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

26
1988 – 2014

ANNUAL REPORT 2014

THE FIRST EQUATOR BANK IN CHINA

CONTENTS

Chairman's Statement

In 2014, under the overall backdrop of pushing forward economic restructuring and development by the country through furthering comprehensive reforms, the Company proactively adjusted to the new normal in economic development, grasped new opportunities presented by the trends in marketization of interest rates and diversification of financing methods, and proactively reacted to challenges such as the continual recession of external economies and increasing exposure to internal risks. The Company' s business development remained steady overall, business results met expectations, and its status as a mainstream bank group was further enhanced.

The Company improved its corporate governance, and mastered control of its strategic direction. It strengthened the capability of its key governing bodies, introduced tax, IT, and big data experts to become members of the board of directors for the first time, newly recruited a vice president, and organized special training activities in research and education for directors, thereby enhancing the directors' understanding in the operation and decision-making of the bank. The board of directors insisted on discussing major issues, making decisions, and controlling direction, as well as fully understanding the new normal and grasping its essence, pushing forward with the continued furthering of reforms and speeding up of restructuring by the Company, consolidating existing strengths in institutions and mechanisms, continually cultivating and expanding featured business, seizing opportunities to explore new areas of profit growth, and ensuring a more balanced development in terms of speed, quality and efficiency. Furthermore, the Company fully anticipated the complexity and fragility in today' s banking business environment, coordinated various aspirations, maintained the systematic, compatible, and continual nature of the entire bank' s policies and mechanisms, and maintained the Company' s image as a responsible, mainstream bank group. The Company was among the top 50 global banks ranked by British magazine The Banker in terms of both total assets and Tier 1 capital.

The Company strengthened capital management and intensive operation. By following-up on the research of Basel III, the Company was among the first batch of trial banks for issuing preferred shares and completed issuing the first tranche worth RMB13 billion, and successfully issued Tier II capital bonds worth RMB20 billion, thus effectively supporting the development of the real economy. Through amendments to the articles of association to clearly prescribe the rights and obligations of shareholders of preferred shares, a situation under which there is joint governance by shareholders of ordinary shares and preferred shares has been institutionally established. The Company continued to implement the concept of intensified operations, continually increased its internal assets accumulation capabilities, improved the assessment mechanisms for return on economic capital and return on risk assets, steadily pushed forward the establishment of institutions and application of instruments under the new capital agreement, and promoted adjustment and optimization of business structures. The Company spent intensive efforts on comprehensive operations, and completed the capital increase of Industrial Trust by RMB3.539 billion. Through Industrial Trust, the Company acquired Ningbo Shanli Futures Broking Co., Ltd., which was subsequently renamed as China Industrial Futures Limited. The Company also made investments and established the Industrial Consumer Finance Co., Ltd. At the same time, the Company planned at the group level and cultivated core business clusters, and explored to improve the assessment and evaluation mechanisms. The steady increase in the scale and efficiency of Industrial Trust, Industrial Leasing and Industrial Fund demonstrated further group-oriented synergy.

The Company pushed for transformation of its operations and reshaped its business model. The Company proactively practised the Equator Principles, stepped up the establishment of brands and institutions in green finance, completed the issue of special green financing bonds worth RMB30 billion. At the end of the reporting period, the balance of environmental protection financing almost reached RMB300 billion, with the scale of financing for key areas including water resource utilization and protection making relatively larger breakthroughs. In line with the trends of "marketisation, disintermediation, and networking", the Company expedited the innovative integration of the traditional physical channels and internet channels. The business model of community branches became more defined, with clear client positioning, effective cost control, and good market reputation. The influence and business benefits of online financial products, such as "QianDa Money Manager" and Direct Banking have risen, and operational efficiency and sales capability have continually increased. The business positioning as a bank for "sizeable investment, sizeable wealth management and sizeable asset management" has attained remarkable business achievements. The Company' s scales in lead underwriting of debt financing instruments for non-financial enterprises, issuance of direct financing instruments for wealth management, asset custody, fee income, as well as single issues and balance of NCD all took a leading position in the banking industry.

By improving internal risk control, the Company strengthened compliant operations. The Company improved its top-level design of risk management, scientifically determined risk preferences and tolerance indicators strengthened the application of risk measurement tools for the new capital agreement and application of IT in risk management, conducted research on refinement of credit extension, seized potential business opportunities, as well as effectively avoided industrial, regional, and systemic risks. The Company also strived to control non-performing assets during its development, reduce non-performing assets during its revitalization, and eliminate non-performing assets through disposal, working hard to maintain overall stability in its asset quality. At the same time, the Company objectively analyzed the internal and external reasons for non-performing assets, further strengthened the relevant mechanisms, and improved the quality, precision and stringency of accountability, as well as effectively prevented unethical behaviors of internal and external individuals, thereby ensuring secure operations. Furthermore, the Company diligently implemented policies for supervision, and furthered the progress of reforms. It quickly built a professional industrial financing business system, and smoothly launched reforms of the management systems for wealth management and interbank business. At the same time, in adapting to the demands of sustainable business development and refined management, the Company highly emphasised basic work such as establishment of IT systems, internal audit, compliance system, case prevention, data management, and consumers' protection. It also made prospective arrangements to ensure that the principle of legal, compliant, and civilized operations of the Company could be effectively implemented.

The year 2015 is a key year for China to further its comprehensive reforms. The transformation in the development of commercial banks is extremely challenging, but there is more space for new opportunities and accomplishments. The Company will continue to adhere to the orientations of marketisation and compliance in its operations, establish a mindset that is open and inclusive, strengthen awareness of risks and responsibilities, correctly understand the new normal, and proactively adapt to and integrate into the new normal, so as to make necessary contributions to creating a comparatively prosperous society in China!

Chairman:

Chairman:
Gao Jianping

President’s Report

In 2014, the domestic macroeconomy continued to slip, while the pace of financial reform expedited across the board, and the pressure in operation and management faced by commercial banks was unprecedented. Facing this serious and ever-changing operational environment, the Company grasped the trends and continually sped up the pace of reform and transformation. By focusing on the various management targets set by the board of directors earlier in the year, and through calm responses, steady progress, grasping direction, and going against all odds, the Company successfully withstood competition and market challenges arising from changes in the internal and external environments, and continued to achieve relatively good business results. Capabilities in marketised management, comprehensive services, and differentiated competitiveness were further strengthened, while the foundations for sustainable development and asset-light development were further consolidated. As at the end of the reporting period, the total assets of the Company reached RMB4,406.399 billion, representing an increase of 19.79% from the figure at the beginning of the reporting period. Net profit for the year attributable to shareholders of the parent company reached RMB47.138 billion, representing a year-on-year increase of 14.38%, and exceeding by approximately 4 percentage points the planned figure for the year set by the board of directors. Weighted average return on assets was 1.18%, weighted average return on equity was 21.21%, and cost-to-income ratio was 23.78%, which remained at excellent levels for domestic banks. The quality of assets remained steady, with the ratio of non-performing loans at the end of the reporting period standing at 1.10%, representing a slight increase of 0.34 percentage point compared to that at the beginning of the reporting period, while provision coverage was adequate overall, with provision coverage ratio at 250.21%, and provision-to-loan ratio at 2.76%.

In 2014, the Company tightly grasped the development trends of the country’ s financial reforms, and orderly pushed for furthering various reforms of the Company. The Company successfully completed reforms of the management systems for its wealth management business and interbank business. The level of standardization of business development was further enhanced, and market share and market status were further consolidated. During the reporting period, the average daily balance of the financial products launched by the Company reached RMB840.860 billion, representing a year-on-year increase of 41.46%. The scale of average daily balance of placements from banks reached RMB1,142.092 billion, representing a year-on-year increase of 11.60%. In addition, the Company steadily implemented a new round of reforms on the systems and mechanisms of its retail business and small and micro finance business, with client base further consolidated. The Company’ s core retail clients reached 4,840.6 thousand, representing an increase of 24.19% from that at the beginning of the period, and the scale of the annual daily average of integrated financial assets of retail clients reached RMB893.2 billion, representing a year-on-year increase of 35.87%.

In 2014, the Company proactively adapted to the trend of interest rate marketisation reform, and continued to push for marketised and diversified developments in assets and liabilities. As at the end of the reporting period, traditional loans only accounted for 35.16% of the Company’ s asset structure, while traditional deposits only accounted for 54.71% of the Company’ s debt structure. Therefore, the effects of the impact of marketisation of interest rates on the Company were clearly smaller than the industry average. During the reporting period, the Company took the lead to explore various types of new liabilities instruments, with the number, scale, and balance of interbank NCDs issuance all ranked first among all banks. The Company also seized market opportunities, and successfully issued Tier II capital bonds worth RMB20 billion, as well as the first tranche of domestic preferred shares worth RMB13 billion, thereby further strengthening the Group’ s capital base.

In 2014, the Company firmly grasped the changing trend of China’ s social financing structure, and vigorously developed direct financing business, as well as further strengthened its multi-market, multi-product and comprehensive operational capability. As at the end of the reporting period, the Company served as the lead underwriter for debt financing instruments issued by non-financial enterprises amounting to RMB314.6 billion, topping the list again in terms of scale for banks of a similar type. The Company’ s asset custody business maintained rapid growth. As at the end of period, the scale of the Company’ s net value of assets under custody reached RMB4,726 billion. The strength of its FICC (foreign exchange rate, interest rate, credit, and commodity) business became more evident, and the variety of products and services and the number of market-making transactions both maintained a leading position in the market. The group-oriented operational layout was enhanced, and Industrial Trust, a subsidiary of the Company, successfully acquired Ningbo Shanli Futures Broking Co., Ltd., which was subsequently renamed as China Industrial Futures Limited. Industrial Consumer Finance Co., Ltd. received approval for establishment, which started operation smoothly. Currently, the Company has become one of the few domestic bank holding groups that possesses financial licences in areas such as banking, trusteeship, leasing, funds and futures. Furthermore, the Company took strides in its international operations, with the first non-domestic branch successfully opened in Hong Kong, and its business development started off well.

In 2014, the Company closely kept itself abreast of new technological and industrial development trends. While continuing to strengthen its differential competitiveness, the Company also cultivated new areas of business growth. Its featured businesses, such as financial businesses for environmental protection, urbanisation, interbank services, pension and traveling abroad, maintained rapid and sound development, and competitive advantages and brand images became more prominent. In addition, the Company ambitiously pushed for innovative online financial business, with online wealth management and payment, as well as direct banking rapidly developing, in hopes that they will become the Company’ s new areas of business and profit growth.

Looking ahead into 2015, the Chinese economy will still be in a period of growth change, adjustment pain and policy digestion. Commercial banks reform, transformation, and development will face many challenges, as well as many difficulties in operations. As the country’ s new strategic plans in various areas are gradually introduced and implemented, commercial banks will play a leading role, with precious market opportunities, and much room for development. We believe that, with the correct decisions of the board of directors, and the care and support from all walks of society, along with the solid foundation and profound culture coming from 26 years of innovation, exploration and transformation development, the Company will continue to make full play of its strengths, avoiding weaknesses and calmly adapt and respond to various competition and challenges, with a view to achieving greater accomplishments in the new round of financial reforms!

President: 李仁杰

Director and President:
Li Renjie

Honours and Awards for 2014

- According to the 2014 Global 500 Companies of Fortune, a US magazine, the Company ranked 338.

According to the Global Top 500 Banking Brands 2014 of The Banker, a British Magazine, the Company ranked 64 with a brand value of US3.276 billion.

According to the Top 1000 World Banks 2014 of The Banker, a British Magazine, the Company ranked 43 in terms of total assets, and ranked 49 in terms of Tier 1 capital.

According to the Top 2000 World Enterprises 2014 of Forbes, a US Magazine, the Company ranked 129.

According to the 2014 Best China Brands of Interbrand, a brand consultancy, the Company ranked 19.

- According to the statistics of SNL Financial, a US company, and based on International Financial Reporting Standards (IFRS), the Company ranked 47 among the top 100 world banks in terms of total assets.
- According to the 2013-2014 Annual Report on Competition in the Banking Industry in China released by Beijing Investment Consultant Ltd., a banking consultancy, the Company ranked first among the 12 listed banks in terms of comprehensive competitiveness.
- The Company was among The 100 Companies Most Respected by Investors in 2014, the title of which was awarded by the China Association for Public Companies and the China Securities Investor Protection Fund Corporation Limited.
- The Company won from the magazine Directors and Boards the award of The Best Board of Directors under the Tenth Golden Roundtable of Boards of Chinese Listed Companies. Gao Jianping, Chairman, won the award of Chairman with The Most Strategic Vision.

Gao Jianping, Chairman, was honoured by the Chinese edition of Fortune as among China's 50 Most Influential Business Leaders in 2014.

- The Company won the 2014 Investor Relations Gold Shield Award of the Risk Management Summit Forum for Chinese Listed Companies (Gold Shield Award).

According to the 2014 China Top 100 Green Companies, the Company was on the list for five years in a row for its achievements in “sustainable finance”.

According to the 2014 Top 100 Most Influential Entities (Enterprises) in Asia, the Company ranked 85.

- The Company won from sina.com.cn the award of Innovative Internet Finance of the Year under The Second Comprehensive Selection of Banks.

- The Majiang operation centre for payment and settlement of the Company was awarded the title of Nationwide Worker Pioneer.

- The Company won from Securities Times five bank awards of the year, namely Best Wealth Management Brand, Best Open-ended Wealth Management Product, Best Fixed Income Wealth Management Product, Best Stable Income Wealth Management Product, and Best Internet Financial and Wealth Management Product with the Most Potential for Growth.

The Company won from Thomson Reuters the first runner-up in the China Fixed Income Market Outlook Survey for the First Half of 2014 under the comprehensive category, and the Credit Bond Best Forecast Award.

The Company won from 21st Century Business Herald the Best Strategic Innovation Bank award under the 2014 Asset Management Annual Conference.

The Company won the China Charity Outstanding Contribution (Entity) Award from China Charity Federation.

The Company won from The Economic Observer the Bank of Excellence in Small and Micro Financial Services Award under the China Financial Excellence Award for 2013 -2014.

- The Company won the Best Green Bank and Best Inter-bank Cooperation Bank awards for 2014 under CBN Financial Value Ranking.

The Company was among the 2014 Top Ten Companies in Legal Risk Management in the Banking Industry, the title of which was awarded by the Legal Daily and Enterprise Legal Management Research Centre, China University of Political Science and Law.

- The Company won from China Business the 2014 Bank of Excellence in Competitiveness for Overseas Travelling Financial Services under the 2014 (Sixth) Financial Institution Competitiveness Excellence Award.

- The Company won from NetEase the Best Bank Brand Award of the Year and Best Personal Wealth Management Product Award under the Gold Diamond Award.

The Company won the award of Best Green Finance Bank of the Year under the 2014 Chinese Financial Institutions Gold Medal Ranking - Gold Dragon Award, which was jointly adjudicated by Financial News and Institute of Finance and Banking, Chinese Academy of Social Sciences.

IMPORTANT NOTICE

The Company's board of directors, board of supervisors, directors, supervisors and senior management members hereby warrant that the information contained in this report is free from any false representation, misleading statement or material omission, and assume joint and several liabilities for the truthfulness, accuracy and completeness of the contents herein contained.

The Company's annual report 2014 and its abstract were reviewed and approved by the board of directors on April 27, 2015. Fifteen directors should attend the meeting, and fifteen directors were in fact present. There were no directors, supervisors or senior management members who could not warrant or disagreed with the truthfulness, accuracy and completeness of the contents of this annual report.

The financial data and indicators contained in this annual report were prepared in compliance with the PRC Generally Accepted Accounting Principles. Unless otherwise specified, they represented the consolidated data of Industrial Bank Co., Ltd. and its wholly-owned subsidiary Industrial Bank Financial Leasing Co., Ltd., its controlled subsidiaries China Industrial International Trust Limited, CIB Fund Management Co., Ltd. and Industrial Consumer Finance Co., Ltd. The monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's financial statements 2014 in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditor's report with unqualified opinions.

The Company's chairman Gao Jianping, president Li Renjie and general manager of the financial department Li Jian hereby warrant that the financial statements in the annual report 2014 are true, accurate and complete.

The proposal of profit distribution for the reporting period considered by the board of directors: based on the total capital of 19,052,336,751 shares, cash dividend of RMB5.70 (inclusive of tax) should be distributed for every 10 shares. The plan of dividends distribution for preferred shares is as follows: the interest period of preferred shares issued in 2014 was from December 8, 2014 to December 31, 2014, and the dividend of preferred shares is RMB51,287,671.23 with dividend yield of 6%.

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

I. Definitions

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

Industrial Bank/the Company	Industrial Bank Co., Ltd.
CSRC	China Securities Regulatory Commission
CSRC Fujian Bureau	Fujian Bureau under China Securities Regulatory Commission
Central Bank	The People's Bank of China
CBRC	China Banking Regulatory Commission
CBRC Fujian Bureau	Fujian Bureau under China Banking Regulatory Commission
Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Industrial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
Non-public Offering of Preferred Shares in 2014	the non-public offering approved by CSRC under which the Company offered to 28 qualified investors 130 million preferred shares with a par value of RMB100 per share in December 2014, which have been listed on the Integrated Business Platform of Shanghai Stock Exchange since December 19, 2014.
New capital requirements	being measured in accordance with the Capital Rules for Commercial Banks (Provisional) (Implemented from 2013) of CBRC
Old capital requirements	being measured in accordance with the Administrative Measures for Capital Adequacy Ratios of Commercial Banks (Implemented from 2004 and revised in 2007) of CBRC
Yuan	RMB Yuan

II. Important risk warning

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

CORPORATE PROFILE

Legal Chinese name: 兴业银行股份有限公司 (Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

Legal representative: Gao Jianping

Secretary of the board of directors: Tang Bin

Representative of securities affairs: Chen Zhiwei

Address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Tel : (86) 591-87824863

Fax: (86) 591-87842633

Investor email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Office address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure:

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

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

Location of annual reports filing: the Company’ s office of the board of directors

Place of stock listing: Shanghai Stock Exchange

A shares stock abbreviation: Industrial Bank

A shares Stock code: 601166

Preferred shares stock abbreviation: Industrial Bank P1

Preferred shares stock code: 360005

Changes of registration:

Date of first registration: August 22, 1988

Place of first registration: Fujian Provincial Administration of Industry and Commerce

Date of registration change: March 21, 2014

Place of registration change: Fujian Provincial Administration of Industry and Commerce

Corporate entity business license No.: 350000100009440

Taxation registration no.: State Tax Rongtai Zi 350100158142711

Local Tax Min Zi 350102158142711

Code for corporate legal entity: 15814271-1

Change of principal business: There is no change in the Company' s principal business since its listing.

