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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

2017 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2017. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore Preference Share	ICBC USDPREF1	4603	The Stock Exchange of Hong Kong Limited
	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
	ICBC CNHPREF1-R	84602	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	工行優1	360011	Shanghai Stock Exchange

1.2 Contact

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2. Financial Highlights

(Financial data and indicators in this results announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	2017	2016	2015	2014	2013
Annual operating results					
(in RMB millions)					
Net interest income	522,078	471,846	507,867	493,522	443,335
Net fee and commission income	139,625	144,973	143,391	132,497	122,326
Operating income	675,654	641,681	668,733	634,858	578,901
Operating expenses	186,194	193,112	220,835	218,674	204,140
Impairment losses	127,769	87,894	86,993	56,729	38,321
Operating profit	361,691	360,675	360,905	359,455	336,440
Profit before taxation	364,641	363,279	363,235	361,612	338,537
Net profit	287,451	279,106	277,720	276,286	262,965
Net profit attributable to equity holders of the parent company	286,049	278,249	277,131	275,811	262,649
Net cash flows from operating activities	<u>770,864</u>	<u>239,221</u>	<u>1,131,764</u>	<u>201,457</u>	<u>(1,947)</u>
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	15,556,601	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	2,127,491	1,969,751	1,789,474	1,530,859	1,274,134
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⁾	<u>15,902,801</u>	<u>14,564,617</u>	<u>13,216,687</u>	<u>12,475,939</u>	<u>11,982,187</u>

	2017	2016	2015	2014	2013
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 Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC.

(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”.

2.2 Financial Indicators

	2017	2016	2015	2014	2013
Profitability (%)					
Return on average total assets ⁽¹⁾	1.14	1.20	1.30	1.40	1.44
Return on weighted average equity ⁽²⁾	14.35	15.24	17.10	19.96	21.92
Net interest spread ⁽³⁾	2.10	2.02	2.30	2.46	2.40
Net interest margin ⁽⁴⁾	2.22	2.16	2.47	2.66	2.57
Return on risk-weighted assets ⁽⁵⁾	1.89	2.01	2.16	2.26	2.45
Ratio of net fee and commission income to operating income	20.67	22.59	21.44	20.87	21.13
Cost-to-income ratio ⁽⁶⁾	26.45	27.40	26.69	27.93	28.80
Asset quality (%)					
Non-performing loans (“NPL”) ratio ⁽⁷⁾	1.55	1.62	1.50	1.13	0.94
Allowance to NPL ⁽⁸⁾	154.07	136.69	156.34	206.90	257.19
Allowance to total loans ratio ⁽⁹⁾	2.39	2.22	2.35	2.34	2.43
Capital adequacy (%)					
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	12.77	12.87	12.87	11.92	10.57
Tier 1 capital adequacy ratio ⁽¹⁰⁾	13.27	13.42	13.48	12.19	10.57
Capital adequacy ratio ⁽¹⁰⁾	15.14	14.61	15.22	14.53	13.12
Total equity to total assets ratio	8.21	8.21	8.11	7.46	6.76
Risk-weighted assets to total assets ratio	60.96	60.34	59.51	60.53	63.34

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 China Securities Regulatory Commission.

(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 Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC.

2.3 Quarterly Financial Data

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

	2016			
	Q1	Q2	Q3	Q4
(In RMB millions)				
Operating income	168,992	159,989	155,034	157,666
Net profit attributable to equity holders of the parent company	74,764	75,453	72,575	55,457
Net cash flows from operating activities	199,614	98,018	(13,829)	(44,582)

2.4 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.

3. Business Overview

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”.

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.

4. Discussion and Analysis

4.1 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.

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

In RMB millions, except for percentages

Item	Average balance	2017		Average balance	2016	
		Interest income /expense	Average yield/cost (%)		Interest income /expense	Average yield/cost (%)
Assets						
Loans and advances to customers	13,535,464	572,688	4.23	12,658,686	538,219	4.25
Investment	5,135,606	185,181	3.61	4,855,583	177,298	3.65
Due from central banks ⁽²⁾	3,142,370	48,335	1.54	2,915,005	44,678	1.53
Due from banks and other financial institutions ⁽³⁾	1,651,391	55,390	3.35	1,412,253	31,285	2.22
Total interest-generating assets	23,464,831	861,594	3.67	21,841,527	791,480	3.62
Non-interest-generating assets	1,788,680			1,708,483		
Allowance for impairment losses	(322,769)			(290,892)		
Total assets	24,930,742			23,259,118		
Liabilities						
Deposits	18,335,825	260,956	1.42	16,878,531	257,850	1.53
Due to banks and other financial institutions ⁽³⁾	2,668,436	58,418	2.19	2,595,974	44,314	1.71
Debt securities issued	613,804	20,142	3.28	521,697	17,470	3.35
Total interest-bearing liabilities	21,618,065	339,516	1.57	19,996,202	319,634	1.60
Non-interest-bearing liabilities	1,461,336			1,363,841		
Total Liabilities	23,079,401			21,360,043		
Net interest income		522,078			471,846	
Net interest spread			2.10			2.02
Net interest margin			2.22			2.16

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.

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

In RMB millions, except for percentages

Item	2017			2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,632,235	137,050	3.77	4,043,710	144,349	3.57
Medium to long-term loans	<u>9,903,229</u>	<u>435,638</u>	4.40	<u>8,614,976</u>	<u>393,870</u>	4.57
Total loans and advances to customers	<u><u>13,535,464</u></u>	<u><u>572,688</u></u>	4.23	<u><u>12,658,686</u></u>	<u><u>538,219</u></u>	4.25

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

In RMB millions, except for percentages

Item	2017			2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	7,589,729	331,081	4.36	7,077,009	323,952	4.58
Discounted bills	418,935	16,503	3.94	678,019	22,107	3.26
Personal loans	4,230,587	182,589	4.32	3,786,442	156,658	4.14
Overseas business	1,296,213	42,515	3.28	1,117,216	35,502	3.18
Total loans and advances to customers	13,535,464	572,688	4.23	12,658,686	538,219	4.25

- **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

In RMB millions, except for percentages

Item	2017			2016		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,052,540	90,893	2.24	3,674,017	91,153	2.48
Demand deposits ⁽¹⁾	<u>5,494,567</u>	<u>36,989</u>	0.67	<u>4,807,607</u>	<u>31,855</u>	0.66
Subtotal	<u>9,547,107</u>	<u>127,882</u>	1.34	<u>8,481,624</u>	<u>123,008</u>	1.45
Personal deposits						
Time deposits	4,448,649	108,442	2.44	4,263,288	114,513	2.69
Demand deposits	<u>3,620,245</u>	<u>14,115</u>	0.39	<u>3,440,581</u>	<u>10,597</u>	0.31
Subtotal	<u>8,068,894</u>	<u>122,557</u>	1.52	<u>7,703,869</u>	<u>125,110</u>	1.62
Overseas business	<u>719,824</u>	<u>10,517</u>	1.46	<u>693,038</u>	<u>9,732</u>	1.40
Total deposits	<u>18,335,825</u>	<u>260,956</u>	1.42	<u>16,878,531</u>	<u>257,850</u>	1.53

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

- **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.

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

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

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

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%.

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%.

4.2 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

In RMB millions, except for percentages

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

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

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

4.3 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

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	14,233,448	—	13,056,846	—
Less: Allowance for impairment losses on loans	340,482	—	289,512	—
Net loans and advances to customers	13,892,966	53.2	12,767,334	52.9
Investment	5,756,704	22.1	5,481,174	22.7
Cash and balances with central banks	3,613,872	13.9	3,350,788	13.9
Due from banks and other financial institutions	847,611	3.2	797,473	3.3
Reverse repurchase agreements	986,631	3.8	755,627	3.1
Others	989,259	3.8	984,869	4.1
Total assets	26,087,043	100.0	24,137,265	100.0

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 sector-supported 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

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	8,936,864	62.8	8,140,684	62.4
Discounted bills	351,126	2.5	719,993	5.5
Personal loans	4,945,458	34.7	4,196,169	32.1
Total	14,233,448	100.0	13,056,846	100.0

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.

