>650021</td>
<td>0871-65536312</td>
<td>0871-63134637</td>
</tr>
</tbody>
</table>
Overseas Institutions

HONG KONG AND MACAU

Industrial and Commercial Bank of China Limited, Hong Kong Branch
Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: icbcchk@icbcasia.com
Tel: +852-25881188
Fax: +852-25881160
SWIFT: ICBKHKH

Industrial and Commercial Bank of China (Asia) Limited
Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: enquiry@icbcasia.com
Tel: +852-35108888
Fax: +852-28051166
SWIFT: UBHKHKHH

ICBC International Holdings Limited
Address: 37/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: info@icbci.com.hk
Tel: +852-26833888
Fax: +852-26833900
SWIFT: ICBHKKHH

ASIA-PACIFIC

Industrial and Commercial Bank of China Limited, Tokyo Branch
Address: 2-1 Marunouchi 1-Chome, Chiyoda-Ku Tokyo, 100-0005, Japan
Email: icbctokyo@icbc.co.jp
Tel: +813-52232088
Fax: +813-52198502
SWIFT: ICBKJPT

Industrial and Commercial Bank of China Limited, Seoul Branch
Address: 16th Floor, Taepyeongno Bldg., #73 Sejong-daero, Jung-gu, Seoul 100-767, Korea
Email: icbcseoul@kr.icbc.com.cn
Tel: +82-2-37886670
Fax: +82-27553748
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Busan Branch
Address: 1st Floor, Samsung Fire & Marine Insurance Bldg., #184, Jungang-daero, Dong-gu, Busan 601–728, Korea
Email: busanadmin@kr.icbc.com.cn
Tel: +82-514638868
Fax: +82-514636880
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Hanoi Branch
Address: 3rd Floor Daeha Business Center, No.360, Kim Ma Str., Ba Dinh Dist., Hanoi, Vietnam
Email: admin@vn.icbc.com.cn
Tel: +84-462698888
Fax: +84-462699900
SWIFT: ICBKVNVN

Industrial and Commercial Bank of China Limited, Vientiane Branch
Address: Asean Road, Home No.358, Unit12, Sibounheuang Village, Chanthabouly District, Vientiane Capital, Lao PDR
Email: icbcvte@la.icbc.com.cn
Tel: +856-21258888
Fax: +856-21258897
SWIFT: ICBKLALA

Industrial and Commercial Bank of China Limited, Phnom Penh Branch
Address: 17th Floor, Exchange Square, No. 19-20, Street 106, Phnom Penh, Cambodia
Email: icbckh@kh.icbc.com.cn
Tel: +855-23955880
Fax: +855-23965268
SWIFT: ICBKKHPP

Industrial and Commercial Bank of China Limited, Yangon Branch
Address: 459 Pyay Road, Kamayut Township, Yangon, Myanmar
Tel: +95-12306306-8810, 8830, 8821
Fax: +95-12306305-8805, 8806
SWIFT: ICBKMMMYY

Industrial and Commercial Bank of China Limited, Singapore Branch
Address: 6 Raffles Quay #12-01, Singapore 048580
Email: icbcsq@sg.icbc.com.cn
Tel: +65-65381066
Fax: +65-65381370
SWIFT: ICBKSQSG

Industrial and Commercial Bank of China Limited Karachi Branch
Address: 15th & 16th Floor, Ocean Tower, G-3, Block-9, Scheme # 5, Main Clifton Road, Karachi, Pakistan
Tel: +92-2135208988
Fax: +92-2135208930
SWIFT: ICBKPKKAXXX

Industrial and Commercial Bank of China Limited, Mumbai Branch
Address: Level 20, Burj Doha Tower, Al Corniche Street, West Bay, Doha, Qatar P.O. BOX: 11217
Email: wangbx@doh.icbc.com.cn
Tel: +974-44072758
Fax: +974-44072751
SWIFT: ICBKQAQAXXX

Industrial and Commercial Bank of China Limited, Abu Dhabi Branch
Address: C903, Al Bateen Tower, C6, Bainuna Street, P.O. Box 62108, Abu Dhabi, United Arab Emirates
Email: dboffice@dxb.icbc.com.cn
Tel: +971-24998600
Fax: +971-24998622
SWIFT: ICBKAEAA
### List of Domestic and Overseas Branches and Offices