Change of major shareholders: The Company' s largest shareholder is the Finance Bureau of Fujian Province, and there is no change since the Company was listed.

Other related information of the Company:

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

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

Names of the signing accountants: Tao Jian, Shen Xiaohong

Joint sponsors performing continuous monitoring: CITIC Securities Co., Ltd., Industrial Securities Co., Ltd.

Office address: No. 8 Zhong Xin San Road, Futian District, Shenzhen City, No. 268 Hudong Road, Fuzhou City

Names of signing representatives of sponsors: Zhou Jiwei, Luo Zhongxing, Tian Jinhuo, Qiaojie

Period for continuous monitoring: From September 10, 2014 to December 31, 2015

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

ACCOUNTING AND FINANCIAL DATA HIGHLIGHTS

I. Key accounting data and financial indicators of the previous three years as at the end of the reporting period

Unit: RMB million

Item	2014	2013 (restated)	Increase/decrease in 2014 compared with 2013 (%)	2012
Operating income	**124,898**	109,287	14.28	87,619
Profit before tax	**60,598**	54,261	11.68	46,193
Net profit attributable to the shareholders of the parent company	**47,138**	41,211	14.38	34,718
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**46,660**	40,998	13.81	34,585
Basic EPS (RMB)	**2.47**	2.16	14.38	2.15
Diluted EPS (RMB)	**2.47**	2.16	14.38	2.15
Basic EPS, after deduction of non-recurring gains and losses (RMB)	**2.45**	2.15	13.81	2.14
ROA (%)	**1.18**	1.20	Down 0.02 percentage point	1.23
Weighted average ROE (%)	**21.21**	22.39	Down 1.18 percentage points	26.65
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**21.00**	22.27	Down 1.27 percentage points	26.54
Cost-to-income ratio	**23.78**	26.71	Down 2.93 percentage points	26.73
Net cash flow from operating activities	**682,060**	209,119	226.16	116,701
Net cash flow per share from operating activities (RMB)	**35.80**	10.98	226.16	9.19
	December 31, 2014	December 31, 2013 (restated)	Increase/decrease at the end of 2014 compared with the end of 2013 (%)	December 31, 2012
Total assets	**4,406,399**	3,678,304	19.79	3,250,975
Shareholders' equity attributable to the shareholders of the parent company	**257,934**	199,769	29.12	169,577
Net assets per share attributable to the shareholders of the parent company (RMB)	**13.54**	10.49	29.12	13.35
Net assets per share attributable to the shareholders of ordinary shares of the parent company (RMB)	**12.86**	10.49	22.63	13.35
NPL ratio (%)	**1.10**	0.76	Up 0.34 percentage point	0.43
Provision coverage ratio (%)	**250.21**	352.10	Down 101.89 percentage points	465.82
Provision-to-loan ratio (%)	**2.76**	2.68	Up 0.08 percentage point	2.00

Items and amounts of non-recurring gains and losses:

Unit: RMB million

Item	2014	2013	2012
Gains and losses on the disposal of non-current assets	**83**	(28)	(2)
Government grants recognized in profit or loss	**379**	162	119
Write-back of assets written-off in previous years	**242**	113	54
Net non-operating income and expense in addition to the above	**(54)**	49	8
Impact on income tax	**(172)**	(83)	(46)
Total	**478**	**213**	**133**

Note: 1. Starting from July 1, 2014, the Company applied the new Accounting Standards for Business Enterprises No.39 - Fair Value Measurement, Accounting Standards for Business Enterprises No. 40 - Joint Arrangements, Accounting Standards for Business Enterprises No. 41 - Disclosure of Interests in Other Entities, revised Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment, Accounting Standards for Business Enterprises No. 9 - Employee Benefits, Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements, Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements issued by the Ministry of Finance in 2014, and applied the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments, which was revised by the Ministry of Finance in 2014, to the financial statements starting from 2014. For items affected by the above changes in accounting policies, the Company retrospectively adjusted the comparative figures for the previous year in the financial statements. For specific impacts, please refer to "IX. Impacts of adoption of new accounting standards on the consolidated financial statements" in " Significant Issues". Among the key accounting data and financial indicators of 2013, the indicator of total assets at the end of 2013 was restated, which was RMB3,677,435 million before restatement and RMB3,678,304 million after restatement.

2. The Company issued an aggregate of RMB13 billion preferred shares with non-cumulative dividends through non-public offering in the fourth quarter of 2014. The dividends of the preferred shares for 2014 have not yet been distributed, which will be distributed after approval by the general meeting.

II. Supplementary financial data

Unit: RMB million

Item	December 31, 2014	December 31, 2013	December 31, 2012
Total liabilities	**4,145,303**	3,477,133	3,080,340
Placements from banks and other financial institutions	**81,080**	78,272	88,389
Total deposits	**2,267,780**	2,170,345	1,813,266
Incl: Demand deposits	**948,425**	907,078	748,299
Time deposits	**1,053,728**	979,043	820,468
Other deposits	**265,627**	284,224	244,499
Total loans	**1,593,148**	1,357,057	1,229,165
Incl: Corporate loans	**1,179,708**	988,808	912,187
Individual loans	**385,950**	353,644	299,936
Discounted bills	**27,490**	14,605	17,042
Loan loss provisions	**43,896**	36,375	24,623

Note: The Company retrospectively adjusted the comparative figures for the previous year in the total liabilities, the total liabilities at the end of 2013 was restated, which was RMB3,476,264 million before restatement and RMB3,477,133 million after restatement.

III. Capital adequacy ratio

Unit: RMB million

	Key indicator	December 31, 2014	December 31, 2013	December 31, 2012
According to the Capital Rules for Commercial Banks (Provisional) (new capital requirements)	Net capital	**328,767**	250,183	N/A
	Incl: Core tier one capital	**246,484**	201,153	N/A
	Other tier one capital	**12,958**	-	N/A
	Tier two capital	**69,933**	50,663	N/A
	Deductions	**608**	1,633	N/A
	Total risk weighted assets	**2,911,125**	2,310,471	N/A
	Capital adequacy ratio (%)	**11.29**	10.83	N/A
	Tier one capital adequacy ratio (%)	**8.89**	8.68	N/A
	Core tier one capital adequacy ratio (%)	**8.45**	8.68	N/A
According to the Administrative Measures for Capital Adequacy Ratios of Commercial Banks, and etc. (old capital requirements)	Net capital	**324,990**	253,548	210,890
	Incl: Core capital	**234,072**	197,320	163,639
	Supplementary capital	**94,393**	58,472	49,209
	Deductions	**3,475**	2,244	1,958
	Risk weighted assets	**2,646,641**	2,112,778	1,737,456
	Market risk capital	**1,614**	1,188	867
	Capital adequacy ratio (%)	**12.19**	11.92	12.06
	Core capital adequacy ratio (%)	**8.70**	9.21	9.29

IV. Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2014	December 31, 2013	December 31, 2012
Loan-to-deposit ratio (converted to RMB)	≤75	**64.76**	61.95	66.50
Liquidity ratio (converted to RMB)	≥25	**41.59**	35.79	29.47
Proportion of loans to the largest single borrower	≤10	**8.26**	7.06	4.34
Proportion of loans to the top ten borrowers	≤50	**20.44**	23.72	21.81
Migration ratio of pass loans	-	**2.33**	1.20	0.77
Migration ratio of special mention loans	-	**42.16**	30.48	8.28
Migration ratio of substandard loans	-	**93.77**	97.63	72.34
Migration ratio of doubtful loans	-	**20.53**	30.41	20.02

Note: 1. Data in this table are those before consolidation, and data of Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd. and Industrial Consumer Finance Co., Ltd. are not included in this table.

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

3. Pursuant to Document YJF [2010] No. 112 issued by CBRC, starting from 2011, regulation of the daily average loan-to-deposit ratio per month was strengthened. The indicator of the Company's daily average loan-to-deposit ratio of every month during the reporting period has met regulatory requirements.

V. Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Beginning balance	Increase during the period	Decrease during the period	Closing balance
Share capital	19,052	-	-	**19,052**
Preferred shares	-	12,958	-	**12,958**
Capital reserve	50,861	-	-	**50,861**
Other comprehensive income	(4,619)	6,833	-	**2,214**
General reserve	32,283	11,135	-	**43,418**
Surplus reserve	9,824	-	-	**9,824**
Undistributed earnings	92,368	47,138	19,899	**119,607**
Shareholders' equity attributable to the shareholders of the parent company	199,769	78,064	19,899	**257,934**

VI. Items measured at fair value

Unit: RMB million

Item	December 31, 2013	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	December 31, 2014
Financial assets at fair value through profit or loss	42,295	534	-	-	**44,435**
Precious metals	276	21	-	-	**7,543**
Derivative financial assets	6,414	1,105	-	-	**5,142**
Derivative financial liabilities	6,864		-	-	**4,498**
Available-for-sale financial assets	263,681	-	2,706	1,228	**407,752**
Financial liabilities at fair value through profit or loss	1,216	(29)	-	-	**1,903**

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

2. Precious metals: being subject to impact of the proprietary precious metal trading strategy and market movement, the Company increased its cash position of precious metal during the reporting period, and its balance in domestic precious metals spot trading at the end of the reporting period increased by RMB7.267 billion compared with that at the beginning of the period.

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

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

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

I. Discussion and analysis of operations during the reporting period

(I) Review of operations during the reporting period

1. Overall operations of the Company

During the reporting period, growth of the macroeconomy slowed, while financial reform progressed faster. There were also many changes in the market environment, and commercial banks faced increasing pressure in operations and management. The Company proactively complied with the country's macroeconomic policies and financial regulatory requirements. Adhering to the main principles of "stabilizing development, ensuring safety, and promoting transformation" in its work, the Company made steady progress and flexible adaptation, furthered reforms, and enhanced quality and efficiency. Various businesses maintained stable development, and operations were in line with expectations overall.

The development of the Company's business was steady and sound, and profitability further increased. As at the end of the reporting period, the total assets of the Company reached RMB4,406.399 billion, an increase of 19.79% over the figure at the beginning of the period, while the balance of local and foreign currency deposits reached RMB2,267.78 billion, an increase of 4.49% over the figure at the beginning of the period. The balance of local and foreign currency loans reached RMB1,593.148 billion, an increase of 17.40% over the figure at the beginning of the period. The capital adequacy ratio satisfied new regulatory requirements, at the end of the reporting period, net capital reached RMB328.767 billion, while Tier I capital adequacy ratio and Tier I core capital adequacy ratio reached 8.89% and 8.45%, respectively, and capital adequacy ratio was 11.29%. The debt to asset ratio was sound, and major indicators satisfied regulatory requirements. During the reporting period, net profit attributable to shareholders of the parent company was RMB47.138 billion, a year-on-year increase of 14.38%; fee and commission income reached RMB28.412 billion, a year-on-year increase of 14.86%; weighted average return on net assets was 21.21%, a year-on-year decrease of 1.18 percentage points; return on total assets was 1.18%, a year-on-year decrease of 0.02 percentage point. Quality of assets maintained overall stability, with non-performing loans ratio at 1.10%, an increase of 0.34 percentage point compared to that at the beginning of the period. Provision was adequate, as at the end of the reporting period, provision-to-loan ratio was 2.76% and provision coverage ratio reached 250.21%.

Reforms progressed in an orderly manner and the pace of business transformation sped up. By seizing the essence of regulatory spirit, the Company smoothly completed reforms of the management systems for wealth management business and interbank business. Reforms of the systems for small and micro business and industrial financing were steadily launched, and a new round of system reforms for retail business was steadily implemented. With business emphasis on a bank with "sizeable investment, sizeable wealth management, and sizeable asset management", the pace of business transformation and upgrade was further increased. The scale of underwriting debt financing instruments for non-financial enterprises exceeded RMB300 billion, while the scale of lead underwriting remained in the forefront of banks of a similar type, and the scale of issuance of direct financing instruments for wealth management took the lead in the entire market. There were good developments in areas of small and micro business, automotive, energy, and metallurgy industries, while the results of reforms of proprietary systems became increasingly evident. For retail business, the Company proactively responded to the impact arising from development of internet finance and an active capital market. With emphasis on marketing brands such as Enjoyable Life, Universal Life, and Flourishing, businesses in retail loans, wealth management and various types of transaction clearing and settlement services grew steadily, with operation specialty becoming more prominent. For financial market business, the Company vigorously pushed forward adjustment and upgrade of its business structure, thereby consolidating market share and market status. The Company's interbank liabilities business continued to grow, with single issues and balance of NCDs both taking a lead in the market. For asset management, the Company insisted on both standardization and transformation, and fully strengthened management. The scale of asset custody was RMB4.73 trillion, ranked fourth in the market. The Company expedited its internet banking innovations, and began to attain achievements in the areas of collaboration with Baidu, brand building in internet finance, and development of direct banking.

The Company strengthened basic management comprehensively, thereby further enhancing the level of operation security. By insisting on a capital intensive orientation, the Company further improved its appraisal and evaluation system, which are based on return on capital. By seeking to establish an overall appraisal and evaluation mechanism for the Group, the Company promoted business linkage within the Group. By improving risk management systems at the Group level, the Company strengthened coordination and unification of risk preference at the Group level. By continuing to conduct risk monitoring and identification, and strengthening risk warning management, the Company raised the efficiency of asset quality management. By strengthening compliance and internal control appraisal and evaluation management, the Company guided the whole bank towards compliant, prudent operations. The institutional network layout was further improved, with branches in Hong Kong, Haikou and Xining smoothly opened, and the total number of institutions reaching 1,435. The Company also proactively and prudently promoted the establishment of community banks, with 527 licensed community banks already opened. By improving meeting mechanisms and decision and supervision mechanisms at the Head Office, the Company increased efficiency of the Head Office's work and implementation of decisions. Furthermore, the Company continued to increase investment in IT R&D, production and operation, and security establishments, and raised the standard of IT services.

The group-oriented, comprehensive, and international operations made new progress. There was steady growth in the scale and efficiency of Industrial Leasing, a wholly-owned subsidiary, and Industrial Trust and Industrial Fund, both controlling subsidiaries. Industrial Trust acquired Ningbo Shanli Futures Broking Co., Ltd., which was subsequently renamed as China Industrial Futures Company Limited. Industrial Consumer Finance Co., Ltd. smoothly started operation. Business at the Hong Kong Branch was steadily launched, and its function as an international business platform became more prominent.

Market status and brand image were steadily enhanced. The Company continued to be among the top 50 world banks (ranked by The Banker, a British magazine), global 500 companies (ranked by Fortune, a US magazine), and top 150 listed world enterprises (ranked by Forbes, a US magazine) with rankings steadily climbing. Gao Jianping, Chairman, was honoured as one of China's 50 Most Influential Business Leaders in 2014 by Fortune (Chinese edition). For the third time, the Company's board of directors was awarded Best Board of Directors under the Golden Roundtable Awards of Boards of Listed Companies, after winning in 2010 and 2013. In the past year, in various award activities of domestic and international authoritative institutions, the Company was awarded honours such as Best Strategic Innovation Bank, Most Socially Responsible Financial Institution of the Year, Best Green Bank, Best Chinese Bank, China Charity Outstanding Contribution Award, Innovative Internet Finance of the Year, and etc.

2. Development strategy and implementation

As of the end of the reporting period, the Company's 2011-2015 Development Strategy Plan had already been implemented for four years. During the plan implementation period, the Company proactively complied with China's macroeconomic policies and financial regulation requirements. In addition, the Company insisted on striving for accomplishments while maintaining stability, as well as scientific development. With the target of building itself into "a mainstream banking group with sound foundation, coordinated structure, prominent professionalism, vivid distinctiveness, solid strength, and full accountability", the Company vigorously furthered reforms, upgrade and transformation. While maintaining a sound development in various businesses, the Company continued to enhance its management and operational support capabilities and steadily pushed for group-oriented, comprehensive and international operations. The Company's overall development was good.

First, the attainment of major business indicators was satisfactory. Indicators for scale of assets and profitability either basically met or surpassed phased requirements of the five-year plan. Capital adequacy indicators satisfied regulatory requirements at all regulatory junctures. Although the ratio of non-performing loans increased, considering that the previous year's relatively lower figure was used as the basis for comparison, and that the provision made was relatively adequate, the overall risk was controllable.

Second, the achievements of business transformation were impressive. Adapting to the trends of marketised and diversified development in the financial field, the Company steered away from the traditional model of business development, adhered to multi-market, multi-product and comprehensive development with perseverance, and created a diversified structure for assets, liabilities and income. Asset use and liabilities sources became more diversified, and profit structure became more optimized, while structural transformation indicators such as the share of intermediate business income met the planned requirements earlier than expected.

Third, operational specialty became more prominent. Adhering to the principles of making full play of strengths, avoiding weakness, and staying pragmatic, the Company established its own specialty and brands in different facets, and became a mainstream competitor in the area of domestic urbanization finance, a leader in the green finance market, and a trendsetter in the area of interbank cooperation services. The first-mover advantages of many-market, many-product, and comprehensive services started to take shape, with business innovations based on investment banking, wealth management and asset management rapidly launching. Moreover, the Company was the first to position itself for multiple markets, such as money market, capital market, precious metals market, foreign exchange market, derivatives market, etc., thereby enjoying first-mover advantages.

Fourth, institutional reforms achieved new breakthroughs. The Company furthered reforms of systems and mechanisms and business transformation, and implemented professional reforms in its three major business lines of corporate finance, retail finance, and financial market, thereby basically establishing and improving its matrix-style operational management system by integrating lines and sectors. The Company strengthened the organization and promotion of business operations of the entire bank, and enhanced capabilities of professional operations significantly Management service support became more adequate, and basic management was continually strengthened. The level of refinement in risk management, compliance management, and internal control management, as well as operational support capability, were also continually enhanced, thereby providing good assurance and support for business development.