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.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

Item	At 31 December 2017				At 31 December 2016			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	8,936,864	62.8	175,903	1.97	8,140,684	62.4	159,871	1.96
Discounted bills	351,126	2.5	525	0.15	719,993	5.5	598	0.08
Personal loans	4,945,458	34.7	44,560	0.90	4,196,169	32.1	51,332	1.22
Total	14,233,448	100.0	220,988	1.55	13,056,846	100.0	211,801	1.62

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

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

Item	At 31 December 2017				At 31 December 2016			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	629,733	4.4	14,702	2.33	581,084	4.5	13,758	2.37
Yangtze River Delta	2,599,171	18.2	27,955	1.08	2,409,725	18.4	35,325	1.47
Pearl River Delta	1,896,063	13.3	32,878	1.73	1,743,572	13.4	35,913	2.06
Bohai Rim	2,339,537	16.4	46,903	2.00	2,156,022	16.5	41,097	1.91
Central China	2,003,202	14.1	32,911	1.64	1,819,143	13.9	28,575	1.57
Western China	2,512,303	17.7	38,628	1.54	2,313,507	17.7	37,623	1.63
Northeastern China	734,343	5.2	19,596	2.67	706,472	5.4	11,571	1.64
Overseas and others	1,519,096	10.7	7,415	0.49	1,327,321	10.2	7,939	0.60
Total	14,233,448	100.0	220,988	1.55	13,056,846	100.0	211,801	1.62

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

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

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

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	6,480,800	45.5	5,986,629	45.9
Including: Residential mortgages	3,960,495	27.8	3,237,427	24.8
Pledged loans	1,265,834	8.9	1,610,680	12.3
Including: Discounted bills	351,126	2.5	719,993	5.5
Guaranteed loans	2,059,779	14.5	1,867,424	14.3
Unsecured loans	4,427,035	31.1	3,592,113	27.5
Total	<u>14,233,448</u>	<u>100.0</u>	<u>13,056,846</u>	<u>100.0</u>

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2017		At 31 December 2016	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	107,218	0.75	151,115	1.16
3 months to 1 year	68,209	0.48	75,550	0.58
1 to 3 years	80,919	0.57	101,916	0.78
Over 3 years	29,729	0.21	17,546	0.13
Total	<u>286,075</u>	<u>2.01</u>	<u>346,127</u>	<u>2.65</u>

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.

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

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	5,431,805	94.4	5,196,535	94.8
Bonds	5,373,733	93.4	5,162,025	94.2
Other debt instruments	58,072	1.0	34,510	0.6
Equity instruments and others	324,899	5.6	284,639	5.2
Total	<u>5,756,704</u>	<u>100.0</u>	<u>5,481,174</u>	<u>100.0</u>

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

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	3,286,729	61.2	2,484,463	48.1
Central bank bills	18,902	0.4	58,024	1.1
Policy bank bonds	996,669	18.5	1,319,450	25.6
Other bonds	1,071,433	19.9	1,300,088	25.2
Total	5,373,733	100.0	5,162,025	100.0

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 BY HOLDING PURPOSE

In RMB millions, except for percentages

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

As at the end of 2017, the Group held RMB1,425,105 million of financial bonds¹, 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.

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.

LIABILITIES

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	19,226,349	80.3	17,825,302	80.5
Due to banks and other financial institutions	1,706,549	7.1	2,016,799	9.1
Repurchase agreements	1,046,338	4.4	589,306	2.7
Debt securities issued	526,940	2.2	357,937	1.6
Others	1,439,811	6.0	1,366,758	6.1
Total liabilities	<u>23,945,987</u>	<u>100.0</u>	<u>22,156,102</u>	<u>100.0</u>

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%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	4,487,885	23.3	4,176,834	23.4
Demand deposits	<u>6,069,804</u>	<u>31.6</u>	<u>5,271,686</u>	<u>29.6</u>
Subtotal	<u>10,557,689</u>	<u>54.9</u>	<u>9,448,520</u>	<u>53.0</u>
Personal deposits				
Time deposits	4,559,714	23.7	4,419,907	24.8
Demand deposits	<u>3,820,392</u>	<u>19.9</u>	<u>3,720,374</u>	<u>20.9</u>
Subtotal	<u>8,380,106</u>	<u>43.6</u>	<u>8,140,281</u>	<u>45.7</u>
Other deposits⁽¹⁾	<u>288,554</u>	<u>1.5</u>	<u>236,501</u>	<u>1.3</u>
Total	<u>19,226,349</u>	<u>100.0</u>	<u>17,825,302</u>	<u>100.0</u>

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

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.

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.

4.4 Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). 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 for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach 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.

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 Regulation Governing Capital of Commercial Banks (Provisional) stood at 12.77%, 13.27% and 15.14%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

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

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

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.

LEVERAGE RATIO

In RMB millions, except for percentages

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

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	2017	2016	2015
Liquidity ratio (%)	RMB	≥ 25.0	41.7	35.7	35.5
	Foreign currency	≥ 25.0	86.2	82.3	98.1
Loan-to-deposit ratio (%) ⁽²⁾	RMB and foreign currency		71.1	70.9	71.4
Percentage of loans to single largest customer (%)		≤ 10.0	4.9	4.5	4.2
Percentage of loans to top 10 customers (%)			14.2	13.3	13.3
Loan migration ratio (%)	Pass		2.7	3.4	4.4
	Special mention		23.2	23.5	29.6
	Substandard		71.1	36.8	38.9
	Doubtful		10.6	7.4	10.5

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.

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

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

4.6 Outlook

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 regional 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 the source, 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.

5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

5.1 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”.

The Bank did not have any employee shares.

5.2 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 Results Announcement (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

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

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 Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

5.3 Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

5.4 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:

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	<i>HOLDERS OF A SHARES</i>	
				Percentage of A shares (%)	Percentage of total ordinary shares (%)
Ministry of Finance of the People's Republic of China ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	124,731,774,651	Long position	46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2017, Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

- (2) According to the register of shareholders of the Bank as at 31 December 2017, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Central Huijin Investment Ltd., held 1,013,921,700 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of		Percentage of	
		H shares held (share)	Nature of interests	H shares (%)	total ordinary shares (%)
National Council for Social Security Fund	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
Ping An Asset Management Co., Ltd. ⁽¹⁾	Investment manager	6,115,905,000	Long position	7.05	1.72
BlackRock, Inc.	Interest of controlled corporations	4,357,784,110	Long position	5.02	1.22
		534,000	Short position	0.00	0.00

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.

5.5 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 China Securities Regulatory Commission 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 Shanghai Stock Exchange pursuant to Shang Zheng Han [2015] No. 2391, the domestic preference shares were listed on the integrated trading platform of Shanghai Stock Exchange 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 Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited 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 Results Announcement (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

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

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 places.

(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

Unit: Share

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

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.

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 (tax-inclusive) 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 (tax-inclusive), 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:

Type of preference shares	2017		2016	
	Dividend rate	Dividend distributed (pre-tax, in RMB millions)	Dividend rate	Dividend distributed (pre-tax, in RMB millions)
Domestic preference share	4.5%	2,025	4.5%	2,025
Offshore preference share	6.0%	2,412	6.0%	2,425

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 Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited 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 Ministry of Finance of the People’s Republic of China 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.

6. Other Information

6.1 Compliance with the Corporate Governance Code (“the 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).

6.2 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.

6.3 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:

Item	2017	2016	2015
Dividend per ten shares (pre-tax, in RMB yuan)	2.408	2.343	2.333
Cash dividends (pre-tax, in RMB millions)	85,823	83,506	83,150
Percentage of cash dividends ⁽¹⁾ (%)	30.5	30.5	30.3

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”.

6.4 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.

6.5 Updates on Significant Events

ICBC Financial Asset Investment Co., Limited

On 14 September 2017, the CBRC approved the opening of ICBC Financial Asset Investment Co., Limited, a wholly-owned subsidiary of the Bank, and granted a financial license to it. According to the reply of the CBRC, ICBC Financial Asset Investment Co., Limited, 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 Financial Asset Investment Co., Limited 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 Financial Leasing Co., Ltd. CBRC approved the establishment of ICBC Aviation Leasing Company Limited in Hong Kong in March 2018.

7. Financial Report

7.1 Audit Opinions

The 2017 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG, respectively. KPMG Huazhen LLP and KPMG have expressed unqualified opinions in the independent auditor's report.