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<tr>
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<th>Tel</th>
<th>Fax</th>
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<tbody>
<tr>
<td>Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch</td>
<td>Floor 5&amp;6, Gate Village Building 1, Dubai International Financial Center, Dubai, United Arab Emirates P.O. Box: 506856</td>
<td><a href="mailto:dboffice@dxb.icbc.com.cn">dboffice@dxb.icbc.com.cn</a></td>
<td>+971-47031111</td>
<td>+971-47031199</td>
<td>ICBKAEAD</td>
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<tr>
<td>Industrial and Commercial Bank of China Limited, Kuwait Branch</td>
<td>Building 2A (Al-Tijaria Tower), Floor 7, Al-Soor Street, Al-Morqab, Block 3, Kuwait City, Kuwait</td>
<td></td>
<td>+965-22281777</td>
<td>+965-22281799</td>
<td></td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China Limited, Riyadh Branch</td>
<td>Level 7&amp;8, A1 Faisal Tower, Building No: 7277- King Fahad Road Al Olaya, Zip Code: 12212, Additional No.: 3333, Unit No.95, Kingdom of Saudi Arabia</td>
<td><a href="mailto:service@sa.icbc.com.cn">service@sa.icbc.com.cn</a></td>
<td>+966-112899800</td>
<td>+966-112899879</td>
<td>ICBKSARI</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China Limited, Sydney Branch</td>
<td>Level 1, 220 George Street, Sydney NSW 2000, Australia</td>
<td><a href="mailto:info@icbc.com.au">info@icbc.com.au</a></td>
<td>+612-94755588</td>
<td>+612-92333982</td>
<td>ICBKAZS</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Almaty) Joint Stock Company</td>
<td>150/230, Abai/Turgut Ozal Street, Almaty, Kazakhstan. 050046</td>
<td><a href="mailto:office@kz.icbc.com.cn">office@kz.icbc.com.cn</a></td>
<td>+7-77272377085</td>
<td>+7-77272377070</td>
<td>ICBKKZKX</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Thai) Public Company Limited</td>
<td>622 Emporium Tower 11th–13th Fl., Sukhumvit Road, Khlong Ton, Khlong Toei, Bangkok, Thailand</td>
<td></td>
<td>+66-26295588</td>
<td>+66-26639888</td>
<td>ICBKTHBK</td>
</tr>
<tr>
<td>PT. Bank ICBC Indonesia</td>
<td>The City Tower 32nd Floor, Jl. M.H.Thamrin No. 81, Jakarta Pusat 10310, Indonesia</td>
<td><a href="mailto:cs@ina.icbc.com.cn">cs@ina.icbc.com.cn</a></td>
<td>+62-2123556000</td>
<td>+62-2131996010</td>
<td>ICBKIDJA</td>
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<tr>
<td>Industrial and Commercial Bank of China (Malaysia) Berhad</td>
<td>Level 10, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia</td>
<td><a href="mailto:icbcmalaysia@my.icbc.com.cn">icbcmalaysia@my.icbc.com.cn</a></td>
<td>+603-23013399</td>
<td>+603-23013388</td>
<td>ICBKM KYL</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (New Zealand) Limited</td>
<td>Level 11, 188 Quay Street, Auckland 1010, New Zealand</td>
<td><a href="mailto:info@nz.icbc.com.cn">info@nz.icbc.com.cn</a></td>
<td>+64-93747288</td>
<td>+64-93747287</td>
<td>ICBK NZZ</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China Limited, Mongolia Representative Office</td>
<td>Suite 910 and 911, 9th floor, Central Tower, Sukhbaatar Square, Khooor 8, Sukhbaatar district, Ulaanbaatar, Mongolia</td>
<td><a href="mailto:mgdbcgw@dcsh.icbc.com.cn">mgdbcgw@dcsh.icbc.com.cn</a></td>
<td>+976-88298887, +976-88368887</td>
<td>+976-77108866</td>
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</tr>
<tr>
<td>Industrial and Commercial Bank of China Limited, Luxembourg Branch</td>
<td>32, Boulevard Royal, L-2449 Luxembourg, B.P.278 L-2012 Luxembourg</td>
<td></td>
<td>+352-26866661</td>
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<td>ICBKLULL</td>
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<tr>
<td>Industrial and Commercial Bank of China Limited, Frankfurt Branch</td>
<td>Bockenheimer Anlage 15, 60322 Frankfurt am Main, Germany</td>
<td><a href="mailto:icbc@icbc-ffm.de">icbc@icbc-ffm.de</a></td>
<td>+49-6950604700</td>
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<td>81 King William Street, London EC4N 7BG, UK</td>
<td>admin@icbc london.com</td>
<td>+44-2073978888</td>
<td>+44-2073978890</td>
<td>ICBKBGL</td>
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<tr>
<td>Industrial and Commercial Bank of China Limited, Prague Branch, ođstępný závod</td>
<td>12F City Empiria, Na Strži 1702/65, 14000 Prague 4 - Nusle, Czech Republic</td>
<td><a href="mailto:info@cz.icbc.com.cn">info@cz.icbc.com.cn</a></td>
<td>+420-237762888</td>
<td>+420-237762899</td>
<td>ICBK CZP</td>
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<tr>
<td>Industrial and Commercial Bank of China (Europe) S.A.</td>
<td>32, Boulevard Royal, L-2449 Luxembourg, B.P.278 L-2012 Luxembourg</td>
<td><a href="mailto:office@eu.icbc.com.cn">office@eu.icbc.com.cn</a></td>
<td>+352-26866661</td>
<td>+352-26866666</td>
<td>ICBKLULU</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China (Europe) S.A. Paris Branch</td>
<td>73 boulevard haussmann, 75008, Paris</td>
<td><a href="mailto:administration@fr.icbc.com.cn">administration@fr.icbc.com.cn</a></td>
<td>+33-140065858</td>
<td>+33-140065899</td>
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### List of Domestic and Overseas Branches and Offices