Fifth, the group-oriented layout was basically completed, and international operations started. The Company continued to make efforts in group-oriented, comprehensive operations, and achieved many breakthroughs. A comprehensive financial services group comprising a bank as the main entity and covering services such as trusteeship, leasing, funds, futures, asset management and consumer finance has basically taken shape. The Company' s internationalization strategy took a concrete step with the official opening of the Hong Kong Branch in 2014.

3. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB124.898 billion, and its operating profit was RMB60.190 billion.

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

Unit: RMB million

Region	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	28,512	81.40	17,040	Negative in the same period of last year
Fujian	16,021	11.93	7,340	(17.85)
Beijing	7,682	4.57	5,105	(0.43)
Shanghai	7,785	4.52	4,527	(4.07)
Guangdong	9,585	(4.47)	3,021	(50.87)
Zhejiang	5,296	4.48	243	(62.90)
Jiangsu	5,833	(5.15)	2,834	(25.81)
Northeast and other regions in Northern China	14,552	2.48	7,093	(15.84)
Western China	14,603	1.82	8,112	(15.83)
Central China	15,029	2.47	4,875	(42.42)
Total	**124,898**	**14.28**	**60,190**	**11.30**

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

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Year-on-year change (%)
Interest income from loans	93,393	37.34	13.20
Interest income from placements	4,645	1.86	(33.62)
Interest income from amount due from the Central Bank	6,205	2.48	6.41
Interest income from amount due from banks and other financial institutions	4,782	1.91	(21.43)
Interest income from financial assets held under resale agreements	56,335	22.52	12.15
Gain and loss, and interest income from investment	49,718	19.88	43.21
Fee and commission income	28,412	11.36	14.86
Interest income from financing lease	4,031	1.61	24.88
Other income	2,602	1.04	Negative in the same period of last year
Total	**250,123**	**100**	**16.87**

4. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2014	December 31, 2013	Change over previous year-end (%)	Brief description
Total assets	**4,406,399**	3,678,304	19.79	Steady and healthy growth of various asset businesses
Total liabilities	**4,145,303**	3,477,133	19.22	Steady and healthy growth of various liability businesses
Shareholders' equity attributable to the shareholders of the parent company	**257,934**	199,769	29.12	Transfer of the net profit earned in the current period, increased change in fair value of available-for-sale financial assets and issuance of preferred shares
Item	2014	2013	Change over previous year-end (%)	Brief description
Net profit attributable to the shareholders of the parent company	**47,138**	41,211	14.38	Stable interest margin, growth in interest-bearing assets; growth in fee and commission income; and cost-to-income ratio maintained at a low level
Weighted average ROE (%)	**21.21**	22.39	Down 1.18 percentage points	Increased change in fair value of available-for-sale financial assets, and the growth in net profit was slower than the growth in weighted net assets
Net cash flow from operating activities	**682,060**	209,119	226.16	The Company took initiative to adjust operating strategies and optimize business structure, leading to healthy and steady growth in various businesses and increase in investment allocation by seizing market opportunity

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

Unit: RMB million

Main accounting item	December 31, 2014	December 31, 2013	Change over previous year-end (%)	Brief description
Amount due from banks and other financial institutions	**100,816**	62,845	60.42	Adjustment to interbank assets allocation, leading to increase in the balance of amount due from banks and other financial institutions
Precious metals	**7,543**	276	2,632.97	Increased position of precious metals
Placements with banks and other financial institutions	**51,149**	87,091	(41.27)	Adjustment to interbank assets allocation, leading to decrease in the balance of placements with banks and other financial institutions
Available-for-sale financial assets	**408,066**	263,967	54.59	Increased available-for-sale government bonds, corporate bonds, and trusts and other beneficial interests
Held-to-maturity investment	**197,790**	117,655	68.11	Increased held-to-maturity government bonds
Investment in accounts receivable	**708,446**	329,497	115.01	Increased accounts receivable trusts and other beneficial interests
Borrowings from the Central Bank	**30,000**	-	Nil balance at the end of last year	Increased borrowings from the Central Bank
Bonds payable	**185,787**	67,901	173.61	Issuance of Tier 2 capital bonds and deposit receipt from banks
Interest payable	**35,710**	26,317	35.69	Increased interest payable for deposits and amount due from banks and other financial institutions
Other liabilities	**151,028**	15,577	869.56	Increased pending settlement payments due to customers
Preferred shares	**12,958**	-	Nil balance at the end of last year	Issuance of preferred shares during the period
Other comprehensive income	**2,214**	(4,619)	Negative balance at the end of last year	Increased change in fair value of available-for-sale financial assets

Main accounting item	2014	2013	Change over previous year (%)	Brief description
Investment (losses) gains	**(96)**	22	(536.36)	Being highly interrelated, the overall gains of these three items after consolidation amounted to RMB2.227 billion, mainly because of the increase in gains related to held-for-trading bonds and derivative financial instruments.
Gains (losses) from change in fair value	**1,631**	(1,142)	Negative in the same period of last year	
Foreign exchange gains	**692**	744	(6.99)	
Impairment losses of assets	**25,904**	18,188	42.42	Increased provision being made and growth in impairment losses of loans and investments
Other comprehensive income	**6,859**	(3,785)	Negative in the same period of the last year	Increased change in fair value of available-for-sale financial assets

(II) Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Company stood at RMB4,406.399 billion, up 19.79% from the figure at the beginning of the period, of which loans increased by RMB236.091 billion or 17.40% from the figure at the beginning of the period; financial assets held under resale agreements decreased by RMB208.329 billion or 22.62% compared with the figure at the beginning of the period; and various net investments were up by RMB605.631 billion or 80.24% compared with the figure at the beginning of the period.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2014	December 31, 2013
Corporate loans	**1,179,708**	988,808
Personal loans	**385,950**	353,644
Discounted bills	**27,490**	14,605
Total	**1,593,148**	**1,357,057**

As at the end of the reporting period, the proportion of corporate loans was 74.04%, up 1.19 percentage points from that at the beginning of the period. The proportion of personal loans decreased by 1.84 percentage points to 24.23%, and the proportion of discounted bills increased by 0.65 percentage point to 1.73%, compared with that at the beginning of the period. The Company took the initiative to adapt to the new normal in the macroeconomy. The Company seized periodic opportunities as well as long-term strategic opportunities and reasonably defined the direction and pace of credit extension by adhering to the principle of prudent and sound operation while centering on the fundamental theme of "stabilizing growth, ensuring security and promoting transformation" in its work. The Company also accelerated the adjustment of credit structure and the transformation and upgrading of its business in order to maintain a steady growth in various businesses.

(2) Loan distribution by industry

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

Unit: RMB million

Industry	December31, 2014			December31, 2013		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**5,751**	**0.36**	**0.00**	5,401	0.40	0.00
Mining	**53,743**	**3.37**	**0.93**	46,146	3.40	0.67
Manufacturing	**293,739**	**18.44**	**2.29**	281,108	20.71	1.34
Production and supply of power, heat, gas and water	**47,638**	**2.99**	**0.01**	41,048	3.02	0.04
Construction	**80,352**	**5.04**	**0.28**	64,362	4.74	0.13
Transportation, logistics and postal service	**56,777**	**3.56**	**0.02**	47,608	3.51	0.45
Information transmission, software and IT service	**8,172**	**0.51**	**1.03**	6,818	0.50	0.66
Wholesale and retail	**239,606**	**15.04**	**2.63**	203,774	15.02	1.76
Accommodation and catering	**5,586**	**0.35**	**0.69**	6,599	0.49	0.09
Finance	**3,808**	**0.24**	**0.01**	1,476	0.11	0.02
Real estate	**189,843**	**11.92**	**0.00**	131,253	9.67	0.00
Leasing and commercial services	**88,290**	**5.54**	**0.40**	83,125	6.13	0.27
Scientific research and technical service	**4,633**	**0.29**	**4.24**	5,839	0.43	0.00
Water conservation, environment and public facility administration	**79,168**	**4.97**	**0.06**	50,527	3.72	0.21
Residential services, repair and other related services	**2,173**	**0.13**	**0.04**	1,961	0.14	0.61
Education	**2,178**	**0.14**	**0.09**	467	0.03	0.43
Sanitation and social services	**5,535**	**0.35**	**0.00**	3,000	0.22	0.00
Culture, sporting and entertainment	**4,072**	**0.26**	**0.00**	3,097	0.23	0.05
Public administration, social security and social organization activities	**8,644**	**0.54**	**0.00**	5,199	0.38	0.00
Personal loans	**385,950**	**24.23**	**0.79**	353,644	26.07	0.55
Discounted bills	**27,490**	**1.73**	**0.00**	14,605	1.08	0.00
Total	**1,593,148**	**100**	**1.10**	**1,357,057**	**100**	**0.76**

During the reporting period, the Company recognized the macroeconomic situation and the development prospect of the industry by intensifying industry research and analysis as well as prospective analysis of industry risks. By giving full play to the orientation function of authorization and credit extension policy, the Company effectively implemented the mechanism for qualifying and disqualifying clients and strove for a reasonable layout and a balanced development of industries, customers and products. The Company also reinforced the credit support to retail customers, less cyclical industries, green finance initiatives, small and micro enterprises, domestic livelihood consumption industries, key industries under the national policies and infrastructure projects driven by new urbanization. We also established a professional management system based on various industry characteristics with a view to enhancing the professionalism and effectiveness of risk control, and realizing a continuous optimization of our industry and client structures.

NPL ratios for the manufacturing, wholesale and retail industries slightly increased from those at the beginning of the period, mainly attributable to the impacts of the slowdown in economic growth, the adjustment of industrial structure and the decrease in market demand. Certain industries with excess capacity and bulk commodity trade suffered from increased risks, while negative factors of private lending and guaranteed financing repayment did not show fundamental improvements, resulting in increased credit risks.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2014		December 31, 2013	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**81,928**	**5.14**	73,771	5.44
Fujian	**235,059**	**14.75**	200,481	14.77
Guangdong	**163,696**	**10.28**	150,069	11.06
Zhejiang	**118,680**	**7.45**	98,728	7.28
Shanghai	**99,549**	**6.25**	91,640	6.75
Beijing	**97,591**	**6.13**	88,455	6.52
Jiangsu	**107,073**	**6.72**	73,682	5.43
Northeast and other regions	**197,426**	**12.38**	170,702	12.58
Western China	**235,395**	**14.78**	188,667	13.90
Central China	**256,751**	**16.12**	220,862	16.27
Total	**1,593,148**	**100**	**1,357,057**	**100**

The Company’s loans remained stable in terms of geographical distribution and were located primarily in developed regions such as Fujian, Guangdong, Zhejiang, Shanghai, Beijing and Jiangsu. The Company actively optimized resources deployment for regional credits and increased credit extension in Yangtze River Delta and western areas. The Company also encouraged its branches to follow the unified credit policy and orientation, and meanwhile, on the foundation of “knowing the regions and the customers”, to focus on the features of economic trends, industrial structure and credit environment, and to give full play to the “regional economic advantage” and “branch comparative advantage”, so as to implement a differential credit policy to further adjust and optimize regional credit structure.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2014		December 31, 2013	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**281,107**	**17.65**	255,792	18.85
Guaranteed loans	**382,267**	**23.99**	305,317	22.50
Secured by mortgage	**712,332**	**44.71**	600,367	44.24
Secured by collateral	**189,952**	**11.92**	180,976	13.33
Discounted bills	**27,490**	**1.73**	14,605	1.08
Total	**1,593,148**	**100**	**1,357,057**	**100**

As at the end of the reporting period, the proportion of the Company' s unsecured loans decreased by 1.2 percentage points as compared with that at the beginning of the period; the proportion of guaranteed loans increased 1.49 percentage points as compared with that at the beginning of the period; the proportion of loans secured by mortgage and collateral decreased by 0.94 percentage point as compared with that at the beginning of the period, while the proportion of loans secured by discounted bills increased by 0.65 percentage point as compared with that at the beginning of the period.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2014	Percentage in total loans (%)
Customer A	**25,469**	1.60
Customer B	**5,300**	0.33
Customer C	**5,143**	0.32
Customer D	**5,079**	0.32
Customer E	**4,824**	0.30
Customer F	**4,199**	0.26
Customer G	**4,000**	0.25
Customer H	**3,475**	0.22
Customer I	**2,832**	0.18
Customer J	**2,700**	0.18
Total	**63,021**	**3.96**

As at the end of the reporting period, the loan balance of the Company' s largest single borrower was RMB25.469 billion, accounting for 8.26% of the Company' s net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank' s net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2014			December 31, 2013		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**198,769**	**51.50**	**0.32**	185,061	52.33	0.21
Personal business loans	**72,879**	**18.88**	**1.61**	73,483	20.78	0.59
Credit cards	**66,364**	**17.20**	**1.59**	60,375	17.07	1.82
Others	**47,938**	**12.42**	**0.41**	34,725	9.82	0.09
Total	**385,950**	**100**	**0.79**	**353,644**	**100**	**0.55**

The Company further adjusted and optimized its structure of personal loans and stepped up support for the development of consumer credit business. Influenced by the slowdown in the growth of the domestic economy and the slip in the Company's core operations, the NPL ratio of personal loans slightly went up as at the end of the reporting period, but the overall risk remained controllable.

The Company further intensified the risk prevention, management and control of personal loans. Firstly, it brought the advantages of the "retail credit factory" into full play in terms of intensiveness and efficiency, focused on the growing of core customer base in the retail segment, and also strengthened the centralization, standardization and process management of personal loans, and thus enhanced the efficiency of risk control. Secondly, it improved the credit extension policy of personal business loans, personal consumption loans and credit cards, and intensified the management of customer access for personal loans and also optimized the customer structure of personal loans. Thirdly, it strengthened the examination of risks, gave timely risk alerts, and accelerated risk elimination and disposal in respect of key products and key regions.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the net investment of the Company stood at RMB1,360.441 billion, up RMB605.631 billion or 80.24% from that at the beginning of the period. The specific composition of investment is set out as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Financial assets at fair value through profit or loss	**44,435**	**3.27**	42,295	5.60
Available-for-sale	**408,066**	**30.00**	263,967	34.97
Receivable	**708,446**	**52.07**	329,497	43.65
Held-to-maturity	**197,790**	**14.54**	117,655	15.59
Long-term equity investments	**1,704**	**0.12**	1,396	0.19
Total	**1,360,441**	**100**	**754,810**	**100**

During the reporting period, the Company increased the investment scale, particularly investments that had relatively high absolute yields and controllable risks. As at the end of the reporting period, receivable, available-for-sale and held-to-maturity investments witnessed a certain increase over those at the beginning of the reporting period, mainly attributable to investment products with high rating that had relatively higher absolute yields and government bond investments.

② Classification based on issuer

Unit: RMB million

Asset Type	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**268,683**	**19.75**	138,969	18.41
Central bank bills and financial bonds	**63,898**	**4.70**	72,565	9.61
Corporate bonds	**179,731**	**13.21**	158,999	21.06
Other investments	**846,425**	**62.22**	382,881	50.73
Long-term equity investments	**1,704**	**0.12**	1,396	0.19
Total	**1,360,441**	**100**	**754,810**	**100**

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

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company' s long-term equity investments was RMB1.704 billion, and the details are set out as follows:

① The Company held 223.20 million shares of Jiujiang City Commercial Bank Co., Ltd. with a proportion of equity interest of 14.72% and a book value of RMB1.491 billion.

② Industrial Trust held 19.00% equity interest in Chongqing Machinery and Electronics Holding Group Finance Company Limited with a book value of RMB135 million.

③ Industrial Trust held 29.70% equity interest in China Industrial Futures Limited with a book value of RMB78 million.

(3) The Company's equity in other listed companies

① Details of the Bank' s equity interest in other listed companies:

Unit: RMB million

Name of the company	Initial investment costs	Number of shares held (shares)	Percentage in the company' s equity (%)	Book value at the end of the reporting period
VISA INC	-	10,866	-	18
Total	**-**	**-**	**-**	**18**

② As at the end of the reporting period, Industrial Trust held shares in listed companies with a book value of RMB122.9767 million, and the transactions of which were normal investment business.

(4) The Company's equity interest in non-listed financial companies and companies planning to be listed

Unit: RMB million

Name of the company	Initial investment costs	Number of shares held (shares)	Percentage in the company's equity (%)	Book value at the end of the reporting period
Jiujiang City Commercial Bank Co., Ltd.	561	223,200,000	14.72	1,491
Chongqing Machinery and Electronics Holding Group Finance Company Limited	114	-	19.00	135
China Industrial Futures Limited	77	-	29.70	78
Total	**752**	**-**	**-**	**1,704**

Note: the equity interest in Chongqing Machinery and Electronics Holding Group Finance Company Limited and China Industrial Futures Limited set out above were held by Industrial Trust.

(5) Use of raised proceeds and changes in scheduled projects

In December 2014, approved by CSRC, the Company announced the non-public offering to 28 qualified investors of 130,000,000 preferred shares at a par value of RMB100 per share with a 6.00% coupon in the first interest-bearing cycle. The net proceeds raised after deduction of offering expenses were RMB12.958 billion, all of which were used to supplement Tier 1 capital. Upon the issuance of the preferred shares, they have been listed on the integrated business platform of Shanghai Stock Exchange since December 19, 2014.

During the reporting period, the Company did not change the use of the proceeds raised.

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

As at the end of the reporting period, the Company had a balance of RMB100.837 billion in deposits with banks and other financial institutions, an increase of RMB37.971 billion or 60.40% from that at the beginning of the period, mainly driven by the increase in short-term deposits with banks for effective management of short-term liquidity.

Unit: RMB million

Type	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**89,212**	**88.47**	58,182	92.55
Deposits with other domestic financial institutions	**715**	**0.71**	888	1.41
Deposits with foreign banks	**10,910**	**10.82**	3,796	6.04
Total	**100,837**	**100**	**62,866**	**100**

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

As at the end of the reporting period, the Company recorded a balance of RMB712.761 billion in financial assets held under resale agreements, representing a decrease of RMB208.329 billion or 22.62% from that at the beginning of the period. In accordance with regulatory requirements, there should be no additional non-standard financial assets held under resale agreements, and the financial assets held under resale agreements at the end of the period decreased accordingly as the existing ones reached maturity.