7.2 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

7.2.1 Consolidated Statement of Profit or Loss

Year ended 31 December 2017

(In RMB millions, unless otherwise stated)

	2017	2016
Interest income	861,594	791,480
Interest expense	<u>(339,516)</u>	<u>(319,634)</u>
NET INTEREST INCOME	522,078	471,846
Fee and commission income	158,666	164,714
Fee and commission expense	<u>(19,041)</u>	<u>(19,741)</u>
NET FEE AND COMMISSION INCOME	139,625	144,973
Net trading income	5,753	6,457
Net loss on financial assets and liabilities designated at fair value through profit or loss	(476)	(104)
Net gain on financial investments	2,641	4,545
Other operating income, net	<u>6,033</u>	<u>13,964</u>
OPERATING INCOME	675,654	641,681
Operating expenses	<u>(186,194)</u>	<u>(193,112)</u>
Impairment losses on:		
Loans and advances to customers	(124,096)	(86,138)
Others	<u>(3,673)</u>	<u>(1,756)</u>
OPERATING PROFIT	361,691	360,675
Share of profits of associates and joint ventures	<u>2,950</u>	<u>2,604</u>
PROFIT BEFORE TAXATION	364,641	363,279
Income tax expense	<u>(77,190)</u>	<u>(84,173)</u>
PROFIT FOR THE YEAR	<u>287,451</u>	<u>279,106</u>
Attributable to:		
Equity holders of the parent company	286,049	278,249
Non-controlling interests	<u>1,402</u>	<u>857</u>
Profit for the year	<u>287,451</u>	<u>279,106</u>
EARNINGS PER SHARE		
— Basic (RMB yuan)	<u>0.79</u>	<u>0.77</u>
— Diluted (RMB yuan)	<u>0.79</u>	<u>0.77</u>

7.2.2 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

(In RMB millions, unless otherwise stated)

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

7.2.3 Consolidated Statement of Financial Position

31 December 2017

(In RMB millions, unless otherwise stated)

	31 December 2017	31 December 2016
ASSETS		
Cash and balances with central banks	3,613,872	3,350,788
Due from banks and other financial institutions	847,611	797,473
Financial assets held for trading	87,337	189,331
Financial assets designated at fair value through profit or loss	353,601	285,144
Derivative financial assets	89,013	94,452
Reverse repurchase agreements	986,631	755,627
Loans and advances to customers	13,892,966	12,767,334
Financial investments	5,315,766	5,006,699
Investments in associates and joint ventures	32,441	30,077
Property and equipment	247,744	246,209
Deferred income tax assets	48,392	28,398
Other assets	571,669	585,733
TOTAL ASSETS	26,087,043	24,137,265
LIABILITIES		
Due to central banks	456	545
Financial liabilities designated at fair value through profit or loss	425,948	366,752
Derivative financial liabilities	78,556	89,960
Due to banks and other financial institutions	1,706,549	2,016,799
Repurchase agreements	1,046,338	589,306
Certificates of deposit	260,274	218,427
Due to customers	19,226,349	17,825,302
Income tax payable	70,644	52,640
Deferred income tax liabilities	433	604
Debt securities issued	526,940	357,937
Other liabilities	603,500	637,830
TOTAL LIABILITIES	23,945,987	22,156,102
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	356,407	356,407
Other equity instruments	86,051	86,051
Reserves	587,489	586,630
Retained profits	1,097,544	940,663
	2,127,491	1,969,751
Non-controlling interests	13,565	11,412
TOTAL EQUITY	2,141,056	1,981,163
TOTAL EQUITY AND LIABILITIES	26,087,043	24,137,265

7.2.4 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													Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Reserves				Retained profits	Non-controlling interests			
						Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves			Subtotal		
Balance as at 1 January 2017	356,407	86,051	152,043	205,021	251,349	1,133	(18,050)	(4,645)	(221)	586,630	940,663	1,969,751	11,412	1,981,163
Profit for the year	—	—	—	—	—	—	—	—	—	—	286,049	286,049	1,402	287,451
Other comprehensive income	—	—	—	—	—	(32,885)	(8,252)	884	(67)	(40,320)	—	(40,320)	(1,058)	(41,378)
Total comprehensive income	—	—	—	—	—	(32,885)	(8,252)	884	(67)	(40,320)	286,049	245,729	344	246,073
Dividends — ordinary shares 2016 final	—	—	—	—	—	—	—	—	—	—	(83,506)	(83,506)	—	(83,506)
Dividends — preference shares	—	—	—	—	—	—	—	—	—	—	(4,437)	(4,437)	—	(4,437)
Appropriation to surplus reserve (i)	—	—	—	27,682	—	—	—	—	—	27,682	(27,682)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	13,543	—	—	—	—	13,543	(13,543)	—	—	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	2,312	2,312
Change in share holding in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(194)	(194)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(309)	(309)
Others	—	—	—	—	—	—	—	—	(46)	(46)	—	(46)	—	(46)
Balance as at 31 December 2017	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>232,703</u>	<u>264,892</u>	<u>(31,752)</u>	<u>(26,302)</u>	<u>(3,761)</u>	<u>(334)</u>	<u>587,489</u>	<u>1,097,544</u>	<u>2,127,491</u>	<u>13,565</u>	<u>2,141,056</u>

- (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.

Attributable to equity holders of the parent company

	Reserves												Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2016	356,407	79,375	152,026	178,040	246,356	29,956	(31,432)	(3,926)	684	571,704	781,988	1,789,474	11,045	1,800,519
Profit for the year	—	—	—	—	—	—	—	—	—	—	278,249	278,249	857	279,106
Other comprehensive income	—	—	—	—	—	(28,823)	13,382	(719)	(923)	(17,083)	—	(17,083)	(432)	(17,515)
Total comprehensive income	—	—	—	—	—	(28,823)	13,382	(719)	(923)	(17,083)	278,249	261,166	425	261,591
Dividends — ordinary shares 2015 final	—	—	—	—	—	—	—	—	—	—	(83,150)	(83,150)	—	(83,150)
Dividends — preference shares	—	—	—	—	—	—	—	—	—	—	(4,450)	(4,450)	—	(4,450)
Appropriation to surplus reserve (i)	—	—	—	26,981	—	—	—	—	—	26,981	(26,981)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	4,993	—	—	—	—	4,993	(4,993)	—	—	—
Capital injection by other equity holders	—	6,676	—	—	—	—	—	—	—	—	—	6,676	—	6,676
Change in share holding in subsidiaries	—	—	8	—	—	—	—	—	—	8	—	8	13	21
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(71)	(71)
Others	—	—	9	—	—	—	—	—	18	27	—	27	—	27
Balance as at 31 December 2016	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>205,021</u>	<u>251,349</u>	<u>1,133</u>	<u>(18,050)</u>	<u>(4,645)</u>	<u>(221)</u>	<u>586,630</u>	<u>940,663</u>	<u>1,969,751</u>	<u>11,412</u>	<u>1,981,163</u>

- (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.

7.2.5 Consolidated Cash Flow Statement

Year ended 31 December 2017

(In RMB millions, unless otherwise stated)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	364,641	363,279
Adjustments for:		
Share of profits of associates and joint ventures	(2,950)	(2,604)
Depreciation	17,958	19,761
Amortisation	2,114	2,059
Amortisation of financial investments	5,194	(2,155)
Impairment losses on loans and advances to customers	124,096	86,138
Impairment losses on assets other than loans and advances to customers	3,673	1,756
Unrealised loss/(gain) on foreign exchange	10,288	(9,282)
Interest expense on debt securities issued	16,219	14,237
Accreted interest on impaired loans	(3,189)	(5,135)
Gain on disposal of available-for-sale financial assets, net	(2,313)	(4,202)
Net trading gain on equity investments	(757)	(345)
Net loss on financial assets and liabilities designated at fair value through profit or loss	476	104
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(1,377)	(181)
Dividend income	(328)	(343)
	<u>533,745</u>	<u>463,087</u>
Net (increase)/decrease in operating assets:		
Due from central banks	(208,191)	(273,546)
Due from banks and other financial institutions	102,201	(136,134)
Financial assets held for trading	109,053	(54,153)
Financial assets designated at fair value through profit or loss	(69,385)	(72,653)
Reverse repurchase agreements	(106,555)	(6,395)
Loans and advances to customers	(1,333,103)	(1,119,674)
Other assets	4,150	(132,697)
	<u>(1,501,830)</u>	<u>(1,795,252)</u>
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	58,881	63,898
Due to central banks	(89)	335
Due to banks and other financial institutions	(268,057)	(290,032)
Repurchase agreements	457,032	252,115
Certificates of deposit	55,903	23,938
Due to customers	1,477,322	1,477,846
Other liabilities	26,456	136,604
	<u>1,807,448</u>	<u>1,664,704</u>

	2017	2016
Net cash flows from operating activities before tax	839,363	332,539
Income tax paid	<u>(68,499)</u>	<u>(93,318)</u>
Net cash flows from operating activities	<u>770,864</u>	<u>239,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(13,096)	(39,281)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	3,195	2,850
Purchases of financial investments	(2,633,240)	(2,492,693)
Proceeds from sale and redemption of financial investments	2,153,124	2,059,722
Investments in associates and joint ventures	(1,605)	(1,373)
Proceeds from disposal of associates and joint ventures	633	487
Dividends received	<u>1,731</u>	<u>1,356</u>
Net cash flows from investing activities	<u>(489,258)</u>	<u>(468,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other equity instruments	—	6,691
Capital injection by non-controlling shareholders	792	1,520
Proceeds from issuance of debt securities	943,954	896,665
Interest paid on debt securities	(15,370)	(13,979)
Repayment of debt securities	(759,095)	(854,012)
Acquisition of non-controlling interests	(194)	—
Dividends paid on ordinary shares	(83,506)	(83,150)
Dividends paid on preference shares	(4,437)	(4,450)
Dividends paid to non-controlling shareholders	<u>(309)</u>	<u>(71)</u>
Net cash flows from financing activities	<u>81,835</u>	<u>(50,786)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	363,441	(280,497)
Cash and cash equivalents at beginning of the year	1,189,368	1,441,298
Effect of exchange rate changes on cash and cash equivalents	<u>(32,479)</u>	<u>28,567</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>1,520,330</u></u>	<u><u>1,189,368</u></u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	891,366	810,718
Interest paid	<u>(324,813)</u>	<u>(317,533)</u>

7.3 Revised International Financial Reporting Standards that are Effective in 2017 and Relevant to the Group

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.