<table>
<thead>
<tr>
<th>Branch Name</th>
<th>Address</th>
<th>Email</th>
<th>Tel</th>
<th>Fax</th>
<th>SWIFT</th>
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<tr>
<td><strong>Industrial and Commercial Bank of China (Europe) S.A. Amsterdam Branch</strong></td>
<td>Johannes Vermeerstraat 7-9, 1071 DK, Amsterdam, the Netherlands</td>
<td><a href="mailto:icbcamsterdam@nl.icbc.com.cn">icbcamsterdam@nl.icbc.com.cn</a></td>
<td>+31-205706666</td>
<td>+31-206702774</td>
<td>ICBKLN2A XXXX</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China (Europe) S.A. Brussels Branch</strong></td>
<td>81, Avenue Louise, 1050 Brussels, Belgium</td>
<td><a href="mailto:info@be.icbc.com.cn">info@be.icbc.com.cn</a></td>
<td>+32-2-5398888</td>
<td>+32-2-5398870</td>
<td>ICBKBEBB</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China (Europe) S.A. Milan Branch</strong></td>
<td>Via Tommaso Grossi 2, Milano, Italy</td>
<td><a href="mailto:hradmin@it.icbc.com.cn">hradmin@it.icbc.com.cn</a></td>
<td>+39-020066889</td>
<td>+39-020066888</td>
<td>ICBKITMMMXXXX</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China (Europe) S.A. Sucursal en España</strong></td>
<td>Paseo de recoletos, 12, 28001, Madrid, España</td>
<td><a href="mailto:icbcspain@es.icbc.com.cn">icbcspain@es.icbc.com.cn</a></td>
<td>+34-902195588</td>
<td>+34-912168866</td>
<td>ICBKESMMXXX</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China (Europe) S.A. Poland Branch</strong></td>
<td>Plac Trzech Krzyży 18, 00-499, Warszawa, Poland</td>
<td><a href="mailto:info@pl.icbc.com.cn">info@pl.icbc.com.cn</a></td>
<td>+48-222788066</td>
<td>+48-222788090</td>
<td>ICBKPLPW</td>
</tr>
<tr>
<td><strong>Bank ICBC (joint stock company)</strong></td>
<td>Building 29, Serebryanicheskaya embankment, Moscow, Russia Federation 109028</td>
<td><a href="mailto:info@ms.icbc.com.cn">info@ms.icbc.com.cn</a></td>
<td>+7-4952873099</td>
<td>Fax: +7-4952873098</td>
<td>ICBKRUMM</td>
</tr>
<tr>
<td><strong>ICBC Turkey Bank Anonim Şirketi</strong></td>
<td>Maslak Mah. Dereboyu, 2 Caddesi No: 13 34398 Sarıyer, İSTANBUL</td>
<td><a href="mailto:gongwen@tr.icbc.com.cn">gongwen@tr.icbc.com.cn</a></td>
<td>+90-2123355162</td>
<td></td>
<td>ICBKTRISXXX</td>
</tr>
<tr>
<td><strong>ICBC (London) PLC</strong></td>
<td>81 King William Street, London EC4N 7BG, UK</td>
<td><a href="mailto:admin@icbclondon.com">admin@icbclondon.com</a></td>
<td>+44-2073978888</td>
<td>Fax: +44-2073978899</td>
<td>ICBKBGBL</td>
</tr>
<tr>
<td><strong>ICBC Standard Bank PLC</strong></td>
<td>20 Gresham Street, London, United Kingdom, EC2V 7JE</td>
<td><a href="mailto:londonmarketing@icbcstandard.com">londonmarketing@icbcstandard.com</a></td>
<td>+44-2031455000</td>