Unit: RMB million

Category	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**25,077**	**3.52**	12,846	1.39
Bills	**364,923**	**51.20**	352,626	38.28
Trusts and other beneficial interests	**322,359**	**45.23**	554,016	60.15
Credit assets	**300**	**0.04**	700	0.08
Financial lease receivables	**102**	**0.01**	902	0.10
Total	**712,761**	**100**	**921,090**	**100**

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB4,145.303 billion, an increase of RMB668.17 billion or 19.22% from that at the beginning of the period.

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

As at the end of the reporting period, the balance of customer deposits was RMB2,267.78 billion, an increase of RMB97.435 billion or 4.49% compared with that at the beginning of the period.

Unit: RMB million

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	**948,425**	**41.82**	907,078	41.79
Incl: Corporate	**786,745**	**34.69**	721,121	33.23
Personal	**161,680**	**7.13**	185,957	8.57
Time deposits	**1,053,728**	**46.47**	979,043	45.11
Incl: Corporate	**847,319**	**37.36**	811,637	37.40
Personal	**206,409**	**9.11**	167,406	7.71
Other deposits	**265,627**	**11.71**	284,224	13.10
Total	**2,267,780**	**100**	**2,170,345**	**100**

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

As at the end of the reporting period, the Company had a balance of RMB1,268.148 billion in deposits from banks and other financial institutions, an increase of RMB260.604 billion or 25.87% from that at the beginning of the period. In response to the external market conditions, the Company reasonably adjusted the structure of assets and liabilities and put more efforts on expanding interbank liability business so as to mitigate volatility of market liquidity.

Unit: RMB million

Transaction counterpart	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**550,267**	**43.39**	597,583	59.31
Deposits from other financial institutions	**717,881**	**56.61**	409,961	40.69
Total	**1,268,148**	**100**	**1,007,544**	**100**

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

As at the end of the reporting period, the Company recorded a balance of RMB98.571 billion in financial assets sold under repurchase agreements, representing an increase of RMB16.79 billion or 20.53% compared with that at the beginning of the period, mainly due to the business growth in bonds sold under repurchase agreements.

Unit: RMB million

Type	31 December 2014		31 December 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**78,188**	**79.32**	53,170	65.02
Bills	**19,864**	**20.15**	18,729	22.90
Others	**519**	**0.53**	9,882	12.08
Total	**98,571**	**100**	**81,781**	**100**

(III) Analysis of income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in interest-bearing assets. The Company flexibly allocated assets by capturing market opportunities and increased the yields of interest-bearing assets, with stable net increase margin. There was a sustained growth in fee and commission income. The cost-to-income ratio was maintained at a relatively low level. The net profit attributable to shareholders of the parent company reached RMB47.138 billion, up 14.38% year-on-year.

Unit: RMB million

Item	2014	2013	Increase / Decrease YoY (%)
Operating income	**124,898**	109,287	14.28
Net interest income	**95,560**	85,845	11.32
Net non-interest income	**29,338**	23,422	25.15
Business tax and surcharges	**(9,105)**	(7,831)	16.27
Operating and administrative expense	**(29,451)**	(28,757)	2.41
Impairment loss of assets	**(25,904)**	(18,188)	42.42
Other operating costs	**(248)**	(433)	(42.73)
Net non-operating income and expense	**408**	183	122.95
Profit before tax	**60,598**	54,261	11.68
Income tax	**(13,068)**	(12,750)	2.49
Net profit	**47,530**	41,511	14.50
Profit and loss of minority shareholders	**392**	300	30.67
Net profit attributable to the shareholders of the parent company	**47,138**	41,211	14.38

1. Net interest income

During the reporting period, the net interest income of the Company was RMB95.56 billion, up RMB9.715 billion or 11.32% year-on-year, mainly because various businesses of the Company grew steadily, and the daily average scale of interest-bearing assets increased by 9.74% year-on-year. The Company also flexibly allocated assets by capturing market opportunities and increased the yields of interest-bearing assets with the net interest margin up by 4 basis points.

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

Unit: RMB million

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**91,411**	**41.66**	80,938	42.69
Interest income from discounted bills	**1,982**	**0.90**	1,567	0.83
Interest income from investments	**49,814**	**22.70**	34,694	18.30
Interest income from the amount due from the Central Bank	**6,205**	**2.83**	5,831	3.08
Interest income from placements with banks and other financial institutions	**4,645**	**2.12**	6,998	3.69
Interest income from resale agreements	**56,335**	**25.68**	50,231	26.49
Interest income from deposits in banks and other financial institutions	**4,782**	**2.18**	6,086	3.21
Interest income from financial leasing	**4,031**	**1.84**	3,228	1.70
Other interest income	**209**	**0.09**	29	0.01
Subtotal of interest income	**219,414**	**100**	**189,602**	**100**
Interest expense				
Interest expense on loans from the Central Bank	**210**	**0.17**	-	-
Interest expense on deposits	**52,279**	**42.21**	44,209	42.61
Interest expense on bonds issuance	**5,136**	**4.15**	3,100	2.99
Interest expense on deposits from banks and other financial institutions	**57,565**	**46.48**	47,367	45.65
Interest expense on placements from banks and other financial institutions	**3,546**	**2.86**	2,718	2.62
Interest expense on repurchase agreements	**4,969**	**4.01**	5,537	5.34
Other interest expenses	**149**	**0.12**	826	0.79
Subtotal of interest expense	**123,854**	**100**	103,757	100
Net interest income	**95,560**		**85,845**	

Unit: RMB million

Item	2014		2013	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances				
Based on loan type:	**1,432,788**	**6.52**	1,338,119	6.17
Corporate loans	**1,133,841**	**6.50**	1,059,182	5.87
Personal loans	**298,947**	**6.59**	278,937	7.31
Based on loan term:				
General short-term loans	**778,948**	**6.51**	733,779	5.96
Medium and long-term loans	**623,019**	**6.53**	578,282	6.44
Discounted bills	**30,821**	**6.43**	26,058	6.01
Investments	**829,982**	**6.01**	581,618	5.97
Deposits in the Central Bank	**414,041**	**1.50**	390,326	1.49
Deposits in and placements with banks and other financial institutions (including financial assets held under resale agreements)	**1,120,909**	**6.10**	1,158,370	5.47
Financial leasing	**60,657**	**6.65**	47,353	6.82
Total	**3,858,377**	**5.69**	**3,515,786**	**5.39**

Item	2014		2013	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Deposit taking	**2,143,895**	**2.43**	2,020,058	2.19
Corporate deposits	**1,799,477**	**2.49**	1,711,050	2.21
Demand deposits	**711,260**	**0.64**	690,271	0.64
Time deposits	**1,088,217**	**3.69**	1,020,779	3.28
Personal deposits	**344,418**	**2.15**	309,008	2.04
Demand deposits	**150,624**	**0.40**	137,471	0.38
Time deposits	**193,794**	**3.50**	171,537	3.37
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,324,701**	**5.00**	1,199,166	4.71
Borrowings from the Central Bank	**6,000**	**3.50**	0	-
Bonds payable	**109,408**	**4.69**	67,459	4.60
Total	**3,584,004**	**3.45**	**3,286,683**	**3.16**
Net interest spread	**-**	**2.23**	**-**	**2.23**
Net interest margin	**-**	**2.48**	**-**	**2.44**

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB29.338 billion, accounting for 23.49% of the operating income, an increase of RMB5.896 billion or 25.15% year-on-year.

The specific composition is set out as follows:

Unit: RMB million

Item	2014	2013
Net fee and commission income	**27,041**	23,762
Gain and loss from investment	**(96)**	22
Gain and loss from changes in fair value	**1,631**	(1,142)
Gain and loss from exchange	**692**	744
Income from other businesses	**70**	56
Total	**29,338**	**23,442**

During the reporting period, the Company realized fee and commission income of RMB28.412 billion, up RMB3.676 billion or 14.86% year-on-year, mainly because the Company continued to focus on investment banking, asset management and wealth management, while it improved its professional services in emerging business sectors and strengthened and optimized the payment and settlement functions and services in respect of basic products such as e-banking, cash management and bank cards, which resulted in the steady growth in fee income.

Items like gain and loss from investment, gain and loss from changes in fair value and gain and loss from exchange were highly interrelated. After the reclassification based on their business nature, the gain recognized reached RMB2.227 billion, mainly due to an increase in gain relating to bonds in the trading category and financial derivatives.

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

Unit: RMB million

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income				
Fee income from payment and settlement	**743**	**2.62**	517	2.09
Fee income from bank cards	**5,653**	**19.90**	4,742	19.17
Fee income from agency business	**2,789**	**9.82**	2,724	11.01
Fee income from guarantee commitment	**1,794**	**6.31**	1,111	4.49
Fee income from trading business	**133**	**0.47**	105	0.42
Fee income from custody business	**4,211**	**14.82**	3,357	13.57
Fee income from consulting service	**10,512**	**37.00**	9,642	38.98
Fee income from trust business	**1,376**	**4.84**	1,630	6.59
Fee income from lease business	**534**	**1.88**	384	1.55
Other fee income	**667**	**2.34**	524	2.12
Sub-total	**28,412**	**100**	**24,736**	**100**
Fee and commission expense	**1,371**		**974**	
Net fee and commission income	**27,041**		**23,762**	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB29.451 billion, up RMB694 million or 2.41% year-on-year. The specific composition is set out as follows:

Unit: RMB in million

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**17,369**	**58.98**	17,304	60.17
Depreciation and amortization	**1,684**	**5.72**	1,404	4.88
Lease expense	**2,387**	**8.10**	1,885	6.55
Other general and administrative expenses	**8,011**	**27.20**	8,164	28.40
Total	**29,451**	**100**	**28,757**	**100**

During the reporting period, the Company imposed strict control on its expense growth, with the operating expenses only up by 2.41% year-on-year, well below the 14.28% year-on-year growth in the operating income in the same period. The cost-to-income ratio dropped by 2.93 percentage points year-on-year, maintaining at a low level of 23.78%.

4. Impairment loss of assets

During the reporting period, the Company' s impairment loss of assets was RMB25.904 billion, up RMB7.716 billion or 42.42% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**19,651**	**75.86**	16,417	90.26
Impairment loss on investment in accounts receivable	**4,151**	**16.02**	1,221	6.71
Impairment loss on available-for-sale financial assets	**1,228**	**4.74**	-	-
Impairment loss on financial leasing receivable	**358**	**1.38**	516	2.84
Impairment loss on other assets	**516**	**2.00**	34	0.19
Total	**25,904**	**100**	**18,188**	**100**

During the reporting period, the Company accrued a loan impairment loss of RMB19.651 billion, up RMB3.234 billion year-on-year, mainly because as a result of the increase in loans, the Company made provision for impairment based on the predicted present value of discounted future cash flows determined as per the original effective interest rates of the loans, pursuant to the relevant requirements of the Accounting Standards for Business Enterprises with industry risks taken into account.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 21.57%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2014
Profit before tax	**60,598**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**15,149**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(2,336)**
Non-deductible items	**82**
Adjustment on the tax of previous years	**173**
Income tax expense	**13,068**

(IV) Difficulties in operation of the Company and countermeasures during the reporting period

While keeping steady and rapid development, the Company encountered some difficulties during the reporting period, mainly being:

1. More complex and volatile external situation. The economic development entered into the new normal in 2014 due to the further measures taken to adjust structure and stabilize growth as well as the reaping of reform benefits, resulting in stabilized domestic economic growth. The persistence of sluggish economic momentum and slower growth arising from the overlapping of domestic growth pattern transformation period, structural adjustment period and policy systemization period, coupled with passive deleveraging of business entities and the elimination of backward production capacities, brought about great challenges and pressure to the business structural adjustment and the asset quality control of commercial banks.

2. More standardized and stringent financial regulation. The regulatory authorities improved the standards and systems on prudential regulation in recent years by issuing rules and regulations in relation to corporate governance, internal control and business management to encourage, for instance, the development of standardized direct financing business, particularly the M&A financing, assets securitization and debt issuance business of commercial banks. Meanwhile, the regulatory authorities continued to push forward the structural reform to strengthen their professional, targeted and frequent regulatory inspections, conducting more stringent monitoring and imposing heavier penalties on substandard practices in non-standard investment, wealth management, interbank business, fee collection and deposit solicitation. Addressing the regulatory changes mentioned above, commercial banks had to reinforce the internal control and compliance system, adjust asset allocation strategy and optimize the structure of assets and liabilities.

Specific to the problems and difficulties set forth above, the entire Company carried out the national economic and financial reform policies while adhering to the business guideline of “stabilizing growth, ensuring safety and facilitating transformation”, thus achieving steady development, flexible adaptation, in-depth reform and quality and efficiency enhancement. The Company withstood challenges arising from internal and external changes and recorded operation results as expected by taking the following main countermeasures:

(1) Proactively addressing the changing situation and timely adjusting business strategies. By formulating

prospective judgements on economic and market changes and focusing on the principal contradiction at each operational stage, the Company dynamically adjusted its asset-liability and liquidity management policy during the course of operation to balance and coordinate the assets and liabilities of the Bank. Centering on the balance of velocity, quality and efficiency of development, the Company captured market opportunities at each stage while accelerating the structural adjustment and upgrading.

(2) Steadily carrying forward the reforms and expediting business transformation. A reform work group was established to coordinate, lead and push forward the reforms in line with regulatory requirements, resulting in the completion of reform on the management systems of wealth management business and interbank business, the steady progress of reform on the specialized operating systems of small and micro financial business and industrial financing business, the stable implementation of a new round of reform on the mechanism of retail business, and the confirmation of reform direction of credit card and private banking systems. The back office departments of the Head Office carried out reform and exploration in accounting system with overall sound results achieved, and business transformation and upgrading was further accelerated by emphasizing the development of investment banking, wealth management and asset management businesses.

(3) Strengthening fundamental management and improving risk and internal control management to address internal and external changes. Firstly, the Company insisted on correct business orientation. Adhering to the capital intensity orientation, the Company further improved its evaluation system centering on capital returns. It facilitated the business collaboration within the Group by optimizing the policy on double account system between the parent company and its subsidiaries and establishing an evaluation mechanism of the Group and its subsidiaries, effectively controlled the increase of financial expenses by vigorously complying with the eight-point code issued by the central government and reinforcing financial compliance management, and proactively carried out tax planning and the "replacement of business tax with value-added tax". Secondly, the Company strengthened risk and internal control management. By stepping up the construction of its fundamental systems and defining management roles and responsibilities, the Company further optimized its risk management systems at the Group level as well as within the Bank and strengthened the coordination and consistency of risk preference at the Group level. Risk monitoring and inspection were conducted to improve the management of risk alert system and the efficiency of asset quality control, and the identification, discrimination and determination of government debt were carried out in an orderly manner. The Company achieved outstanding results in the disposal and reduction of non-performing assets due to collaborative efforts of the Head Office, branches and the Group, stepped up accountability to clearly identify the people to be held accountable, and strengthened the evaluation and management of compliance and internal control to maintain compliant and prudent operation of the entire Bank.

(V) Capital management

1. Capital management overview

The Company earnestly implemented various capital management policies according to the relevant provisions in the Capital Rules for Commercial Banks (Provisional) of CBRC, and enacted the Medium-term Capital Management Planning 2014-2016. Based on the 2011-2015 Development Planning Outline, the Company focused on the operational strategies, risk conditions and regulatory requirements, and achieved the healthy, sustainable and steady development in various business areas, so as to ensure that the capital adequacy ratio matched with the strategic development, risk preference and risk management ability. During the reporting period, the Company had real-time monitoring on the capital adequacy and the use of capital according to the new regulatory standards, and the capital adequacy ratio complied with the regulatory requirements.

The Company successfully issued RMB20 billion Tier 2 capital bonds and RMB13 billion preferred shares based on the principle of matching total available capital with the current and future business development plans of the bank. This resulted in significant improvement in the capital adequacy level, which laid a good foundation for the sustainable and steady development of various business areas.

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

2. Implementation of the new capital accord

Focused on the development and application of risk measurement tools during the reporting period, the Company steadily pushed forward the implementation of the new capital accord and carried out a comprehensive self-evaluation regarding the compliance with the new capital accord.

In respect of the compliance with the new capital accord, advanced method for capital measurement was adopted in the self-evaluation to systematize the implementation of the new capital accord, laying a solid foundation for the compliance of the first pillar.

In respect of the development and improvement of risk measurement tools, the risk-weighted asset (RWA) system of credit risks was successfully launched and maintained stable operation, marking the Company's first major advance in the implementation of the new capital accord. In addition, the Company optimized its internal rating system and the rating model for non-retail customers, regularly assessed the accuracy of value measurement model for market risks, and facilitated the project of operating risk management system and "three tasks management" integration.

In respect of the impact of the implementation of the new capital accord, the risk asset allocation management adopting the RWA under internal ratings-based approach was put into trial operation so as to lay the foundation for carrying out risk asset allocation within the entire Bank. The method and procedures to define the value of risk preference were established by adopting the outcomes of macro stress testing of capital adequacy ratio to quantify risk preference. The Company promoted the use of risk adjusted return on capital (RAROC) tools, applied non-retail internal rating results to such fields as industry limit, customer limit, and authorization and credit granting, and optimized the risk inspection model of inventory credit asset to improve the capability of risk identification and the efficiency of risk inspection.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Total capital	**329,375**	251,816
1. Core Tier 1 capital	**246,484**	201,153
2. Other Tier 1 capital	**12,958**	-
3. Tier 2 capital	**69,933**	50,663
Capital deductions	**608**	1,633
1. Amount of deduction from core Tier 1 capital	**608**	633
2. Amount of capital instruments mutually possessed by two or more than two commercial banks under agreement, or amount of capital investment taken by CBRC as watered capital that should be deducted from corresponding regulatory capital	**-**	-
3. The part of small amount minority capital investment of financial institutions not consolidated exceeding 10% of the core Tier 1 net capital that should be deducted from corresponding regulatory capital	**-**	-
4. The part of large amount minority capital investment of financial institutions not consolidated exceeding 10% of the core Tier 1 net capital that should be deducted from corresponding core Tier 1 capital	**-**	
5. The part of other Tier 1 capital investment and Tier 2 capital investment in large amount minority capital investment of financial institutions not consolidated that should be deducted from corresponding regulatory capital	**-**	1,000
6. The part of net deferred tax assets exceeding 10% of the core Tier 1 net capital based on the future profit of commercial banks that was deducted from core Tier 1 capital	**-**	-
7. The part of the total of large amount minority capital investment of financial institutions and corresponding net deferred tax assets exceeding 15% of the core Tier 1 net capital that was not deducted from core Tier 1 capital	**-**	-
Net capital	**328,767**	250,183
Minimum capital requirement	**232,890**	184,838
Reserve capital and counter-cyclical capital requirement	**72,778**	57,762
Additional capital requirement	**-**	-
Core Tier 1 capital adequacy ratio (before consolidation) (%)	**8.05**	8.39
Tier 1 capital adequacy ratio (before consolidation) (%)	**8.51**	8.39
Capital adequacy ratio (before consolidation) (%)	**10.95**	10.56
Core Tier 1 capital adequacy ratio (after consolidation) (%)	**8.45**	8.68
Tier 1 capital adequacy ratio (after consolidation) (%)	**8.89**	8.68
Capital adequacy ratio (after consolidation) (%)	**11.29**	10.83

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

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

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

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

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

(2) The Company adopted the weighting approach and current approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of CBRC, the Company recorded total consolidated overdue loans of RMB35.747 billion and total NPLs of RMB17.421 billion, the balance of actual accrued provision for loan impairment was RMB45.754 billion, the book value of long-term equity-interest investment was RMB1.804 billion, the total credit risk exposure was RMB5,040.199 billion, and the credit risk weighted assets reached RMB2,690.652 billion, up 26.00% year-on-year, among which the balance of securitised assets was RMB3.21 billion, the credit risk exposure was RMB3.209 billion and credit risk weighted assets reached RMB1.521 billion.