7.4 Notes to Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

7.4.1 Net Interest Income

	2017	2016
Interest income on:		
Loans and advances to customers	572,688	538,219
— Corporate loans and advances	369,740	355,313
— Personal loans	186,089	160,106
— Discounted bills	16,859	22,800
Financial investments	185,181	177,298
Due from banks and other financial institutions	55,390	31,285
Due from central banks	48,335	44,678
	861,594	791,480
Interest expense on:		
Due to customers	(260,956)	(257,850)
Due to banks and other financial institutions	(58,418)	(44,314)
Debt securities issued	(20,142)	(17,470)
	(339,516)	(319,634)
Net interest income	522,078	471,846

7.4.2 Net Fee and Commission Income

	2017	2016
Bank card business	38,692	37,670
Personal wealth management and private banking services	32,846	37,625
Settlement, clearing business and cash management	26,820	26,108
Investment banking business	23,189	25,024
Corporate wealth management services	18,984	20,440
Guarantee and commitment business	6,818	5,950
Asset custody business	6,731	6,893
Trust and agency services	1,805	1,907
Others	2,781	3,097
	<u>158,666</u>	<u>164,714</u>
Fee and commission income	158,666	164,714
Fee and commission expense	(19,041)	(19,741)
	<u>(19,041)</u>	<u>(19,741)</u>
Net fee and commission income	<u>139,625</u>	<u>144,973</u>

7.4.3 Net Trading Income

	2017	2016
Debt securities	3,758	4,450
Equity investments	757	345
Derivatives and others	1,238	1,662
	<u>5,753</u>	<u>6,457</u>

7.4.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

	2017	2016
Financial assets	11,102	9,992
Financial liabilities	(11,578)	(10,096)
	<u>(476)</u>	<u>(104)</u>

7.4.5 Net Gain on Financial Investments

	2017	2016
Dividend income from unlisted investments	166	170
Dividend income from listed investments	<u>162</u>	<u>173</u>
Dividend income	328	343
Gain on available-for-sale financial assets, net	<u>2,313</u>	<u>4,202</u>
	<u><u>2,641</u></u>	<u><u>4,545</u></u>

7.4.6 Other Operating Income, Net

	2017	2016
Net premium income	38,093	28,441
Operating cost of insurance business	(38,525)	(28,808)
Net gain on disposal of property and equipment, repossessed assets and others	1,484	1,710
Others	<u>4,981</u>	<u>12,621</u>
	<u><u>6,033</u></u>	<u><u>13,964</u></u>

7.4.7 Operating Expenses

	2017	2016
Staff costs:		
Salaries and bonuses	74,919	73,348
Staff benefits	25,642	25,434
Post-employment benefits — defined contribution plans	14,393	14,572
	<u>114,954</u>	<u>113,354</u>
Premises and equipment expenses:		
Depreciation	13,873	14,660
Lease payments under operating leases in respect of land and buildings	7,384	7,479
Repairs and maintenance charges	4,000	3,808
Utility expenses	2,305	2,467
	<u>27,562</u>	<u>28,414</u>
Amortisation	2,114	2,059
Other administrative expenses	21,661	20,388
Taxes and surcharges	7,465	17,319
Others	12,438	11,578
	<u>186,194</u>	<u>193,112</u>

7.4.8 Impairment Losses on Assets Other than Loans and Advances to Customers

	2017	2016
Charge of impairment losses on:		
Due from banks and other financial institutions	138	77
Financial investments:		
Held-to-maturity investments	66	6
Available-for-sale financial assets	106	581
Other	3,363	1,092
	<u>3,673</u>	<u>1,756</u>

7.4.9 Income Tax Expense

(a) Income tax

	2017	2016
Current income tax expense:		
Mainland China	80,982	77,742
Hong Kong and Macau	2,123	1,952
Overseas	3,397	3,000
	<u>86,502</u>	<u>82,694</u>
Deferred income tax expense	<u>(9,312)</u>	<u>1,479</u>
	<u><u>77,190</u></u>	<u><u>84,173</u></u>

(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:

	2017	2016
Profit before taxation	<u>364,641</u>	<u>363,279</u>
Tax at the PRC statutory income tax rate	91,160	90,820
Effects of different applicable rates of tax prevailing in other countries/regions	(889)	(773)
Non-deductible expenses	8,956	7,461
Non-taxable income	(23,673)	(15,783)
Profits attributable to associates and joint ventures	(737)	(651)
Others	2,373	3,099
	<u>77,190</u>	<u>84,173</u>
Income tax expense	<u><u>77,190</u></u>	<u><u>84,173</u></u>

7.4.10 Dividends

	2017	2016
Dividends on ordinary shares declared and paid:		
Final ordinary shares dividends for 2016:		
RMB0.2343 per share (2015: RMB0.2333 per share)	<u>83,506</u>	<u>83,150</u>
Dividends on preference shares declared and paid:		
Dividends	<u>4,437</u>	<u>4,450</u>
	2017	2016
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final ordinary shares dividends for 2017: RMB 0.2408 per share (2016: RMB0.2343 per share)	<u>85,823</u>	<u>83,506</u>

7.4.11 Earnings Per Share

The calculation of basic and diluted earnings per share of the Group is based on the following:

	2017	2016
Earnings:		
Profit for the year attributable to equity holders of the parent company	286,049	278,249
Less: Profit for the year attributable to other equity holders of the parent company	<u>(4,437)</u>	<u>(4,450)</u>
Profit for the year attributable to ordinary equity holders of the parent company	<u>281,612</u>	<u>273,799</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,407</u>	<u>356,407</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.79</u>	<u>0.77</u>

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.

7.4.12 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 market participants 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 had derivative financial instruments as follows:

Group

	31 December 2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,951,140	1,833,069	97,581	34,293	3,916,083	49,806	(49,569)
Option contracts purchased	47,003	67,284	3,769	117	118,173	2,498	—
Option contracts written	29,612	41,938	351	—	71,901	—	(625)
	<u>2,027,755</u>	<u>1,942,291</u>	<u>101,701</u>	<u>34,410</u>	<u>4,106,157</u>	<u>52,304</u>	<u>(50,194)</u>
Interest rate contracts:							
Swap contracts	95,556	224,343	558,629	193,588	1,072,116	16,042	(14,671)
Forward contracts	102,731	33,737	24,739	—	161,207	31	(215)
Option contracts purchased	3,588	7,468	2,417	1,067	14,540	82	—
Option contracts written	528	8,770	8,653	397	18,348	—	(69)
	<u>202,403</u>	<u>274,318</u>	<u>594,438</u>	<u>195,052</u>	<u>1,266,211</u>	<u>16,155</u>	<u>(14,955)</u>
Commodity derivatives and others	<u>784,044</u>	<u>265,794</u>	<u>34,722</u>	<u>5,625</u>	<u>1,090,185</u>	<u>20,554</u>	<u>(13,407)</u>
	<u><u>3,014,202</u></u>	<u><u>2,482,403</u></u>	<u><u>730,861</u></u>	<u><u>235,087</u></u>	<u><u>6,462,553</u></u>	<u><u>89,013</u></u>	<u><u>(78,556)</u></u>
	31 December 2016						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,577,351	1,433,229	115,797	4,383	3,130,760	56,972	(58,600)
Option contracts purchased	33,722	69,728	3,444	125	107,019	1,306	—
Option contracts written	37,213	45,126	3,061	—	85,400	—	(1,617)
	<u>1,648,286</u>	<u>1,548,083</u>	<u>122,302</u>	<u>4,508</u>	<u>3,323,179</u>	<u>58,278</u>	<u>(60,217)</u>
Interest rate contracts:							
Swap contracts	195,268	279,975	683,648	180,059	1,338,950	20,456	(20,196)
Forward contracts	116,445	138,559	161,887	—	416,891	44	(212)
Option contracts purchased	1,390	1,157	6,626	167	9,340	109	—
Option contracts written	1,390	1,046	12,216	17	14,669	—	(62)
	<u>314,493</u>	<u>420,737</u>	<u>864,377</u>	<u>180,243</u>	<u>1,779,850</u>	<u>20,609</u>	<u>(20,470)</u>
Commodity derivatives and others	<u>632,245</u>	<u>273,591</u>	<u>50,171</u>	<u>3,283</u>	<u>959,290</u>	<u>15,565</u>	<u>(9,273)</u>
	<u><u>2,595,024</u></u>	<u><u>2,242,411</u></u>	<u><u>1,036,850</u></u>	<u><u>188,034</u></u>	<u><u>6,062,319</u></u>	<u><u>94,452</u></u>	<u><u>(89,960)</u></u>