<td>Fax: +44-2031895000</td>
<td>SBLLGGBL</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China Limited, New York Branch</strong></td>
<td>725 Fifth Avenue, 20th Floor, New York, NY 10022, USA</td>
<td><a href="mailto:info-nyb@us.icbc.com.cn">info-nyb@us.icbc.com.cn</a></td>
<td>+1-2128387799</td>
<td>Fax: +1-2128386688</td>
<td>ICBKUS33</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China (Canada) S.A.</strong></td>
<td>Unit 3710, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2R2, Canada</td>
<td><a href="mailto:info@icbk.ca">info@icbk.ca</a></td>
<td>+1-4163665588</td>
<td>Fax: +1-4166072000</td>
<td>ICBKCAT2</td>
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<tr>
<td><strong>Industrial and Commercial Bank of China (USA) NA</strong></td>
<td>1633 Broadway, 28th Floor, New York, NY 10019</td>
<td><a href="mailto:info@us.icbc.com.cn">info@us.icbc.com.cn</a></td>
<td>+1-2122388208</td>
<td>Fax: +1-2122193211</td>
<td>ICBKUS3N</td>
</tr>
<tr>
<td><strong>ICBC PERU BANK</strong></td>
<td>Av. Juan de Arona 151, Oficina 202, San Isidro, Lima27, Perú</td>
<td><a href="mailto:perugw@pe.icbc.com.cn">perugw@pe.icbc.com.cn</a></td>
<td>+51-16316801</td>
<td>Fax: +51-16316803</td>
<td>ICBKPEPL</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China Financial Services LLC</strong></td>
<td>1633 Broadway, 28th Floor, New York, NY, 10019, USA</td>
<td><a href="mailto:info@icbkus.com">info@icbkus.com</a></td>
<td>+1-2129937300</td>
<td>Fax: +1-2129937349</td>
<td>ICBKUS3F</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China Mexico S.A.</strong></td>
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<td><a href="mailto:info@icbc.com.mx">info@icbc.com.mx</a></td>
<td>+52-5541253388</td>
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<tr>
<td><strong>Industrial and Commercial Bank of China (Argentina) S.A.</strong></td>
<td>Blvd. Cecilia Grierson 355, (C1107 CPG) Buenos Aires, Argentina</td>
<td><a href="mailto:gongwen@ar.icbc.com.cn">gongwen@ar.icbc.com.cn</a></td>
<td>+54-1148209022</td>
<td>Fax: +54-1148201901</td>
<td>ICBKARBA</td>
</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China (Brasil) S.A.</strong></td>
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<td>+55-1123956600</td>
<td></td>
<td>ICBKBRSP</td>
</tr>
<tr>
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<td>Fax: +51-16316803</td>
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</tr>
<tr>
<td><strong>Industrial and Commercial Bank of China Limited, African Representative Office</strong></td>
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<td>+27-(11)7217227</td>
<td>Fax: +27-(21)2008012</td>
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