As at the end of the reporting period, the Company adopted the standard approach for market risk measurement. The amount of market risk-weighted assets was RMB20.174 billion, which was 12.5 times of the total market risk capital requirement of RMB1.614 billion.

As at the end of the reporting period, the Company adopted the basic indicator approach for operating risk measurement. The amount of operating risk-weighted assets was RMB200.3 billion, which was 12.5 times of the total operating risk capital requirement of RMB16.024 billion.

(3) In accordance with the Administrative Measures for Capital Adequacy Ratios of Commercial Banks (old capital requirements, current approach) of CBRC, the capital adequacy ratio and core capital adequacy ratio of the Company before consolidation were 11.80% and 8.46% respectively as at the end of the reporting period, and its capital adequacy ratio and core capital adequacy ratio after consolidation were 12.19% and 8.70% respectively.

(4) In accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks of CBRC, the balance of on-balance sheet assets after adjustment was RMB4,376.951 billion, the balance of off-balance sheet assets after adjustment was RMB684.539 billion, the balance of derivatives assets was RMB4.577 billion and the balance of securities financing transaction assets was RMB26.252 billion as at the end of the reporting period. The total balance of on- and off-balance sheet assets after adjustment was RMB5,092.319 billion, and the leverage ratio was 5.08%. The formula for the leverage ratio of commercial banks is as follows:

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

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

(VI) Analysis of core competitiveness

Establishing a modern corporate system with advanced and scientific features. As one of the enterprises benefiting from the domestic financial reform, the Company always follows the market-driven direction, and has enhanced operation efficiency through continuous improvement of the business management systems and mechanisms in accordance with the operation principles of commercial banks. From the earliest modern form of enterprise organization—joint stock system to breaking the "three irons" (life-long employment), from consolidating, perfecting and unifying the system of legal person and multi-level operation by head office and branches to exploring and building a new operation system "integrating business sections and lines with matrix management", from initial establishment of systems including the management of assets and liabilities ratios, management of integrated business plan, risk management, and internal control management for modern commercial banks to comprehensively carrying out process reengineering and system reconstruction, the Company has been furthering its reform of operational and management mechanism by speeding up business transformation and seizing the vantage point in the competitive landscape of modern banking, and driving its vitality in the operations.

The business innovative system is efficient and flexible. The Company has been well-known for its accurate forward-looking judgment, sensitivity in responding to the market and prominent innovation capability. The Company is a pioneer in developing the green finance market, adopting the "Equator Principles" and establishing the interbank cooperation and services platform, reflecting its leading role in industrial innovation in various business segments, which enabled the Company to open up its own "blue ocean" with its distinctive operational features. The Company managed to have good understanding of the Basel Accords and the domestic capital supervision spirit for commercial banks while it continued to promote the design and research of capital instruments. The Company is also the first domestic commercial bank to launch innovative instruments such as subordinated debts and hybrid capital bonds for supplementing capital, and it was among the first batch of domestic banks in issuing preferred shares in 2014 under the pilot scheme, providing long-term support to the business development of the bank. In the face of impacts of internet finance development, the Company followed the trend and played an active role by launching an array of products including "Qianda Money Manager" and direct banking solutions, which were well-received in the market. To date, the Company has become a major competitor in the urbanization finance sector of the domestic market, a green finance market leader and a pioneer in interbank cooperation and services, and hence it has remained quite competitive in the related market segments and gained market recognition.

The Company has preliminarily built a comprehensive financial services group with banking business as the core. The Company has been persisting in the multi-market, multi-product and comprehensive development path and actively creating its capability of financial services for multi-market. It has formed a relatively complete business system covering interbank business, capital trading, assets management and assets custody, and has taken the lead in planning its business in the monetary market, capital market, bond market, interbank market, non-banking financial institution market, precious metals, foreign exchange and derivative products trading. The Company has continuously put efforts on the group-oriented and comprehensive operation with ongoing breakthroughs and ownership of the wholly-owned subsidiary—Industrial Bank Financial Leasing Co., Ltd. and the holding subsidiaries—China Industrial International Trust Limited and CIB Fund Management Co., Ltd. and Industrial Consumer Finance Co., Ltd., and a comprehensive financial services group with banking business as the core, covering business areas including trust, leasing, funds, futures, asset management and consumer finance has been formed basically. The Company has become one of the domestic banking groups possessing multiple financial licenses. The Hong Kong branch was officially opened in 2014, marking a key step for the internationalization strategies of the Company. The cross-border financial services of the Company will be further improved given the complementary advantages arising from business linkage with local institutions.

Strengthening operation support systems continuously. The Company is one of the first banks established under the concept of process bank with an organizational structure under which the front, middle and back offices are separated, and implements the matrix management system by integrating business sections and lines, and its centralized back office operating system is at a leading position in the industry. “Building the bank through science and technology” is listed as one of the key strategies for the banking operation and the Company is one of the pioneers in scientific and technological advancement in the industry. The Company’s core production system construction is among the best in the industry, making it one of the few banks in the country that have independent core system research and development capability and proprietary intellectual property rights, as well as the only domestic bank exporting core system technology. It is the first to build an integrated disaster recovery system integrating the master data centre, same-city disaster recovery and different-city disaster recovery, and one of the first banks in the country that comply with the international disaster recovery standard (level-5) and the requirements of the disaster recovery stipulations of PBOC. The Company’s key indicators, like key information system availability and gold card system transaction success rate, have been among the best in the industry over the years.

Striving to nurture pragmatic and dedicated corporate culture. The Company always adheres to rational and pragmatic business strategies, and has nurtured and built a simple and harmonious “home culture”, a prudent and sound “risk culture”, a hard-working “diligence culture” and a sincere win-win “service culture”, thus forming strong soft competitive power and attracting a high quality professional financial team with capacity to take on challenges. Stability of the Company’s core team has always been widely praised in the industry.

II. Discussion and analysis on future development

(I) Industrial competition landscape and development trends

In 2015, the profound changes in the business environment of commercial banks arising from the new normal of domestic economic development, coupled with the continuous economic and industrial structural adjustment, will impose constant pressure on the asset quality control of banks, as risks of real economy and business entities may be further exposed during the long course of excess capacity alleviation and emerging industry cultivation. The reforms especially the financial reform will be accelerated, as evidenced by the promotion of interest rate liberalization as well as the significant changes in various aspects of financial sectors including business scopes and market access requirements.

Thus, the domestic financial industry will enter into a new development stage featuring cross-market, cross-sector and cross-national competition, bringing about new opportunities as well as greater challenges to the transformational development of commercial banks.

(II) Future development strategy

The Company’s overall operating strategy in 2015 is: rationally coordinating the goals in relation to “scale, quality and efficiency” by adapting to the new normal and adhering to the business guideline of “stabilizing growth, ensuring safety and facilitating transformation”; persisting with the development model featuring “light capital, light asset, optimal structure and high efficiency” by carrying out long-term scientific planning, in-depth reform in respect of slower growth and transformation, and investment activities to reinforce business foundation; building itself into a first-class “integrated, asset-light and smart bank” nationwide, aiming to deliver sound business results in the final year of the current round of five-year development while laying a solid foundation for the next round of five-year development.

To carry out the strategy, firstly, the Company will transform its mindset and broaden its vision. Addressing the new opportunities and challenges brought by cross-market, cross-sector and cross-national competition, the Company will broaden its vision so as to expand the scope of its business operation and service provision. Secondly, the development of core business and core brand will be accelerated. Adapting to the requirements arising from the new round of fierce and high-level competition, the Company will expedite the planning at the Group level for the development of core business and the establishment of core brand. Thirdly, the institutional mechanism reform will be further deepened. The Company will build a consensus for pushing forward the business line reform, focus on the nature of different businesses to explore innovation in operation system and management mechanism especially the incentive and restraint mechanism, and entitle business entities to more autonomy and flexibility in management so as to unleash the development potential of various businesses and teams. Fourthly, the infrastructure construction will be highly emphasized. The Company will systematize and optimize the account management to promote the unification of account management within the Group, step up the construction of IT infrastructure and the development of systems, and enhance the performance of the professional risk control team by improving its risk management capability so as to increase support for operational transformation particularly the cultivation of the Group’s core business.

(III) Business objectives for 2015

1. The total assets to reach approximately RMB4.83 trillion.

2. The balance of customer deposits to increase by approximately RMB350 billion.

3. The balance of loans to increase by approximately RMB200.3 billion.

4. The net profit attributable to the shareholders of the parent company to increase by approximately 5.9% year-on-year.

III. Business overview

(I) Business institutions

1. Overview of business units

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	-	3,873	1,491,289
Financial Markets	168 Jiangning Road, Shanghai	-	98	333,474
Credit Card Center	500 Lai’ an Road, Pudong New District, Shanghai	-	880	65,248
Beijing Branch	20 Chaoyangmen Beidajie, Chaoyang District, Beijing	61	2,015	394,006
Tianjin Branch	219 Yong’ an Blvd., Hexi District, Tianjin	28	1,288	81,287
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	34	1,341	96,780
Taiyuan Branch	209 Fudong Street, Taiyuan	27	1,239	75,323
Hohhot Branch	5 Xing’ an South Road, Xincheng District, Hohhot	25	931	60,590
Shenyang Branch	36 Shiyiwei Road, Heping District, Shenyang	26	1,101	63,861
Dalian Branch	85A Yidejie, Zhongshan District, Dalian	17	597	37,531
Changchun Branch	309 Changchun Avenue, Changchun	19	711	37,762
Harbin Branch	88 Huanghe Road, Nan’ gang District, Harbin	25	792	52,922
Shanghai Branch	168 Jiangning Road, Shanghai	64	2,098	335,631
Nanjing Branch	2 Changjiang Road, Nanjing	99	3,054	315,466
Hangzhou Branch	40 Qingchun Road, Hangzhou	95	2,443	178,811
Ningbo Branch	905 Baizhang East Road, Ningbo	13	682	45,283
Hefei Branch	99 Fuyang Road, Hefei	27	1,031	72,945
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	52	1,414	127,983
Xiamen Branch	78 Hubin North Road, Xiamen	26	997	84,484
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	7	291	27,734
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	13	415	15,553
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	39	1,444	76,034
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	19	535	30,451
Nanping Branch	399 Binjiang Middle Road, Nanping	10	358	14,461
Longyan Branch	46 Jiuyi South Road, Longyan	12	385	16,759
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	10	364	17,908
Nanchang Branch	1568, Honggu Middle Avenue, Honggutan New District, Nanchang	38	875	37,872
Ji’ nan Branch	86 Jingqi Road, Ji’ nan	59	2,393	146,026
Qingdao Branch	7A Shangdong Road, Shinan District, Qingdao	14	681	70,536
Zhengzhou Branch	22 Nongye Road, Zhengzhou	41	1,169	78,186
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	67	1,225	91,299
Changsha Branch	192 Shaoshan North Road, Changsha	34	1,073	134,239

Unit	Business address	Number of outlets	Number of employees	Size of assets (RMB million)
Guangzhou Branch	101 Tianhe Road, Guangzhou	97	3,295	254,259
Shenzhen Branch	4013 Shennan Blvd, Futian District, Shenzhen	33	1,271	185,006
Nanning Branch	115 Minzu Blvd., Nanning	29	746	50,411
Haikou Branch	19 Jinlong Road, Longhua District, Haikou	1	142	13,742
Chongqing Branch	1 Honghuang Road, Hongqihegou Jiangbei District, Chongqing	64	1,286	91,870
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	108	1,662	101,898
Guiyang Branch	45 Zhonghua South Road, Guiyang	5	308	37,370
Kunming Branch	138 Tuodong Road, Kunming	14	660	48,886
Xi' an Branch	1 Tangyan Road, Xi' an	54	1,074	118,497
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	1	428	27,991
Xining Branch	54 Wusi West Road, Xining	1	74	9,277
Urumqi Branch	37 Renmin Road, Urumqi	26	583	50,156
Hong Kong Branch	3 Garden Road, Central, Hong Kong	1	66	17,935
Netting and summation adjustment within the system				(1,383,110)
Total		**1,435**	**49,388**	**4,331,922**

Note: Data in the table above do not include Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd., and Industrial Consumer Finance Co., Ltd. Only level 1 branches (sorted by the administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of level 2 branches and other sub-branches are included in the data of level 1 branches according to the management structure.

2. Overview of subsidiaries

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

Industrial Bank Financial Leasing Co., Ltd. is a wholly-owned subsidiary of the Company with registered capital of RMB5 billion. During the reporting period, Industrial Leasing leveraged on the macroeconomic trend and pushed forward the development of various business areas with positive operation results in accordance with the overall strategies of "sharpening the focus with market segmentation, furthering collaborations while strengthening independent development, selecting targeted clients based on industry forecasts, adopting market-driven approaches for sound operations". As at the end of the reporting period, the total assets of Industrial Leasing reached RMB74.493 billion, an increase of RMB20.798 billion from that at the beginning of the period, of which the balance of financing leasing assets was RMB72.205 billion, an increase of RMB19.261 billion from that at the beginning of the period. Owners' equity was RMB7.863 billion, up RMB1.026 billion from that at the beginning of the period. During the reporting period, the realised net profit was RMB1.025 billion and the accumulated amount for financial leasing projects reached RMB32.803 billion.

Industrial Leasing proactively facilitated the innovation of its business model and product development. The first successful transaction under the innovative financial leasing model for clean energy bus was completed in November 2014 in cooperation with the Asian Development Bank, an international financing platform for long-term capital at a reasonable cost. Partnering with financial leasing companies under large pharmaceutical groups, the Company adopted the innovative business model for medical equipment leasing to carry out transactions such as direct lease, sublease, sale-and-leaseback and leased asset trading with reputable hospitals, achieving win-win situation through the innovative design of transaction structures. The Company entered into long-term framework partnership agreements on manufacturer lease with manufacturers and vendors of energy saving equipment to establish a solid channel for manufacturer lease, formed partnership with Shanghai Free-Trade Zone, foreign financial leasing companies in Qianhai and SPV platform to explore and develop cross-border long-term capital financing in domestic and foreign currencies by means of sale-and-leaseback and sublease, and cooperated with multiple commercial banks to carry out lease payment receivable factoring business amounting to RMB1.8 billion by incorporating long-term capital with controllable cost to optimize financing structure.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with registered capital increased from RMB2.576 billion to RMB5 billion during the reporting period, and the Company holds 73% of the capital. The business covers fund trust, movable property trust, immovable property trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the China banking regulatory agencies.

Industrial Trust steadily pushed forward business transformation and structural adjustment, continued to strengthen comprehensive risk management and internal control, focused on improving its proactive management capability and business innovation ability and adopted comprehensive operational strategies for a new breakthrough and maintained good quality of assets by adopting the building of a "comprehensive, diversified, and featured top trust company" as its strategic target. As at the end of the reporting period, Industrial Trust's own assets amounted to RMB12.383 billion, up 98.04% from that at the beginning of the period. Owners' equity was RMB11.097 billion, up 121.76% from that at the beginning of the period. AUM increased 22.19% to RMB701.927 billion, which helped maintain Industrial Trust's position as a leading trust among the industry peers in China. During the reporting period, the realized revenue was RMB2.493 billion, total profit was RMB1.828 billion, net profit was RMB1.405 billion, while the weighted average ROE was 17.46%. Industrial Trust's own assets, gains and losses were included in the Company's consolidated financial statements, but its trust assets, gains and losses were not included.

Industrial Trust steadily pushed forward business transformation and structural adjustment, and continued to improve its business innovation ability. As at the end of the reporting period, the business size of subsisting trust of Industrial Trust was RMB644.702 billion, up 14.45% from that at the beginning of the period, of which the business size of collective trust reached RMB148.316 billion, accounting for 23.01%, up 18.33 percentage points from that at the beginning of the period. The product lines of the trust business were enriched by the official approval of the qualification as a QDII, successful launch of the first credit asset securitization product in green finance in China, as well as the development of innovative businesses including the Company' s first trust for negotiation of land use rights, family trust, liquor trust, trust for paintings and artworks, etc. The company continued to strengthen risk management in full swing and maintained good quality of assets. As at the end of the period, Industrial Trust had no subsisting or additional non-performing assets, and all of the trust schemes due for settlement were duly settled. The business operations of subsisting trust property remained normal and various indicators complied with the regulatory requirements.

Industrial Trust increased equity investment and achieved a new breakthrough in comprehensive operations through successful acquisition of 29.7% equity interest in the former Ningbo Shanli Futures Broking co., Ltd. (currently renamed as China Industrial Futures Limited), reflecting further improvement of the comprehensive operations. China Industrial Asset Management Co., Ltd. is currently wholly owned by Industrial Trust, which also owns equity investments in companies including Zijin Mining Group Finance Limited, Huafu Securities Co., Ltd., Chongqing Machinery and Electronics Holding Group Finance Company Limited. All of the equity investments were able to achieve gains and deliver decent profits during the reporting period.