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

	31 December 2017					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	1,953	2,383	6,441	2,081	12,858	152	(22)
Currency swap contracts	1,617	417	730	—	2,764	36	(45)
Equity derivative	47	8	46	—	101	41	—
	<u>3,617</u>	<u>2,808</u>	<u>7,217</u>	<u>2,081</u>	<u>15,723</u>	<u>229</u>	<u>(67)</u>

	31 December 2016					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
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)
	<u>275</u>	<u>39,574</u>	<u>10,207</u>	<u>2,108</u>	<u>52,164</u>	<u>271</u>	<u>(2,282)</u>

There is 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:

	Group	
	<u>2017</u>	<u>2016</u>
(Loss)/gain arising from fair value hedges, net:		
Hedging instruments	104	452
Hedged items attributable to the hedged risk	(110)	(446)
	<u>(6)</u>	<u>6</u>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

Group

	31 December 2017						
	<u>Notional amounts with remaining life of</u>				<u>Fair values</u>		
	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	—	2,012	34,715	13,084	49,811	830	(219)
	<u>—</u>	<u>2,012</u>	<u>34,715</u>	<u>13,084</u>	<u>49,811</u>	<u>830</u>	<u>(219)</u>

	31 December 2016						
	<u>Notional amounts with remaining life of</u>				<u>Fair values</u>		
	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	1,302	14,801	31,715	6,620	54,438	777	(147)
	<u>1,302</u>	<u>14,801</u>	<u>31,715</u>	<u>6,620</u>	<u>54,438</u>	<u>777</u>	<u>(147)</u>

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).

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	Group	
	31 December 2017	31 December 2016
Counterparty credit default risk-weighted assets	55,843	61,333
Currency derivatives	20,809	32,381
Interest rate derivatives	3,045	6,149
Credit derivatives	29	25
Commodity derivatives and others	16,393	10,843
Netting settled credit default risk-weighted assets	15,567	11,935
Credit value adjustment risk-weighted assets	18,812	31,541
Central counterparties credit risk-weighted assets	4,267	2,478
	<u>78,922</u>	<u>95,352</u>

- (i) The credit risk-weighted assets represent the counterparty credit risk associated with derivative transactions and are calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC, which includes counterparty credit default risk-weighted assets, credit value adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

7.4.13 Financial Investments

	Group	
	31 December 2017	31 December 2016
Receivables	277,129	291,370
Held-to-maturity investments	3,542,184	2,973,042
Available-for-sale financial assets	1,496,453	1,742,287
	<u>5,315,766</u>	<u>5,006,699</u>

7.4.14 Components of Other Comprehensive Income

	2017	2016
Items that will not be reclassified to profit or loss:		
Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss	(29)	15
Others	3	(3)
Items that may be reclassified subsequently to profit or loss:		
Net loss from change in fair value of available-for-sale financial assets	(43,742)	(37,375)
Less: Transfer to profit or loss arising from disposal/impairment	(631)	(1,246)
Income tax effect	10,879	9,172
	<u>(33,494)</u>	<u>(29,449)</u>
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
Gains/(losses) during the year	965	(781)
Less: Income tax effect	(26)	30
	<u>939</u>	<u>(751)</u>
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss	(757)	(860)
Foreign currency translation differences	(8,752)	13,608
Others	712	(75)
	<u>(41,378)</u>	<u>(17,515)</u>

7.4.15 Commitments and Contingent Liabilities

(a) Capital commitments

At the end of the reporting period, the Group had capital commitments as follows:

	Group	
	31 December 2017	31 December 2016
Authorised, but not contracted for	644	535
Contracted, but not provided for	22,380	27,833
	23,024	28,368

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group 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:

	Group	
	31 December 2017	31 December 2016
Within one year	5,451	5,455
Over one year but within five years	9,166	9,899
Over five years	1,011	2,266
	15,628	17,620

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:

	Group	
	31 December 2017	31 December 2016
Within one year	10,551	10,046
Over one year but within five years	42,806	39,092
Over five years	35,255	37,331
	88,612	86,469

(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).

7.4.16 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.

	Year ended 31 December 2017				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	251,100	58,384	212,594	—	522,078
Internal net interest income/(expense)	1,308	127,684	(128,992)	—	—
Net fee and commission income	76,923	62,325	377	—	139,625
Other income/(expense), net	2,933	(474)	6,620	4,872	13,951
Operating income	332,264	247,919	90,599	4,872	675,654
Operating expenses	(70,089)	(93,935)	(15,857)	(6,313)	(186,194)
Impairment losses on:					
Loans and advances to customers	(108,172)	(15,924)	—	—	(124,096)
Others	(1,130)	(217)	(2,029)	(297)	(3,673)
Operating profit/(loss)	152,873	137,843	72,713	(1,738)	361,691
Share of profits of associates and joint ventures	—	—	—	2,950	2,950
Profit before taxation	152,873	137,843	72,713	1,212	364,641
Income tax expense					(77,190)
Profit for the year					<u>287,451</u>
Other segment information:					
Depreciation	6,122	5,070	2,404	277	13,873
Amortisation	967	682	406	59	2,114
Capital expenditure	15,794	12,964	6,185	728	35,671

	As at 31 December 2017				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>9,309,390</u>	<u>4,992,999</u>	<u>11,629,855</u>	<u>154,799</u>	<u>26,087,043</u>
Including: Investments in associates and joint ventures	—	—	—	32,441	32,441
Property and equipment	96,515	79,646	37,649	33,934	247,744
Other non-current assets	20,975	7,076	4,435	11,124	43,610
Segment liabilities	<u>11,294,092</u>	<u>8,627,592</u>	<u>3,854,496</u>	<u>169,807</u>	<u>23,945,987</u>
Other segment information:					
Credit commitments	<u>2,608,719</u>	<u>902,217</u>	—	—	<u>3,510,936</u>

(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.

Year ended 31 December 2017

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	212,369	50,808	47,429	28,671	50,020	71,964	15,441	45,376	—	522,078
Internal net interest (expense)/income	(142,941)	28,970	15,958	73,129	13,526	8,597	7,876	(5,115)	—	—
Net fee and commission income	6,063	36,449	24,415	23,282	17,548	19,383	4,596	7,904	(15)	139,625
Other (expense)/income, net	(1,650)	905	714	924	247	851	719	11,280	(39)	13,951
Operating income	73,841	117,132	88,516	126,006	81,341	100,795	28,632	59,445	(54)	675,654
Operating expenses	(15,739)	(28,487)	(21,383)	(30,653)	(27,495)	(32,179)	(12,170)	(18,142)	54	(186,194)
Impairment (losses)/reversal on:										
Loans and advances to customers	(10,635)	(16,972)	(19,265)	(28,478)	(20,189)	(19,878)	(5,656)	(3,023)	—	(124,096)
Others	(276)	(40)	(307)	(57)	(998)	(1,044)	6	(957)	—	(3,673)
Operating profit	47,191	71,633	47,561	66,818	32,659	47,694	10,812	37,323	—	361,691
Share of profits of associates and joint ventures	—	—	—	—	—	—	—	2,950	—	2,950
Profit before taxation	47,191	71,633	47,561	66,818	32,659	47,694	10,812	40,273	—	364,641
Income tax expense	—	—	—	—	—	—	—	—	—	(77,190)
Profit for the year	—	—	—	—	—	—	—	—	—	<u>287,451</u>
Other segment information:										
Depreciation	1,704	1,918	1,323	2,079	2,452	2,856	1,155	386	—	13,873
Amortisation	627	240	181	169	285	352	88	172	—	2,114
Capital expenditure	1,512	3,639	1,303	1,539	2,011	2,830	787	22,050	—	<u>35,671</u>

As at 31 December 2017

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	9,101,260	5,327,071	3,356,039	3,710,656	2,529,871	3,113,759	1,078,047	3,382,006	(5,560,058)	26,038,651
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	32,441	—	32,441
Property and equipment	12,166	30,359	10,955	17,080	18,588	23,054	9,900	125,642	—	247,744
Other non-current assets	11,025	5,762	4,172	3,974	5,371	7,603	1,430	4,273	—	43,610
Unallocated assets	—	—	—	—	—	—	—	—	—	<u>48,392</u>
Total assets	—	—	—	—	—	—	—	—	—	<u>26,087,043</u>
Liabilities by geographical areas	7,179,622	5,564,511	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	—	—	—	—	—	—	—	—	—	<u>71,076</u>
Total liabilities	—	—	—	—	—	—	—	—	—	<u>23,945,987</u>
Other segment information:										
Credit commitments	946,311	657,602	466,598	558,078	254,474	433,536	89,923	690,097	(585,683)	<u>3,510,936</u>