(3) CIB Fund Management Co., Ltd

CIB Fund Management Co., Ltd. was established in April 2013 with registered capital of RMB500 million and the Company held 90% of its total capital. In June 2013, its subsidiary CIB Wealth Management Co., Ltd., specializing in wealth management, was founded. As of yet, CIB Fund Management has set up ten branches in China, including Shanghai, Beijing and Shenzhen.

Since its establishment, CIB Fund Management has followed the business philosophy of "Within the Law, Innovation, Plate Linkage, Brand Building", persisted in developing public offering and non-public offering simultaneously and actively adopted the business strategy of maintaining a balance between managerial business and investment consultation. The Company has adhered to the mission of "Establishing characteristics through building the brand with public offering products, improving the scale with constant returns with active management", realizing steady, coordinated and healthy development in all businesses.

As at the end of the reporting period, CIB Fund Management had total assets of RMB12.1555 billion, up RMB669.07 million from the beginning of the period. Owners' equity reached RMB635.17 million, increasing by RMB122.36 from the beginning of the period. During the reporting period, the operating income totalled RMB399.60 million and the net profit totalled RMB120.07 million. As at the end of the reporting period, the total assets management size reached RMB194.778 billion, of which public offering of fund accounted for RMB14.377 billion, the management size of special account of the parent company was RMB7.964 billion and the management size of special account of the subsidiary company was RMB172.436 billion.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. was newly established in December 2014 with registered capital of RMB300 million and the Company held 66% of its total capital. The scope of business includes making loans to individuals and other businesses approved by China Banking Regulatory Commission. Industrial Consumer Finance Co., Ltd. will commit itself to developing its online and offline loan business for individual consumption, offering advantages such as small single lines of credit of consumption finance, faster approval, no security guarantee needed, flexible service, shorter loan terms, etc. The Company will provide individual customers with professional, efficient and high-quality consumer financial service based on the Internet, innovative channels, large-scale marketing and innovative financial products.

(II) Analysis of business segments

1. Corporate finance segment

(1) Overview

The Company's corporate finance system focuses on general marketing planning and capitalizes on its strength. The Company also improves the development of corporate financial business through cohesion and cooperation, which are instrumental in solving problems. As at the end of the reporting period, the Company had a total of 403,489 corporate finance customers, up 61,430 from the beginning of the period, and had 54,691 effective credit customers, increasing by 7,601 from the beginning of the period. The balance of corporate finance deposits in local and foreign currencies amounted to 1,897.291 billion, up 82.953 billion or 4.57% from the beginning of the period. The balance of corporate finance loans (inclusive of discounted bills) amounted to RMB1,207.198 billion, up RMB203.785 billion from the beginning of the period. During the reporting period, the net income of incorporate finance totalled RMB69.113 billion, up 14.86% year-on-year. Net non-interest income amounted to RMB8.835 billion, up 34.81% year-on-year. The team stably carried forward its construction, and there were 1,662 corporate finance groups, increasing by 281 from the beginning of the period.

In regard to management, firstly, the Company continued to put forth efforts into product innovation. Bond underwriting business realized the launch of new products promoted by National Association of Financial Market Institutional Investors, such as M&A debts, long-run cum-rights medium-term notes. Financial consultation also innovated and pushed forward new products, for example perpetual debts, sector funds, etc. The trade financing business launched such new products as commercial acceptance bill discounts, reverse factoring, accounts receivable pool financing under a domestic letter of credit and such structural deposit products as cash management business, effectively confronting the impact of deposit rate liberalization on the loan business. Small and micro enterprises focused on launching "The Three Loan Services", with the effect of brand and scale being gradually seen. The innovation of environmental financial products and the improvements in the professional service ability took a leading position. Secondly, the Company vigorously developed business linkage, reinforced the collaboration between the corporate finance business line and such business areas as payroll credits, private banks, property management, trust, funds and asset custody. Thirdly, the construction of industrial finance specialization was sped up. Institutional business, small and micro enterprises, green finance, automobile finance continued with the foundation being increasingly solid. The head office completed the construction of the Company's Energy Industry Finance Center and Metallurgical Industry Finance Center, and the main branches sped up the linkage and adjustment optimization of the centers. The approval of constructing 11 industrial financial centers which are rich in district characteristics enhanced differential and characteristic competitiveness. Fourthly, the initiative of profit management was improved through measures and tools, for example "Improvements in Return on Risk Weighted Assets", "Profit Calculator", etc. and constraints on capital and flexibility. This promoted strategies of business resource management and adjustments to pricing strategies, safeguarding the development of property business. Fifthly, risk management is continuously strengthened, providing concrete risk management opinions on the development of real estate services, government financing platforms and industries which have excess capacity. The loan duration management and the monitoring, inspection and warning of risks were improved, collecting 129.6 thousand warning messages through every channel, giving compliance risk hints to a total of 35.5 thousand businesses, rectifying discovered risks and drawing up prevention plans against them. Simultaneous implementation of policies promoted the collection of non-performing corporate loans, the write-off of bad debts, transfer disposition, and etc.

(2) Investment banking business

Investment banking business focused on developing the sales of bonds, such as short-term commercial papers, medium term notes, super & short-term commercial papers, private placement notes, bonds issued by financial enterprises, direct financing instruments for fund management, etc. Investment banking business also actively participated in the innovation of the underwritten offering of debt financing instruments, subsequently introducing new products such as private offering of real estate guarantee bonds, M&A bonds, long-run cum-rights medium-term notes, and etc. Capitalizing on the opportunities of the optimization of industrial structures, the Company sped up the exploration of capital-based financing service using M&A financing and sector funds as the focus. The Company also actively led and took part in syndicated loan projects and reinforced the design of products related to the growth and listing plan for SMEs "Industrial Bank Sesame Blooming" with a view to better catering to the financing needs of corporate customers. During the reporting period, the Company has served as the lead underwriter for debt financing instruments issued by non-financial enterprises amounting to RMB314.585 billion.

Centering around the State Council's financial policy instruction "optimizing the allocation of financial resources, revitalizing the stock asset and making good use of the asset increment", the Company actively launched credit asset securitization. During the reporting period, the Company underwrote three issues of credit-and-asset-backed securities, whose underwriting amount totalling RMB15.049 billion.

(3) Trade financing business

As at the end of the reporting period, the balance of trade financing business was RMB522.141 billion. The volume of trade financing business was RMB1,176.393 billion, an increase of 36.54% compared with that in last year. The volume of international settlement in local and foreign currencies was USD117.024 billion, of which the accumulated volume of international settlement in foreign currencies climbed 10.31% year-on-year to USD92.037 billion, while the accumulated volume of cross-border RMB settlement increased by 59.66% year-on-year to RMB153.282 billion.

(4) Cash management business

The Company proactively caught the trend of interest-rate liberalization and enhanced the product lines for cash management with continuous improvement in professionalism and service efficiency. As at the end of the reporting period, the number of cash management customers was 11,981. The flow of various businesses delivered steady growth and the balance of average daily deposits of cash management customers stood at RMB632.3 billion, while the total average daily assets for cash management increased by 160% year-on-year to RMB249.2 billion.

(5) Environment finance business

By making use of green financial products and multiple financial instruments, the Company accumulatively provided RMB555.8 billion of financing in "green finance" to no less than 1,000 enterprises and the closing balance of financing in green finance reached RMB296 billion. Based on estimation, the projects supported by the loans could achieve the following annual targets in China: saving of standard coal of 23.52 million tonnes, reduction of carbon dioxide emission of 68.8 million tonnes and chemical oxygen demand (COD) of 1.23 million tonnes, integrated utilization of 17.29 million tonnes of solid waste, and water conservation of 262.29 million tonnes.

The primary areas of green finance had a breakthrough and the specialized operation system was continuously promoted. In such service areas as water resource utilization and protection, the Company's balance of financing deposits reached RMB76.1 billion, up RMB39.1 billion from the beginning of the period, while the number of customers totalled 498, increasing by 306 from the beginning of the period. The Company actively promoted the development of industrial finance, promoted the construction of the professional trade financing system of green finance, realized the specialized approval and operation of green financial business. The Company also established environmental finance centers which have the features of district industrial financial departments in 33 branches, which act as the head office and core businesses of green finance at the branches, further encouraging the specialized business performance in areas of district energy conservation.

In regard to carbon finance, the Company exclusively created risk management and value evaluation model for carbon quota property, introduced carbon quota pledge products in Hubei, which was the first ever in China, putting the first-in-state carbon transaction agent system based on bank systems in use. Besides, the Company established connection with seven carbon emission transaction provinces and cities in China, six of which signed an agreement with the Company, becoming the main bank of liquidation and service of most regions. In respect of the finance of emission rights, the Company signed contracts with nine out of eleven carbon emission transaction provinces and cities, commencing comprehensive cooperation in terms of the construction of domestic trading markets, the consultation of system development, capital liquidation, mortgage security of emission rights, the opening of financial payment accounts, and etc.

The influence of the brand expanded increasingly. The Company comprehensively participated in the formulation of green credit statistics, green credit evaluation and implementation plans, loans for energy efficiency, materials for green credits and other green credit policies of China Banking Regulatory Commission. The Company was awarded “Outstanding Contributions in Materials for Green Credits” and “Professional Contributions in Compiling Materials for Green Credits”. The Company was also hired as a regular unit of the Green Credit Business Professional Committee and awarded “Prize of Financial Institution for Social Responsibility of the Year” and “Prize of Best Green Finance for Social Responsibility” for the fourth time. The Company also won the awards of “Best Green Bank”, “Best Green Financial Service Bank”, “China Top 100 Green Companies”, “Competitive Bank for Environmental Industry Service”, and etc. elected by domestic authorities and media.

(6) Small enterprise business

The Company commenced the revolution of the specialized operation system of small and micro enterprises, forming a mechanism entailing six specializations, namely organizations, technology, business processes, product orders, motivation and constraint mechanisms, resource allocation tailored for small and micro enterprises. The Company stringently implemented the policy requirements which support the real economy, further lowering the service emphasis, supporting small and micro enterprises and related individual businesses whose market risk indicator limit does not exceed RMB10 million and renewal marker risk indicator does not exceed RMB30 million. As at the end of the reporting period, the number of small and micro enterprise customers in the customized statistics of the Company totalled 320 thousand, up 56 thousand or 21% from the beginning of the reporting period, while in the same statistics the balance of loans for small and micro businesses amounted to RMB112.1 billion, up RMB38.7 billion or 24% from the beginning of the period.

The Company carried forward the construction of specialized products of small and micro enterprises, forming a micro-loan serviced named “The Three Loan Services” – namely “Easy & Fast Loan”, “Consecutive Loan” and “Transaction Loan” – to provide a one-stop solution for small and micro enterprises with difficulties in financing. Since the micro-loan “The Three Loan Services” was available, the accumulated amount has reached RMB14.6 billion and provided service for over 5,000 small and micro enterprises. The Company also launched an auxiliary product of the loan service, an online self-help product “Cycle Loan”, realizing the loan service for small and micro enterprises “borrow as you need, repay as you can” based on the online bank of the Company. This would lengthen the financing period of small and micro enterprises and reduces their financial burdens. Besides, the Company has innovated an online financing system and developed a financing platform and an online financing system WEB.

(7) Institutional business

The effect of the brand image of the Company is spreading wide and the business scale is growing fast. As at the end of the reporting period, the Company obtained 252 qualifications for centralized receipts and payments for the state treasury in provinces, cities and districts and succeeded in acquiring qualifications for agent banks for the collection of non-tax revenues of the Central Government. As at the end of the reporting period, the balance of customer deposits was RMB515.926 billion, and the daily balance of institutional deposits of the Company was RMB465.961 billion, up RMB51.234 billion from the beginning of the period. The number of institutional customers reached 20,146, up 2,307 from the beginning of the period.

(8) Automobile finance business

The Company continued to further promote the construction of the professional trade financing system of the automobile finance business. The main branches have fundamentally set up centers for the automobile finance business. As at the end of the reporting period, there were 4,141 effective customers, increasing by 1,662 customers from the beginning of the reporting period. The accumulated volume was RMB 219.755 billion, and the balance of business was RMB100.545 billion, up RMB40.267 billion over the beginning of the period.

(9) Energy industry finance business

The Energy Industry Finance Center was established in August 2014, promoting the development of energy industry finance business with industry business as the foundation, with structural adjustments and professional operation as the focus and with the extension of industry chains as the direction. As at the end of the reporting period, the number of customers of energy industry finance business reached 6,948, up 774 from the beginning of the period. The balance of deposits totalled RMB83.689 billion, increasing by RMB 6.174 billion. The balance of average daily deposits amounted to RMB91.456 billion, up RMB7.196 billion year-on-year. The on/off-balance-sheet balance of credit businesses totalled RMB 260.650 billion, up RMB63.288 billion from the beginning of the period.

(10) Metallurgical finance business

The Metallurgical Finance Center of the Company was founded in August 2014, promoting the development of metallurgical finance business through the professional vision of segmented industries, the professional selection of feature districts, the professional marketing of focus customers, the professional utilization of financial products, the professional operation of systems and the professional improvement in risk management abilities. As at the end of the reporting period, customers of the metallurgical industry totalled 12,009, up 1,372 from the beginning of the period. The balance of deposits amounted to RMB87.421 billion, up RMB2.308 billion from the beginning of the period. The balance of average daily deposits reached RMB 93.424 billion, up RMB9.01 billion year-on-year. The on/off-balance-sheet balance of credit businesses totalled RMB267.82 billion, up RMB30.403 billion from the beginning of the period.

2. Retail banking segment

(1) Retail banking business

The Company's retail banking business actively responded to interest rate liberalization and internet finance competition, implemented the "one body and two wings" specialized service system and the development strategy of the sizeable wealth management, sizeable asset management, and sizeable investment bank development layout to seek progress amid stability, actively planned transformation development in its operational direction, marketing promotion, business capability, product innovation and coordination, continued to strengthen comprehensive financial asset development direction, centered on "focusing on building community bank with comprehensive standardized management as supplementary to realize enhancement in specialized business capability" and sped up development with obvious improved effectiveness as a result.

As at the end of the reporting period, there were 31.528 million retail banking customers (including credit card), up 1.6848 million customers from the beginning of the period. The balance of comprehensive financial assets of retail customers was RMB1,010.5 billion, up RMB249.3 billion from the beginning of the period. During the reporting period, retail intermediary business income was RMB11.649 billion, up 31.09% year-on-year. The net income of retail banking business was RMB24.049 billion, up 17.77% year-on-year.

With respect to management, firstly, the Company adhered to focusing on "customer, comprehensive financial asset and revenue" as its primary business direction to optimize business resources allocation management, strengthen business input and output as well as risk management, carry forward the steady, healthy development of retail business. Secondly, the Company focused on building a community bank with strengthened channel integration coordination to speed up the construction of a community bank for it to go hand in hand with traditional branch network reconstruction, so as to promote the strategic transformation of a smaller, smarter, more community-oriented development model for physical branch network, while actively pushing forward the integrated development of the online and offline channels. Thirdly, the Company promoted the construction of business brand cultivation to implement the business brand development strategy, continuing to develop the "Enjoyable Life" service brand in the pension finance field to integrate "Enjoyable Life" with community bank. As at the end of the period, there were 0.86 million "Enjoyable Life" customers, up 31.55% from the beginning of the period. The Company launched the overseas financial service brand "Universal Life" with businesses such as visa courier service and overseas study loans as entry to foster and accumulate quality retail customers. Fourthly, the Company comprehensively promoted standardized management to continue enhancing its specialized capability, push forward the standardized management for its branch network, improve the renovation of its operating branches and its service standardization management mechanism, launch the optimization of operating hall labor organization model and research and implementation of standardized management for its staff. Aiming at increasing the service and marketing efficiency of its branches, the Company actively pushed forward the standardized management and specialized capability construction of retail staff. Fifthly, the Company deepened the specialization reform of its business lines. With the retail business organization system of the branches and the staff management system reform as its focus, the Company pushed forward the "customer-oriented" management structure arrangement step by step, strengthened the organization of business coordination, improved the appraisal mechanism management and career promotion channel for staffers of all levels, comprehensively implemented the development concept of balancing business scale and efficiency, strengthened the internal development ability of retail businesses. Sixthly, the Company sped up the system fundamental optimization. The Company established business-and-technology joint conference mechanism, enhanced efficiency for business system construction, accelerated the customer information platform, customer relations management tool, construction of fundamental systems including staff appraisal management, sped up R&D and application of smart equipment, improved the operation model of retail credit factory and enhanced business informatization level and input and output level per capita.

With respect to retail liability business, the Company put an emphasis on the balance of business structures and the effective control of the overall interest payment cost. Through strengthening payroll service, withholding and remittance of fees, third party custody and "Business Express" collection business marketing, the Company actively developed clearing liabilities, optimized management strategies for determinate liabilities of different duration and appropriately developed individual structural deposit business. As at the end of the reporting period, the balance of individual deposits was RMB370.489 billion, up 4.07% from the beginning of the period.

As for retail credit business, the Company reasonably optimized housing mortgage loan, consumption loan, management loan proportion and gradually enhanced overall price-setting and profits subject to effective risk control. The

Company innovatively launched "salary loan" and "community loan" businesses, jointly launched "e-shopping loan" with www.focus.cn, undertook "headquarters-to-headquarters" cooperation with renowned real estate developers, pushed forward the property-purchase mortgage loan business and strengthened the construction of retail credit organization mechanism to enhance the credit systematic operating ability. As at the end of the reporting period, the balance of personal loans stood at RMB385.950 billion, up 9.14% from the beginning of the period, while personal non-performing loan ratio was 0.79%. Under the national policy guidance on supporting SMEs and stimulating individual private economic development, the Company gave full support to the development of "Flourishing" personal business loans. As at the end of the period, personal business loans took up 18.88%.

As for retail wealth business, the Company gave its advantages in sizeable asset management into full play, actively organized product supply, diverse development and systematic construction, innovated and pushed forward the custody TOT model and the business models including regional exchanges, enriched fixed-revenue commissioned products, enlarged its supply of products with greater market competitiveness. As at the end of the reporting period, the balance of wealth business financial assets was RMB640.0 billion, up 57.97% from the beginning of the period.