Year ended 31 December 2016

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	207,530	44,617	41,865	21,868	43,602	67,278	14,378	30,708	—	471,846
Internal net interest (expense)/income	(142,386)	29,542	13,398	70,362	15,497	7,927	7,796	(2,136)	—	—
Net fee and commission income	4,357	38,348	23,417	24,919	19,993	20,293	6,068	7,600	(22)	144,973
Other income, net	786	923	1,294	6,342	611	1,534	209	13,163	—	24,862
Operating income	70,287	113,430	79,974	123,491	79,703	97,032	28,451	49,335	(22)	641,681
Operating expenses	(16,026)	(30,480)	(21,877)	(31,807)	(29,630)	(33,374)	(12,744)	(17,196)	22	(193,112)
Impairment (losses)/reversal on:										
Loans and advances to customers	(7,940)	(15,477)	(12,278)	(18,194)	(10,489)	(16,384)	(2,549)	(2,827)	—	(86,138)
Others	24	(85)	(333)	(104)	(74)	(75)	(14)	(1,095)	—	(1,756)
Operating profit	46,345	67,388	45,486	73,386	39,510	47,199	13,144	28,217	—	360,675
Share of profits of associates and joint ventures	—	—	—	—	—	—	—	2,604	—	2,604
Profit before taxation	46,345	67,388	45,486	73,386	39,510	47,199	13,144	30,821	—	363,279
Income tax expense										(84,173)
Profit for the year										<u>279,106</u>
Other segment information:										
Depreciation	1,841	2,074	1,412	2,198	2,566	3,010	1,161	398	—	14,660
Amortisation	597	235	187	93	263	389	77	218	—	2,059
Capital expenditure	3,772	4,747	3,458	5,339	7,328	8,948	4,236	17,556	—	55,384

As at 31 December 2016

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	8,368,773	5,194,868	3,096,641	3,626,559	2,275,456	2,827,331	1,068,632	3,129,868	(5,479,261)	24,108,867
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	30,077	—	30,077
Property and equipment	13,020	28,803	11,072	17,791	19,263	23,418	10,391	122,451	—	246,209
Other non-current assets	10,561	5,811	3,557	3,985	5,691	7,563	1,358	4,417	—	42,943
Unallocated assets										28,398
Total assets										<u>24,137,265</u>
Liabilities by geographical areas	6,820,411	5,453,036	3,318,068	5,242,654	2,384,189	2,771,987	1,074,621	517,154	(5,479,261)	22,102,859
Unallocated liabilities										53,243
Total liabilities										<u>22,156,102</u>
Other segment information:										
Credit commitments	662,510	441,169	314,846	485,726	158,583	249,912	67,703	397,963	—	2,778,412

8. Unaudited Supplementary Financial Information

8.1 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

Item	31 December 2017	31 December 2016	Reference	
Core tier 1 capital:				
1	Paid-in capital	356,407	356,407	X18
2	Retained earnings	1,594,378	1,396,607	
2a	Surplus reserve	232,660	205,021	X21
2b	General reserve	264,850	251,349	X22
2c	Retained profits	1,096,868	940,237	X23
3	Accumulated other comprehensive income (and other public reserves)	90,889	130,358	
3a	Capital reserve	151,952	151,998	X19
3b	Others	(61,063)	(21,640)	X24
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)	—	—	
5	Valid portion of minority interests	2,716	3,164	X25
6	Core tier 1 capital before regulatory adjustments	2,044,390	1,886,536	
Core tier 1 capital: Regulatory adjustments				
7	Prudential valuation adjustments	—	—	
8	Goodwill (net of deferred tax liabilities)	8,478	9,001	X16
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	1,532	1,477	X14–X15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities)	—	—	
11	Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,708)	(4,618)	X20
12	Shortfall of provision for loan impairment	—	—	
13	Gain on sale related to asset securitization	—	—	

Item	31 December 2017	31 December 2016	Reference
14	—	—	
15	—	—	
16	—	—	
17	—	—	
18	—	—	
19	—	—	
20	N/A	N/A	
21	—	—	
22	—	—	
23	—	—	
24	N/A	N/A	
25	—	—	
26a	7,980	5,700	X11

Item	31 December 2017	31 December 2016	Reference
26b	—	—	
Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
26c	—	—	
Others that should be deducted from core tier 1 capital			
27	—	—	
Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital			
28	14,282	11,560	
Total regulatory adjustments to core tier 1 capital			
29	2,030,108	1,874,976	
Core tier 1 capital			
Additional tier 1 capital:			
30	79,375	79,375	
Additional tier 1 capital instruments and related premium			
31	79,375	79,375	X28
Including: Portion classified as equity			
32	—	—	
Including: Portion classified as liabilities			
33	—	—	
Invalid instruments to additional tier 1 capital after the transition period			
34	577	419	X26
Valid portion of minority interests			
35	—	—	
Including: Invalid portion to additional tier 1 capital after the transition period			
36	79,952	79,794	
Additional tier 1 capital before regulatory adjustments			
Additional tier 1 capital: Regulatory adjustments			
37	—	—	
Direct or indirect investments in own additional tier 1 instruments			
38	—	—	
Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions			
39	—	—	
Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
40	—	—	
Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			

Item	31 December 2017	31 December 2016	Reference
41a	—	—	
41b	—	—	
41c	—	—	
42	—	—	
43	—	—	
44	79,952	79,794	
45	2,110,060	1,954,770	
Tier 2 capital:			
46	222,321	154,861	X17
47	101,425	121,710	
48	3,303	4,236	X27
49	1,051	—	
50	71,736	19,195	X02+X04
51	297,360	178,292	
Tier 2 capital: Regulatory adjustments			
52	—	—	
53	—	—	
54	—	—	
55	500	5,600	X10

Item	31 December 2017	31 December 2016	Reference
56a	—	—	
56b	—	—	
56c	—	—	
57	500	5,600	
58	296,860	172,692	
59	2,406,920	2,127,462	
60	15,902,801	14,564,617	
Requirements for capital adequacy ratio and reserve capital			
61	12.77%	12.87%	
62	13.27%	13.42%	
63	15.14%	14.61%	
64	3.5%	3.5%	
65	2.5%	2.5%	
66	—	—	
67	1%	1%	
68	7.77%	7.87%	
Domestic minima for regulatory capital			
69	5%	5%	
70	6%	6%	
71	8%	8%	
Amounts below the thresholds for deduction			
72	35,059	37,049	X05+X06 +X08+X09 +X12+X29

Item	31 December 2017	31 December 2016	Reference	
73	Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,353	26,859	X07+X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	48,158	28,072	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	17,943	22,504	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,937	5,697	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	322,539	267,008	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	61,799	13,498	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	—	—	
81	Excluded from core tier 1 capital due to cap	—	—	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	—	—	
83	Excluded from additional tier 1 capital due to cap	—	—	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	101,425	121,710	
85	Excluded from tier 2 capital for the current period due to cap	46,822	26,547	

(ii) Consolidated financial statements

	31 December 2017 Consolidated balance sheet as in published financial statements⁽ⁱ⁾	31 December 2017 Balance sheet under regulatory scope of consolidation⁽ⁱ⁾	31 December 2016 Consolidated balance sheet as in published financial statements ⁽ⁱ⁾	31 December 2016 Balance sheet under regulatory scope of consolidation ⁽ⁱ⁾
Assets				
Cash and balances with central banks	3,613,872	3,613,872	3,350,788	3,350,788
Due from banks and other financial institutions	370,074	363,278	270,058	262,582
Precious metals	238,714	238,714	220,091	220,091
Placements with banks and other financial institutions	477,537	477,537	527,415	527,415
Financial assets at fair value through profit or loss	440,938	440,912	474,475	474,450
Derivative financial assets	89,013	89,013	94,452	94,452
Reverse repurchase agreements	986,631	981,553	755,627	755,557
Loans and advances to customers	13,892,966	13,892,372	12,767,334	12,766,888
Available-for-sale financial assets	1,496,453	1,465,021	1,742,287	1,708,102
Held-to-maturity investments	3,542,184	3,536,757	2,973,042	2,972,444
Receivables	277,129	227,216	291,370	245,221
Long term equity investments	32,441	40,421	30,077	35,777
Fixed assets	216,156	216,088	220,651	220,609
Construction in progress	29,531	29,531	22,968	22,968
Deferred income tax assets	48,392	48,392	28,398	28,398
Other assets	335,012	318,891	368,232	353,794
Total assets	<u>26,087,043</u>	<u>25,979,568</u>	<u>24,137,265</u>	<u>24,039,536</u>

(i) Prepared in accordance with PRC GAAP.