As for the development of community banks, the Company focused on both construction and management improvement, accelerated the transformation to a smart, small, precise, community-oriented physical network channel. The Company continued its efforts in constructing community banks, effectively expanded its service network and extended its services of traditional branches to actively map out the layout for the long-term future development of the retail businesses. As at the end of the reporting period, there were 527 community bank branches operating with licenses, an aggregate of nearly 1,900 finance ATMs, replacing 50% of the counter services. The community banks set foot in cities, launching people-friendly services with a benefiting-all financial concept to integrate into the community and get closer with the customers. The convenient, caring customer service experience gained widespread approval from all walks of life in the society. As internal development ability and operation management continue to improve, the community banks are to gradually become the new growth point of the Company's retail business.

(2) Credit card business

The credit card business insisted on its position in consumption and finance, actively responded to the development changes in macro environment, focused on domestic credit card business and the frontier of internet finance development, and endeavoured to push forward business innovation and operation transformation. As at the end of the reporting period, the Company has issued an aggregate of 13.312 million credit cards, while 1.359 million cards were new issues. During the reporting period, the transaction amount of credit cards was RMB368.27 billion, up 21.7% year-on-year.

Centering on market needs and hot social issues, the Company launched various characteristic products. For example, to satisfy the need for credit card use of young internet user group, the Company integrated internet finance and payment business and launched PASS credit card, which won the support from numerous young customers with its innovative "internet shopping points" function and unique QR code design. The Company introduced fashion elements into finance payment field to launch limited-edition crystal credit card targeting the high-end user group. The credit card featured 50 Swarovski crystals on the cover and gave cardholders the entitlements for Swarovski membership.

(3) Private banking business

By focusing on mechanism construction and consultation-driven transformation, the private banking business emphasized business innovation and risk management to explore the construction of a customer-oriented open product platform, promote private banking management and accounting, improve high-end service system, establish an overseas platform and continue to increase market influence and scale benefit. As at the end of the reporting period, the consolidated financial assets of private banking customers amounted to RMB220.6 billion, representing an increase of 26% from the beginning of the period.

The Company continued to increase its private banking specialized service capability to provide customers with comprehensive services. Targeting customers of different levels, the Company successively launched business aircraft club, Industrial Bank Forum by Famous Persons and "overseas-education manager" speaking tour, Nine Dragon Consul-General's Cup International Polo Tournament, established the "elites' growth club" for education of passing on two-generation wealth for private banking customers and held the charity activity "Polar Bear Dream Camp". The Company adopted the "Equator Bank" green environmental-friendly approach, jointly launched "Industrial Bank SEE Private Bank Card" with SEE, organized customers to participate in the "fundraising event of crossing Helanshan". The Company jointly published "The investment white book for high net value groups in China" with Hurun Report, entered into a strategic cooperation agreement in private banking business with Switzerland's Lombard Odier to explore the substantial implementation of business cooperation. Meanwhile, the Company seized the opportunities by the launch of the Hong Kong branch to initiate private banking service platform overseas.

3. Financial market segment

(1) Overall situation

Adhering to the principle of streamlining, high efficiency and optimizing functions, the Company steadily pushed forward the specialization reform in financial market line in recently years. In respect of the headquarters, the Company built a specialized operational management system, established an integrated financial market management and service platform. Under the headquarters' financial market department, five first-class departments were set up, including the interbank business department, fund operation centre, asset management department, asset custody department and financial market risk management department, with clear positions and duties along with the construction of an all-rounded professional talent team, so as to provide customers with comprehensive and efficient financial products and services. The specialization reform strengthened the Bank's integrated management of the financial market businesses. The establishment of a financial market risk management department under the financial market headquarters and the embedment of a risk window at the occupational departments make risk management more sensitive to the market and strengthen the professionalism, sensitivity and efficiency of control and management, realizing the organic integration and the highly efficient link between business development and risk management.

Adhering to the development strategy of "sizeable investment, sizeable wealth management and sizeable asset management", the Company relied on its specialized talent team and comparatively comprehensive advantages to support its financial markets line to continue developing its sharp market and innovation awareness, strengthen the linkages among lines and groups, accurately capitalize the economic situation, actively respond the challenges from marketization, step up innovation in interbank asset business, facilitate the steady development of various financial market businesses and enhance its market influence. As at the end of the reporting period, the balance of deposits of various interbank customers was RMB1,268.148 billion, up 25.87% from the beginning of the period. The sustainable development of characteristic interbank businesses including the bank-to-bank platform, technological input successfully launched "the shopkeeper wallet", a new generation of internet cash management tool. The broking business and standardized self-operating business of the fund operation centre maintained steady development. The Company entered into partnerships with companies including China National Philatelic Corporation to exclusively sell the 2015 China Yi Wei (Year of Goat) Zodiac Golden Sliver Coupon Album, propelled the fundamental capital standardization, standardized wealth management business operation, pushed forward the transformation from wealth management business to fund control business. The balance of wealth management business at the end of the period was RMB835.125 billion, while the net value of asset under custody reached RMB4,726.041 billion.

(2) Interbank business

During the reporting period, the total number of online securities firms networked for third party depository service was 96, and the total number of online securities firms for margin trading, securities lending and depository services was 43. The end-user customers of third-party depository reached 2.3248 million. The Company became a comprehensive clearing member of the Interbank Market Clearing House Co., Ltd. in RMB interest-rate swap central clearing business. The Company further improved the access permission mechanism and the risk control mechanism for collaborative trust companies, and it also expanded the supply of high quality wealth management products. During the reporting period, it collaborated with 66 trust companies with market coverage ratio of 97.06%. The number of direct online banking wealth management customers was 106.

As the Company’ s first brand in China’ s bank-to-bank cooperation, the Bank-to-Bank Platform is an integrated service system of internet finance and offline finance, providing various collaborative banks with comprehensive financial service solutions covering wealth management, payment and settlement, technological management output, training services, financing services, optimization of capital, asset-liability structure, etc. As at the end of the reporting period, the accumulated number of contracted customers on the Bank-to-Bank Platform was 575, and the accumulated number of online customers was 474. The accumulated total number of networked outlets for counter agency settlement exceeded 34 thousand. A total of 26.5545 million accumulated settlement transactions were completed on the Bank-to-Bank Platform, representing a year-on-year increase of 118.22%. The total settlement amount grew 54.98% year-on-year to RMB2,042.019 billion. The Bank-to-Bank Platform’ s single-year settlement transactions and settlement amount both hit a record high. The Company accumulated cooperated with 240 commercial banks in terms of establishment of information systems, among which 107 banks managed to operate with online information systems. The Company has become one of the largest providers of information systems for commercial banks in China.

The Company’ s internet financial platform branded with “QianDa Money Manager” emerged and became a new area for the development and innovation of the Bank-to-Bank Platform with over 1 million individual customers at the end of the period. Since “the Shopkeeper Wallet” was launched in March 2014, it drew encouraging market response. As at the end of the reporting period, the product scale of the shopkeeper wallet was RMB 55.1 billion, successfully making its way to the top 10 currency funds.

“QianDa Money Manager”, “the Shopkeeper Wallet” and the Bank-to-Bank Platform have won awards from various authoritative media outlets, including sina.com, Shanghai Securities News, Securities Times and 21st Century Business. The project “the construction and promotion of application of financial cloud service platform designed for banking and financial firms” was listed as a national strategic emerging industrial project, and was granted “2014 subsidies for project development of the central financial strategic emerging industries” by the Ministry of Finance.

(3) Treasury business

During the reporting period, there are significant changes in the internal and external environment and situation of the financial market, with the constant launch of various financial deepening reform measures and supervisory policies. The Company saw improving operational management capability in its self-operating investment business, accurately gripped information on the bull market of regular profit-making products, stepped up development of various bond-based assets since the fourth quarter of 2013 and optimized the investment portfolio structure. As for exchange transactions, the Company continued to maintain its market position as one of the most active players in RMB foreign exchange current rate, forward rate, swaps, options, interest rate exchange and forward interest rate agreement, maintained its reputation and its top ranking in mutual interest rate exchange and swap businesses on the market.

In respect of the gold business, the Company adapted to the international trend to actively engage in gold international business. In September 2014, the Shanghai International Gold Trading Centre wholly funded and set up by Shanghai Gold Exchange in the free trade area was officially launched. As a member of the main board market of Shanghai Gold Exchange, the Company was granted the qualification to self-operate and commission in the international board. The Company's branch in Hong Kong was also approved to be type-A member with permission to self-operate and commission trading, and participated in self-operating and commissioned transactions of three international types of gold on the opening night of the market, successfully making 33 transactions, securing the first commissioned business, the first business on the self-operating main board market and the second place in terms of numbers of transactions on the night market.

(4) Asset management business

Wealth management business refers to the Company's investment and asset management in the way agreed with the customer in advance upon the customer's entrustment and authorization, and the customer's undertaking corresponding risks and enjoying corresponding earnings as agreed, covering such products as wealth management products for retail, wealth management products for corporate customers, interbank wealth management products, and etc. The wealth management business involves multiple links like investment management, product R&D, issuance and sales and background operation, with specific work flows mainly including product creation, product approval, marketability approval and schedule arrangement, supervision report and information registration, product sales, product investment management and duration management, and etc.

As at the end of the reporting period, the balance of the Company's wealth management products stood at RMB 835.125 billion, up 66.84% from the beginning of the period. Among them, the balance of the wealth management business of retail customers (including private bank customers) stood at RMB590.612 billion, taking up 70.72%. The balance of the wealth management of corporate finance customers stood at RMB167.163 billion, taking up 20.01%. The balance of the wealth management of interbank customers stood at RMB77.349 billion, taking up 9.26%. The proportion of the balance of the retail customers' wealth management further increased. The wealth management products issued during the whole year amounted to RMB6,203.513 billion, representing an increase of 54.81% from the same period last year. The overall intermediate business income from wealth management business amounted to RMB7.786 billion, representing an increase of 11.42% from the same period last year. Among the wealth management product scales during the end of the reporting period, in addition to guaranteed wealth management products which were included in the balance sheet, the balance of the rest wealth management products issued and managed by the Company but not included in the consolidation scope was RMB639.912 billion.

During the reporting period, the Company continued to enhance innovation of the asset management business, strove to innovate products continuously to satisfy the investment and wealth management needs of different customers, constantly researched, developed and launched various innovate wealth management products, including the Sinopec mixed equity shares investment net value open wealth management product, Zhiyin Bao principal-guaranteed structural deposits product, linked golden zodiac gold bar non-principal-guaranteed wealth management product, direct banking/community banking exclusive wealth management product.

The Company comprehensively launched and pushed forward the comprehensive transformation of wealth management model. By adjusting the wealth management product system, the product system with closed-end products as basis was transformed to the product system that takes regular open-end products with long duration and big scale as basis and is supplemented by issuing closed-end wealth management products according to business needs. Through an open-end operation model, the Company continued to carry out investment management for the customers' capital, lengthen product duration, enlarge product scale, decrease the number of products, enhance the stability of managing fundamental assets. As at the end of the reporting period, the proportion of the closed-end products was lowered from 72.58% in the beginning to 45.51%. The proportion of open-end products increased from 27.42% in the beginning to 54.49%, materializing a substantial progress in transformation.

All of the Company's wealth management products have been under custody, realizing the independent investment management for each wealth management product. Detailed investment statements have been set up to realize independent management for each wealth management product. Accounts among different products are independent to avoid the mix use of funds. The second stage of the first phase of asset management system on behalf of customers has been officially launched in September 2014. In addition to the original functions, statistics accounting for net value products is added, further realizing and improving the statistics accounting service for all types of wealth management products.

(5) Asset custody business

The Company's asset custody business continued to give full play to its advantages and experiences in professionalism, services and innovation, maintain steady development momentum, achieve new highs in various performance targets and consolidate its position on the market. The net value of assets under custody amounted to RMB4,726.041 billion, up RMB1,639.832 billion or 53.13% from the beginning of the period. A total of 14,434 new custody products were launched, and the number of online custody products was 13,755. The total income of intermediary businesses reached RMB4.211 billion, up RMB854 million or 25.44% year-on-year.

Among all types of custody businesses, the net value of custody businesses of trust asset management product, customer asset management product of securities firms, customer asset management product of fund firms, bank asset management product and insurance asset management product at the end of the period saw an increase exceeding RMB100 billion compared with the beginning of the reporting period. Among them, the custody business of trust asset management product at the end of the period was RMB1,307.987 billion, up RMB362.125 billion from the beginning of the period. The custody business of customer asset management product of securities firms at the end of the period was RMB1,170.71 billion, up RMB349.786 billion from the beginning of the period. The custody business of customer asset management product of fund firms at the end of the period was RMB380.696 billion, up RMB244.997 billion from the beginning of the period. The custody business of bank asset management product at the end of the period was RMB761.935 billion, up RMB169.99 billion from the beginning of the period. The custody business of insurance asset management product at the end of the period was RMB521.24 billion (including insurances under independent superintendent of RMB134.568 billion), up RMB198.937 billion from the beginning of the period.

The Company's custody businesses of securities investment funds saw groundbreaking achievements by virtue of innovation in marketing of securities investment funds. As at the end of the reporting period, the custody business of securities investment funds was RMB129.293 billion, up RMB92.212 billion or 248.68% from the beginning of the period. The custody business of private asset management product was RMB 104.529 billion, up RMB49.033 billion or 88.35% from the beginning of the period.

(6) Futures financial business

During the reporting period, the Company became the bank for futures margin custody appointed by Zhengzhou Commodity Exchange, as well as the bank for custody appointed by China Financial Futures Exchange and Dalian Commodity Exchange. The Company continued to improve its futures margin custody business and technological system management mechanism, so as to ensure the steady operation of its business. On this basis, the Company actively sought business cooperation with futures exchanges and futures firms, realizing the rapid growth of the business. As at the end of the reporting period, the Company's balance of deposits of futures firms and futures exchanges was RMB52.344 billion, up RMB44.514 billion or 568.51% from the beginning of the period. Among them, the balance of deposits of future margins was RMB45.364 billion, up RMB44.204 billion from the beginning of the period. During the period, the Company's daily balance of deposits of futures funds was RMB25.290 billion, up 337.47% from the previous year. As at the end of the reporting period, there were 65 internet futures firms of bank-futures transfer of the Company (excluding one merging offline futures firm), 112 futures firms cooperating with the Company, up 30 firms from the beginning of the period. 169 futures guarantee accounts were opened for futures firms, among 90 of them were earmarked fund accounts. During the period, there were 8,539 completed transactions with futures exchanges settlement, with a total settlement amount of RMB1,032.428 billion. There were 64,531 completed bank-futures transfer transactions, with a total amount of RMB60.759 billion.

4. E-banking

The Company accelerated the innovation in e-banking products to enhance professional service capability, strengthen its cooperation with outstanding internet firms and optimize a sound management system. The Company innovatively launched direct banking, simplified the account opening process by a strict third-party authentication verification, provided products from six major lines including "Xingye Bao" and equity investment product "Xingye Hong" which have investment, wealth management and payment functions, "Zhiyin Bao", "Wealth Management", "Deposit" and "Funds". The Company upgraded WeChat bank and set up access to mobile social platform to provide customers with services including bill notification, transfer statement, investment and wealth management, mobile top-up, financial information and consultation. The Company launched NFC mobile wallet business, completed the integration with China Unicom's mobile wallet, by which customers can perform tasks such as withdrawing money from ATM, making payment with POS, transferring money with their phones. The Company launched "remote banking" service platform and VTM services, established a new service model with phone banking 95561 as core channel and non-cash businesses including investment, wealth management and asset management as focus, supported interactive services via calls, fax, texts, WeChat, emails, Weibo, video calls, online customer service, while continuously optimizing business process of individual internet banking, phone banking and mobile banking as well as improving the service experience. The Company actively developed e-commerce business, paying efforts in the online shopping mall of Industrial Bank with an emphasis on developing popular categories such as overseas shopping, luxuries, wealth management, and strengthened cooperation with top e-commerce companies of different industries, so as to build up the reputation of Industrial Bank's online shopping mall. The Company implemented embedded management of the e-banking R&D team, central audit of e-banking virtual profits and explored the establishment of a system that meets the internet finance development requirements.

As at the end of the reporting period, the Company had 200.2 thousand active corporate and interbank online banking customers, up 11.99% from that at the beginning of the period; 8.1247 million active personal online banking customers, up 21.32% from that at the beginning of the period; 5.2814 million active mobile phone banking customers, up 92.86% from that at the beginning of the period; and 8.6935 million active messenger users, up

34.58% from that at the beginning of the period; direct banking accumulatively expanded customer number by 585 thousand; WeChat banking followers reached 631.2 thousand. During the reporting period, the number of corporate and interbank online banking transactions was 71.5143 million (transactions of capital movement, same hereinafter), up 20.99% year-on-year, while the transaction amount was RMB49,513.686 billion, up 47.22% year-on-year. The number of personal online banking transactions was 247.9305 million, up 80.97% year-on-year, while the transaction amount was RMB7,426.702 billion, up 34.04% year-on-year. The number of mobile phone banking transactions was 38.3466 million, up 228.75% year-on-year, while the transaction amount was RMB749.004 billion, up 165.37% year-on-year. Counter replacement ratio was 85.56%, up 9.08% year-on-year.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2014		December 31, 2013		Increase/ decrease in balance at the end of the reporting period compared with that at the beginning of the reporting period (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Pass	**1,546,660**	**97.08**	1,338,037	98.60	15.59
Special mention	**28,944**	**1.82**	8,689	0.64	233.11
Substandard	**9,312**	**0.58**	5,620	0.41	65.69
Doubtful	**6,082**	**0.38**	3,483	0.26	74.62
Loss	**2,150**	**0.14**	1,228	0.09	75.08
Total	**1,593,148**	**100**	**1,357,057**	**100**	**17.40**

As at the end of the reporting period, the balance of the Company’s NPLs stood at RMB17.544 billion, up RMB7.213 billion from that at the beginning of the period with NPL ratio of 1.10%, up 0.34 percentage point over that at the beginning of the period. The balance of special mention loans was RMB28.944 billion, up RMB20.255 billion from that at the beginning of the period. The proportion of the special mention loans in the total loans was 1.82%, up by 1.18 percentage point compared with that at the beginning of the period. Main reasons for the increase in NPLs and special mention loans were that economic growth continued to decline and the operating condition of business entities had not been fundamentally improved, coupled with gradual spreading of the industrial risk of overcapacity to upstream and downstream industries, resulting in impacts on individual medium-and-large sized enterprises and some small enterprises. Also, risk in trade financing businesses increased on the fall of commodity prices. In addition, private SMEs were affected by negative factors of private lending and guarantee liabilities, and some companies were affected by increased risk from the adverse effects of emergencies.