	31 December 2017 Consolidated balance sheet as in published financial statements⁽ⁱ⁾	31 December 2017 Balance sheet under regulatory scope of consolidation⁽ⁱ⁾	31 December 2016 Consolidated balance sheet as in published financial statements⁽ⁱ⁾	31 December 2016 Balance sheet under regulatory scope of consolidation⁽ⁱ⁾
Liabilities				
Due to central banks	456	456	545	545
Due to banks and other financial institutions	1,214,601	1,214,601	1,516,692	1,516,692
Placements from banks and other financial institutions	491,948	491,948	500,107	500,107
Financial liabilities at fair value through profit or loss	425,948	425,946	366,752	366,740
Derivative financial liabilities	78,556	78,556	89,960	89,960
Repurchase agreements	1,046,338	1,044,481	589,306	579,651
Certificates of deposit	260,274	260,274	218,427	218,427
Due to customers	19,226,349	19,228,358	17,825,302	17,828,084
Employee benefits payable	33,142	32,820	32,864	32,536
Taxes payable	82,550	82,502	63,557	63,500
Debt securities issued	526,940	526,940	357,937	357,937
Deferred income tax liabilities	433	233	604	327
Other liabilities	558,452	456,349	594,049	508,235
Total liabilities	23,945,987	23,843,464	22,156,102	22,062,741
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	86,051	86,051	86,051	86,051
Capital reserve	151,952	151,952	151,998	151,998
Other comprehensive income	(62,058)	(61,063)	(21,738)	(21,640)
Surplus reserve	232,703	232,660	205,021	205,021
General reserve	264,892	264,850	251,349	251,349
Retained profits	1,097,544	1,096,868	940,663	940,237
Equity attributable to equity holders of the parent company	2,127,491	2,127,725	1,969,751	1,969,423
Minority interests	13,565	8,379	11,412	7,372
Total equity	2,141,056	2,136,104	1,981,163	1,976,795

(i) Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	31 December 2017 Balance sheet under regulatory scope of consolidation	Reference
Financial assets at fair value through profit or loss	440,912	
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	5,155	X29
Loans and advances to customers	13,892,372	
Total loans and advances to customers	14,232,854	
Less: Provision for loan impairment under the weighted approach	17,943	X01
Including: Valid cap of provision for loan impairment to tier 2 capital under the weighted approach	9,937	X02
Less: Provision for loan impairment under the Internal Ratings-Based Approach	322,539	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the Internal Ratings-Based Approach	61,799	X04
Available-for-sale financial assets	1,465,021	
Bond investment measured at fair value	1,450,248	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,858	X05
Other debt instrument investment measured at fair value	1,540	
Equity investment	13,233	
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	979	X06
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	210	X07

Item	31 December 2017 Balance sheet under regulatory scope of consolidation	Reference
Held-to-maturity investments	3,536,757	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	—	X08
Receivables	227,216	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	22,793	X09
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	500	X10
Long term equity investments	40,421	
Including: Investment in core tier1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	274	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,143	X13
Other assets	318,891	
Interest receivable	125,611	
Intangible assets	19,722	X14
Including: land use rights	18,190	X15
Other receivables	146,389	
Goodwill	8,478	X16
Long term deferred expenses	3,656	
Repossessed assets	8,637	
Others	6,398	

Item	31 December 2017 Balance sheet under regulatory scope of consolidation	Reference
Debt securities issued	526,940	
Including: Valid portion of tier 2 capital instruments and their premium	222,321	X17
Share capital	356,407	X18
Other equity instruments	86,051	
Including : Preference shares	79,375	X28
Capital reserve	151,952	X19
Other comprehensive income	(61,063)	X24
Reserve for changes in fair value of available-for-sale financial assets	(30,757)	
Reserve for cash flow hedging	(3,761)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,708)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,284)	
Foreign currency translation reserve	(25,902)	
Others	641	
Surplus reserve	232,660	X21
General reserve	264,850	X22
Retained profits	1,096,868	X23
Minority interests	8,379	
Including: Valid portion to core tier 1 capital	2,716	X25
Including: Valid portion to additional tier 1 capital	577	X26
Including: Valid portion to tier 2 capital	3,303	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4603	4604	84602
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	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	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	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
Regulatory treatment	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)					
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB 339,126	RMB 169,202	RMB equivalent 17,928	RMB equivalent 4,542	RMB 44,947
Par value of instrument (in millions)	RMB 269,612	RMB 86,795	USD 2,940	EUR 600	RMB 12,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	18 November 2015

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Perpetual or dated Including: Original maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	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
Coupons/dividends Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.5% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible Including: If convertible, conversion trigger(s)	No N/A	No N/A	Yes Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Yes Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Yes Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Yes Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Including: If convertible, conversion rate	N/A	N/A	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	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	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
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	The Bank
Write-down feature	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor of the subordinated debts, and preference shareholders	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	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	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
Non-compliant transitioned features	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	ICBC (Asia)	The Bank	The Bank	The Bank
Unique identifier	ISIN: XS0976879279 BBGID:BBG005CMF4N6	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021
Governing law(s) of the instrument	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	Securities Law of the People's Republic of China/China	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	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
Regulatory treatment	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)				
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company / group level	Group	Parent company /Group	Parent company /Group	Parent company /Group
Instrument type	Tier 2 capital Instrument	Tier 2 capital Instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 1,384	RMB 19,995	RMB equivalent 12,901	RMB 44,000
Par value of instrument (in millions)	USD 500	RMB 20,000	USD 2,000	RMB 44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	10 October 2013	4 August 2014	21 September 2015	20 November 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	10 October 2023	5 August 2024	21 September 2025	22 November 2027
Issuer call (subject to prior supervisory approval)	Yes	Yes	No	Yes
Including: Optional call date, contingent call dates and redemption amount	10 October 2018, in full amount	5 August 2019, in full amount	N/A	22 November 2022, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons/dividends					
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.50%	5.80%	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No	No
Including: Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	No	No	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of ICBC(Asia) or the Bank	Non-viability of the Bank	Which ever 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	Which ever 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	Which ever 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
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	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	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	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
Non-compliant transitioned features	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

8.2 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

S/N	Item	31 December 2017	31 December 2016
1	Total consolidated assets as per published financial statements	26,087,043	24,137,265
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(107,475)	(97,729)
3	Adjustments for fiduciary assets	—	—
4	Adjustments for derivative financial instruments	61,814	93,733
5	Adjustment for securities financing transactions	57,693	57,298
6	Adjustment for off-balance sheet items	2,000,174	1,725,526
7	Other adjustments	(14,282)	(11,560)
8	Balance of adjusted on- and off-balance sheet assets	28,084,967	25,904,533

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted on- and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2017	31 December 2016
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	25,174,171	23,433,899
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(14,282)	(11,560)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	25,159,889	23,422,339
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	93,955	113,669
5	Add-on amounts for PFE associated with all derivatives transactions	63,145	58,116
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	(25,768)	(14,896)
9	Effective notional amount of written credit derivatives	46,496	58,813
10	Less: Adjusted effective notional deductions for written credit derivatives	(27,001)	(27,517)
11	Total derivative exposures	150,827	188,185
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	716,384	511,185
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	57,693	57,298
15	Agent transaction exposures	—	—
16	Total securities financing transaction exposures	774,077	568,483
17	Off-balance sheet exposure at gross notional amount	4,211,871	3,435,098
18	Less: Adjustments for conversion to credit equivalent amounts	(2,211,697)	(1,709,572)
19	Balance of adjusted off-balance sheet assets	2,000,174	1,725,526
20	Net tier 1 capital	2,110,060	1,954,770
21	Balance of adjusted on- and off-balance sheet assets	28,084,967	25,904,533
22	Leverage ratio	7.51%	7.55%

8.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Fourth-quarter 2017	
		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		4,809,778
Cash outflows			
2	Retail deposits and deposits form small business customers, of which:	9,293,000	926,296
3	Stable deposits	47,275	1,724
4	Less stable deposits	9,245,725	924,572
5	Unsecured wholesale funding, of which:	11,417,415	3,876,930
6	Operational deposits (excluding those generated from correspondent banking activities)	6,471,339	1,570,708
7	Non-operational deposits (all counterparties)	4,877,452	2,237,598
8	Unsecured debt	68,624	68,624
9	Secured funding		31,316
10	Additional requirements, of which:	3,826,603	1,378,596
11	Outflows related to derivative exposures and other collateral requirements	1,160,655	1,160,652
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,665,948	217,944
14	Other contractual funding obligations	53,291	52,994
15	Other contingent funding obligations	1,138,517	26,570
16	Total cash outflows		6,292,702
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	729,160	331,256
18	Inflows from fully performing exposures	1,504,511	1,065,288
19	Other cash inflows	1,186,092	1,175,321
20	Total cash inflows	3,419,763	2,571,865
		Total adjusted value	
21	Total HQLA		4,809,778
22	Total net cash outflows		3,720,837
23	Liquidity coverage ratio (%)		129.02%

Data of the above table are all the simple arithmetic means of the 92 natural days' figures of the recent quarter.

9. Summary of the Capital Adequacy Ratio Report Disclosed in Accordance with the Regulation Governing Capital of Commercial Banks (Provisional) Promulgated by CBRC

9.1 Capital Adequacy Ratio

- **Scope of Calculation of Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). The scope of calculation of consolidated capital adequacy ratio includes the Bank and financial institutions in which the Bank directly or indirectly invested in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

- **Results of Capital Adequacy Ratio Measurement**

In RMB millions, except for percentages

Item	At 31 December 2017		At 31 December 2016	
	Group	Parent Company	Group	Parent Company
Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional):				
Net core tier 1 capital	2,030,108	1,856,054	1,874,976	1,723,839
Net tier 1 capital	2,110,060	1,935,429	1,954,770	1,803,214
Net capital base	2,406,920	2,216,707	2,127,462	1,960,840
Core tier 1 capital adequacy ratio	12.77%	12.88%	12.87%	12.90%
Tier 1 capital adequacy ratio	13.27%	13.44%	13.42%	13.49%
Capital adequacy ratio	15.14%	15.39%	14.61%	14.67%
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:				
Core capital adequacy ratio	11.65%	11.96%	11.71%	11.96%
Capital adequacy ratio	14.56%	14.67%	14.29%	14.26%

Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio” for details on the capital adequacy ratio calculation at the end of 2017.

- **Measurement of Risk-Weighted Assets**

In RMB millions

Item	At	At
	31 December	31 December
	2017	2016
Credit risk-weighted assets	14,332,051	13,144,466
Parts covered by internal ratings-based approach	9,789,156	9,304,653
Parts uncovered by internal ratings-based approach	4,542,895	3,839,813
Market risk-weighted assets	347,665	229,250
Parts covered by internal model approach	268,963	150,951
Parts uncovered by internal model approach	78,702	78,299
Operational risk-weighted assets	1,223,085	1,190,901
Total	<u>15,902,801</u>	<u>14,564,617</u>

9.2 Credit Risk

- **Credit Risk Exposure**

In RMB millions

Item	At 31 December 2017		At 31 December 2016	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	9,056,035	1,584,005	8,217,600	1,562,436
Sovereign	—	4,881,015	—	4,349,299
Financial institution	—	2,954,157	—	2,907,938
Retail	4,800,855	396,636	4,113,878	312,205
Equity	—	50,614	—	34,426
Asset securitization	—	18,669	—	10,202
Others	—	5,826,641	—	5,753,237
Total risk exposure	<u>13,856,890</u>	<u>15,711,737</u>	<u>12,331,478</u>	<u>14,929,743</u>

- **Measurement Results of Internal Ratings-Based Approach**

MEASUREMENT RESULTS OF NON-RETAIL CREDIT RISK UNDER FOUNDATION IRB APPROACH

In RMB millions, except for percentages

At 31 December 2017

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	1,082,413	0.10%	44.83%	323,409	29.88%
Level 2	1,131,860	0.22%	43.47%	545,264	48.17%
Level 3	1,584,233	0.66%	43.15%	1,169,187	73.80%
Level 4	2,400,421	1.64%	42.77%	2,300,607	95.84%
Level 5	1,416,786	2.59%	42.04%	1,468,810	103.67%
Level 6	594,603	3.72%	42.19%	686,814	115.51%
Level 7	235,013	5.28%	41.61%	292,979	124.66%
Level 8	74,325	7.20%	41.80%	106,656	143.50%
Level 9	97,639	9.60%	42.07%	163,955	167.92%
Level 10	69,107	18.00%	41.96%	131,773	190.68%
Level 11	146,487	56.00%	42.87%	274,188	187.18%
Level 12	223,148	100.00%	43.76%	454,736	203.78%
Total	9,056,035	—	—	7,918,378	87.44%

At 31 December 2016

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	956,422	0.10%	44.82%	296,621	31.01%
Level 2	915,998	0.22%	43.50%	437,743	47.79%
Level 3	1,342,184	0.67%	43.72%	1,004,430	74.84%
Level 4	2,113,391	1.66%	42.97%	2,069,288	97.91%
Level 5	1,402,512	2.60%	42.47%	1,486,771	106.01%
Level 6	665,871	3.72%	41.93%	778,395	116.90%
Level 7	219,925	5.28%	40.90%	276,362	125.66%
Level 8	87,693	7.20%	42.23%	130,593	148.92%
Level 9	109,232	9.60%	42.69%	187,110	171.30%
Level 10	63,515	18.00%	42.48%	114,344	180.03%
Level 11	113,397	56.00%	42.74%	210,896	185.98%
Level 12	227,460	100.00%	43.60%	719,587	316.36%
Total	8,217,600	—	—	7,712,140	93.85%

MEASUREMENT RESULTS OF RETAIL CREDIT RISK UNDER IRB

In RMB millions, except for percentages

At 31 December 2017

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgages	3,884,415	1.49%	26.46%	848,821	21.85%
Qualifying revolving retail exposure	491,901	4.03%	50.78%	126,576	25.73%
Other retail exposures	424,539	9.68%	44.35%	245,677	57.87%
Total	4,800,855	—	—	1,221,074	25.43%

At 31 December 2016

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgages	3,198,278	1.71%	25.77%	694,530	21.72%
Qualifying revolving retail exposure	450,703	5.02%	51.12%	121,307	26.92%
Other retail exposures	464,897	11.18%	41.52%	249,997	53.77%
Total	4,113,878	—	—	1,065,834	25.91%

9.3 Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

Risk type	<i>In RMB millions</i>	
	At 31 December 2017	At 31 December 2016
Parts covered by internal model approach	21,517	12,076
Parts uncovered by internal model approach	6,296	6,264
Interest rate risk	3,012	3,271
Commodity risk	3,201	2,934
Stock risk	39	5
Option risk	44	54
Total	27,813	18,340

Note: According to the implementation scope of the advanced capital management approaches approved by CBRC, parts covered by the market risk internal model approach of the Bank include currency risk of the Group, general interest rate risk of the parent company and Industrial and Commercial Bank of China (Canada) and commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of ten days and historical data of 250 days) to measure the VaR, which is then used for capital measurement under the internal model approach.

VALUE AT RISK (VAR)

Item	<i>In RMB millions</i>			
	2017			
	Period end	Average	Maximum	Minimum
VaR	3,384	2,097	3,648	1,135
Interest rate risk	79	257	535	64
Currency risk	3,313	2,068	3,568	1,158
Commodity risk	31	82	153	14
Stressed VaR	3,384	2,480	3,648	1,863
Interest rate risk	229	254	460	73
Currency risk	3,313	2,477	3,568	1,840
Commodity risk	45	96	172	22

Item	2016			
	Period end	Average	Maximum	Minimum
VaR	1,585	1,284	1,843	1,001
Interest rate risk	365	177	424	109
Currency risk	1,538	1,260	1,811	1,038
Commodity risk	95	99	386	14
Stressed VaR	2,762	2,297	3,405	1,574
Interest rate risk	421	343	494	235
Currency risk	2,948	2,307	3,324	1,564
Commodity risk	102	144	621	19

9.4 Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of 2017, the capital requirement for operational risk was RMB97,847 million.

9.5 Other Risks

- Interest Rate Risk in the Banking Book**

In 2017, under the assumption that the overall interest rate in the market moves in parallel without taking into account the risk management actions that the Management may take to mitigate interest rate risk, the Bank's banking book interest rate sensitivity analysis by major currency is set out below:

Currency	<i>In RMB millions</i>			
	Increase by 100 basis points		Decrease by 100 basis points	
	Impact on net interest income	Impact on equity	Impact on net interest income	Impact on equity
RMB	(2,945)	(35,901)	2,945	38,284
USD	(1,911)	(5,574)	1,911	5,578
HKD	495	—	(495)	—
Others	90	(825)	(90)	826
Total	(4,271)	(42,300)	4,271	44,688

• **Equity Risk in the Banking Book**

In RMB millions

Equity type	At 31 December 2017			At 31 December 2016		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealized potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealized potential gains (losses) ⁽²⁾
Financial institution	33,199	1,822	207	26,437	1,132	122
Corporate	3,193	11,076	194	1,365	3,997	422
Total	36,392	12,898	401	27,802	5,129	544

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealized potential gains (losses) refer to unrealized gains or losses recognized on the balance sheet but not recognized on the income statement.

10. Issue of Results Announcement, Annual Report and Capital Adequacy Ratio Report

This Results Announcement will be released on HKEXnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) simultaneously. The 2017 Annual Report prepared in accordance with IFRSs and the 2017 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC will be released on the HKEXnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com). Specifically, the 2017 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2017 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2017 Capital Adequacy Ratio Report will be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By Order of
The Board of Directors of
Industrial and Commercial Bank of China Limited

27 March 2018

As at the date of this announcement, the Board of Directors comprises Mr. YI Huiman, Mr. GU Shu, Mr. ZHANG Hongli and Mr. WANG Jingdong as executive directors, Mr. CHENG Fengchao, Mr. ZHENG Fuqing, Mr. FEI Zhoulin, Ms. MEI Yingchun, Mr. DONG Shi and Mr. YE Donghai as 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 as independent non-executive directors.