During the reporting period, the Company strengthened asset quality control mainly through two aspects - “controlling the new ones” and “lowering the old ones”. In respect of “controlling the new ones”, firstly, the Company strengthened situation analysis, market judgment and policy research to improve prospective risk control; secondly, the Company continuously strengthened risk warning and enhance sensitivity of risk control; thirdly, the Company reinforced, risk investigation on risk hotspots and key areas to increase the breath and depth of risk investigation and enhance initiative in risk control. In respect of “lowering the old ones”, firstly, the Company adopted stringent risk classification, determined asset quality control plans in branches, strengthened supervision and accelerated the disposal of risky items; secondly, the Company promoted the building of a professional business management system for disposal of non-performing assets and strictly implemented the accountability collection system for enhancing professional standards in disposal of risky items; thirdly, the Company stepped up efforts in disposal of non-performing assets through marketisation to improve efficiency and effectiveness in disposal of non-performing assets.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	36,375
Provision during the reporting period (+)	19,651
Write-off and transfer-out during the reporting period (+)	11,716
Write-back during the reporting period of write-off in previous years (+)	238
Transfer-out due to the increase in discounted value of loan value (-)	675
Changes in exchange rates (+)	23
Closing balance	**43,896**

Description of method for impairment loss on loans: if loans are impaired, the carrying amount of loans is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. For a loan that is individually significant, the Company assesses the asset individually for impairment. For a loan that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed loan, it includes the loan in a group of loans with similar credit risk characteristics and collectively reassesses them for impairment. Loans for which an impairment loss is individually recognized are not included in a collective assessment of impairment. If, subsequent to the recognition of an impairment loss on loans, there is objective evidence of a recovery in value of the loans which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of loan at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Classification of provision for loan impairment

Unit: RMB million

Provision for loan impairment	December 31, 2014	December 31, 2013
Individually assessed provision for loan impairment	**6,581**	3,139
Collectively assessed provision for loan impairment	**37,315**	33,236
Total	**43,896**	**36,375**

4. Changes in overdue loans

Unit: RMB million

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**19,510**	**54.45**	5,997	41.85
91-360 days (inclusive) overdue	**12,965**	**36.18**	6,212	43.35
361 days - 3 years (inclusive) overdue	**3,001**	**8.38**	1,903	13.28
Over 3 years overdue	**355**	**0.99**	218	1.52
Total	**35,831**	**100**	**14,330**	**100**

As at the end of the reporting period, the balance of the Company' s overdue loans was RMB35.831 billion, increased by RMB21.501 billion from that at the beginning of the reporting period, of which overdue corporate loans and overdue personal loans increased by RMB19.226 billion and RMB2.368 billion respectively, and credit cards overdue decreased by RMB93 million. The primary causes for the increase were that some clients experienced difficulties in capital turnover due to macroeconomic slowdown, resulting in increased amount of overdue loans. During the reporting period, the Company adopted targeted regulatory measures for overdue loans: firstly, the Company reinforced risk investigation on due loans by carrying out thorough research in advance on due loans for the year, prepared sound repayment proposals and implemented control measures; secondly, the Company continuously strengthened risk monitoring and control on overdue loans and stepped up collection of overdue loans with default interest; thirdly, the Company continued to incorporate overdue loans into asset quality assessment of operating units and urged institutions at all levels to strictly control overdue loans. The proportion of overdue loans in the total loans at the end of the period rose slightly from that at the beginning of the period, but overall risks were still under control.

5. Changes in restructured loans

Unit: RMB million

Item	December 31, 2014		December 31, 2013	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured loans	**7,660**	**0.48**	996	0.07

As at the end of the reporting period, the balance of the Company' s restructured loans was RMB7.660 billion, up RMB6.664 billion compared with that at the beginning of the year. The balance of restructured loans increased, mainly because for some enterprises that complied with the requirements of restructuring and were under normal operation despite of difficulties in provisional capital turnover, the Company helped them overcome their difficulties and resolved their credit risk through enhancing restructuring efforts, provided that the risk was under control in general.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Foreclosed assets	**185**	231
Incl: Buildings	**124**	199
Land use rights	**60**	31
Others	**1**	1
Less: Impairment provision	**(37)**	(95)
Net value of foreclosed assets	**148**	136

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB63 million, which were mainly buildings and land, and recovered RMB109 million from the disposal of foreclosed assets, thereby decreasing the net book value of foreclosed assets by RMB46 million. In addition, the Company transferred out RMB58 million of impairment provision due to disposal of foreclosed assets, thus the balance of provision for impairment of foreclosed assets decreased by RMB58 million.

(V) Categories and par value of financial bonds held

Unit: RMB million

Item	Par value
Bonds of policy banks	46,472
Bank bonds	7,124
Bonds of non-bank financial institutions	9,103
Total	**62,699**

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

(VI) Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Item	Par value	Annual interest rate (%)	Maturity date
07 CDB 08	5,460	3.60	2017-05-29
12 CDB 24	3,360	3.72	2019-05-22
09 CDB 12	2,990	3.70	2015-09-23
10 CDB 24	2,810	3.20	2020-08-26
09 CDB 21	2,550	3.57	2016-11-18
12 CDB 23	2,460	3.78	2017-05-03
14 CMB CD026	2,000	4.22	2015-05-20
10 CDB 25	1,990	3.05	2015-09-07
12 CDB 46	1,740	3.87	2015-11-22
13 PICC subordinated debt 01	1,600	4.95	2023-06-17

(VII) Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Interest rate derivatives	795,935	2,159	2,097
Exchange rate derivatives	598,394	2,383	2,265
Precious metals derivatives	30,447	597	134
Credit derivatives	776	3	2
Total	**-**	**5,142**	**4,498**

(VIII) Financial instruments denominated in foreign currencies held by the Company

Unit: RMB million

<table>
<tr><th>Item</th><th>Opening balance</th><th>Gains and losses in the period from changes in fair value</th><th>Accumulated changes in fair value recognised in equity</th><th>Provision for impairment made in the period</th><th>Closing balance</th></tr>
<tr><td>Financial assets at fair value through profit or loss</td><td>-</td><td>-</td><td>-</td><td>-</td><td>400</td></tr>
<tr><td>Derivative financial assets</td><td>313</td><td rowspan="2">184</td><td rowspan="2">-</td><td rowspan="2">-</td><td>2,173</td></tr>
<tr><td>Derivative financial liabilities</td><td>2,871</td><td>1,195</td></tr>
<tr><td>Available-for-sale financial assets</td><td>2,139</td><td>-</td><td>18</td><td>-</td><td>2,849</td></tr>
<tr><td>Held-to-maturity investment</td><td>336</td><td>-</td><td>-</td><td>-</td><td>149</td></tr>
</table>

(IX) Internal control system related to measurement of fair value

1. Internal control system related to measurement of fair value

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

2. Items related to measurement of fair value

Unit: RMB million

Item	December 31, 2013	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognised in equity	Provision for impairment made in the period	December 31, 2014
Financial assets at fair value through profit or loss	42,295	534	-	-	**44,435**
Precious metals	276	21	-	-	**7,543**
Derivative financial assets	6,414	1,105	-	-	**5,142**
Derivative financial liabilities	6,864		-	-	**4,498**
Available-for-sale financial assets	263,681	-	2,706	1,228	**407,752**
Financial liabilities at fair value through profit or loss	1,216	(29)	-	-	**1,903**

(X) Changes in interest receivable

Unit: RMB million

Item	December 31, 2014	Increase in the reporting period	Recovery in the reporting period	December 31, 2013
Interest receivable	**24,760**	219,404	217,893	23,249

As at the end of the reporting period, the interest receivable increased by RMB1.511 billion or 6.50% from that at the beginning of the period, mainly because of the increase in interest-bearing assets. Interest receivable from interest-bearing assets not recovered within 90 days after the due day would be written down from the interest receivable in the current period and accounted for as off-balance-sheet item. Therefore, no bad debt provision was made.

(XI) Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2014	December 31, 2013	Provision for impairment	Provision method
Other receivables	**3,975**	3,566	275	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis

(XII) Off-balance-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2014	December 31, 2013
Letters of credit	**160,142**	129,383
Letters of guarantee	**118,160**	53,152
Bank acceptance	**450,914**	452,710
Unused credit card commitments	**60,712**	41,341

(XIII) Risks and risk management during the reporting period

During the reporting period, the Company made an accurate judgement of the new normal macroeconomic state and took the initiative to adapt to it, improved the risk management system, refined the setup of various mechanisms, raised the effectiveness of risk management; strengthened the management of credit orientation and unified credit granting, reinforced risk troubleshooting and rectification as well as safeguarded asset quality so that asset quality continued to be maintained at a good level in the industry. The Company incorporated into the scope of overall risk control all types of business as well as credit risks, market risks, operational risks and information technology risks borne by all kinds of customers; innovated and optimized management tools and application of the findings of internal evaluation; improved the authorization of the credit business; improved quota management; carried out a self-assessment of compliance standards under the New Capital Accord and project construction; and continued to raise the standards for specialized and refined risk management.

1. The risk management institutional mechanism was further improved to raise the effectiveness of risk management

Firstly, the matrix management system of the Head Office was deepened. The Company further clarified the responsibilities of the risk management department and business line risk management counter at the Head Office to ensure that the risk management policies were effectively implemented in each business line; continued to improve the evaluation criteria and methods for job performance by highlighting key indicators and assessment process to increase the scientificalness, operability and effectiveness of the evaluation; and strengthened the supervision of the job performance of the business lines risk management department to ensure that the risk policies were effectively implemented in the business lines.

Secondly, a reform on the risk system was effectively carried out at branches. In terms of organizational structure, management model, working mechanism and so forth, the Company further deepened and improved the risk management system at branches by strengthening compliance operations and internal control evaluation, comprehensive evaluation of risk management, internal ratings, risk classification, inspection and supervision as well as authorization management and other tool applications for carrying out "five strengthened risk management projects" at branches which were the strengthening of the risk management functional departments of branches as a public platform for comprehensive risk management under the jurisdiction of the branches; the strengthening of the credit review departments of branches as a public platform for centralized review of the credit business of branches; the strengthening of the setup of a public platform for auditing loans granted by branches; the strengthening of the risk management of secondary branches at other places and county branches; and the strengthening of the performance of the overall risk management of the business lines as the first line of defence.

Thirdly, focus was placed on strengthening risk management and control of sub-branches located at other places. The Company further regulated the setup of a risk management system for sub-branches located at other places by stationing risk management departments and credit review departments; set the evaluation standards for the rating, acceptance and evaluation of credit review for sub-branches at other places to enhance the effectiveness of the management of the stationed departments; supervised and guided branches to carry out comprehensive evaluation of the risk management of secondary sub-branches at other places under their jurisdiction; and carried out differentiated delegated management specifically to push these sub-branches to strengthen their fundamental comprehensive risk management.

2. Credit risk management

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

The board of directors and its risk management committee are responsible for approving the Company's credit risk management strategies and significant credit risk management policies, and assessing whether the Company's credit risk management processes, systems and internal controls are adequate and effective. The senior management and the Head Office's risk management committee are responsible for implementing the credit risk management resolutions and requirements of the board of directors and its risk management committee, and making decisions on the Company's credit risk management policies and major risk issues for implementing the Company's credit risk management framework. The Head Office's internal control committee is responsible for implementing the resolutions and requirements of the board of directors and the committees thereunder for internal controls over credit risks, and overseeing the execution of the Company's internal controls over credit risks. The credit approval committee is responsible for approving the credit business within its approval authority, while the credit accountability committee is responsible for the identifying and pursuing the accountability for the credit business. The Company set up a risk management department, responsible for organizing the implementation of credit risk management strategies and policies, and setting up a basic credit risk management system responsible for carrying out specialized management, evaluation, guidance, inspection and supervision of the Company's overall credit risks, and for taking the lead in organizing and setting uniform standards for credit granting and managing unified credit granting for exercising overall control of credit risks. The Company set up a risk management department and a specialized risk management counter in the three business lines – corporate finance, retail banking and financial market – responsible for the credit risk management of their own business lines or specialized business departments, formulating specific credit risk management policies and operational rules, and centralizing approval of projects within the approval authority.

The Company identifies, measures and controls credit risk by means of due diligence before credit granting, loan approval process, loan management, post-lending monitoring and recovery management procedures. Credit management procedures for corporate loans and personal loans are divided into credit investigation, credit review, credit approval, credit lending as well as post-lending monitoring and recovery management. Moreover, the Company formulated the "Policy for Discharging Duties in Credit Granting" to clearly define the job duties in various aspects of the credit business, effectively control credit risk and strengthen the compliance regulation of credit. In order to accurately identify the risk profile of credit assets, reasonably reflect the risk-adjusted earnings position, guide the operating units to optimize the allocation of capital and credit resources, and strengthen their awareness of risk management, the Company formulated the Implementation Rules for Credit Assets Risk Classification, Implementation Standards for Credit Assets Risk Classification, etc, to urging branches to timely adjust the credit assets risk classification according to the real risk profiles of projects. Based on the five grades classification method established by CBRC, the Company further classifies its credit assets into nine grades: normal 1, 2 and 3; special mention 1, 2 and 3; substandard; doubtful and loss. Different management policies are addressed to the credit assets according to their grades.

During the reporting period, in line with the macroeconomic situation and development prospects of the industry, the Company continued to maintain stable operations, placed greater emphasis on asset quality and future sustainable development, and continued to improve the credit risk management system so that asset quality continued to be maintained at a generally stable and better level. Firstly, business credit authorization and credit policies were tightened up. The Company timely adjusted and optimized the authorization, continued to implement the differentiated credit policy for "assuring supply, control and stock compression", and incorporated the quota management requirements into credit policies for the effective control of the industry's concentration risk, while strengthening the supervision and evaluation of authorization and implementation of credit policy as well as the evaluation after review and approval to ensure that policies were implemented. Secondly, risk monitoring was strengthened by reinforcing duration management, completing the monitoring of the use and the flow of credit funds, and deepening risk management and control in risk hotspots and in key areas to ensure that the quality of assets was authentic and the risk items were "detected, warned and dealt with in advance". Advanced measurement tools were used and the risk troubleshooting model was optimized constantly to improve the efficiency of risk troubleshooting. The Company continued to collect internal and external risk warning signals from customers, and established a more complete view of customers to increase the timeliness and comprehensiveness of risk monitoring. A monitoring and early warning mechanism was set up for major and unexpected risk events to timely discover risk factors which might have a significant adverse impact on the production and operation of the Company, and risk troubleshooting should be carried out immediately and a risk handling plan should be formulated immediately to effectively improve the foresightedness and initiative of risk handling. Thirdly, the disposal of risk assets was carried out properly. The Company pushed the setup of a system governing the disposal and specialized operation of non-performing assets for gradually building and consolidating a specialized team for recovering non-performing assets to improve professional level of disposal; stepped up the assessment support for write-off by encouraging branches to accelerate the write-off of eligible non-performing assets by "preserving the records of written-off accounts for the bad loans"; and stepped up market-based disposal of non-performing assets for increasing the efficiency and effectiveness of the disposal of non-performing assets.

3. Management of liquidity risk

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

The Company continues to put security and liquidity in a more prominent position. Based on its own circumstances and the periodic changes in market liquidity, it continues to improve the liquidity risk management and organizational system, and optimizes the management initiatives and strategies. Firstly, a more comprehensive organizational structure for liquidity risk management was set up, comprising the board of directors, the senior management level and the implementation level. The board of directors and its risk management committee are responsible for the overall liquidity risk control policy across the bank, and setting liquidity risk limits. The senior management level and the asset-liability management committee monitor liquidity risks on behalf of the Head Office to ensure that liquidity risks are effectively managed. The Head Office's planning and finance department is the specific implementation level. Secondly, three lines of defence were built for liquidity risk management: the first line of defence was to stringently carry out all business lines in accordance with the indicators of asset-liability ratio determined by the Head Office to ensure balanced development of assets and liabilities in the business lines. The second line of defence was to control the sources of funds for the current period, the amount of funds available for application and the term structure through FTP price guide. The third line of defence was for the Head Office's treasurer and capital operations centre to carry out financing based on the amount of insufficiency and market conditions through inter-bank market standardized borrowing and bonds repurchase to ensure liquidity security across the bank. Thirdly, in the course of business operation, the Bank vigorously adjusted the insufficiency of cash flow by various means such as the making of a forward-looking judgement of market liquidity, prompt adjustment of its business strategies and asset-liability policies, increase of the intensity of stress test, strengthening of the management of liquidity indicators and use of price leverage for funds for carrying out prevention ahead of an event, monitoring during the course of an event and control after an event to ensure that all the liquidity regulatory indicators reach the standards.

Unit: %

	Warning Value	Tolerance Value	Regulation Value	December 31, 2014	December 31, 2013
RMB excess reserve ratio	≥2	≥1	-	**4.83**	3.54
Liquidity ratio (RMB)	≥30	≥25	≥25	**41.15**	34.80
Loan-to-deposit ratio (local and foreign currencies)	≤75	-	≤75	**64.76**	61.95

4. Market risk management

The Company's market risk management was for the purposes of: firstly, establishing and continuously improving market risk management system which matched with the risk management strategies, and satisfied standard requirements of the new capital accord and regulatory requirements of market risk; secondly, completing market risk management structure, policies, processes and methods; and thirdly, promoting the specialization level of market risk management, realizing centralized and unified management of market risks, and facilitating the sustainable and healthy development of relevant businesses with risks under control.

The Company established a complete basic market risk management framework in terms of organizational system construction, risk limit indicator system, basic risk management policies and strategies, reinforced the investment decision-making management and interest-sensitive gap management, and effectively prevented interest rate and exchange rate risks. It strengthened the management and control of interest rate risks, controlled market risks within a reasonable range through effective market risk management and control measures, and realized the maximum benefits. At the same time, together with market risk stress testing and other methods, the Company evaluated the risks under extreme conditions to provide reference for decision-making.

(1) Interest rate risk

According to changes of the market situation, the Company flexibly adjusted the interest rate risk management measures and made sure the interest rate risks were under control. To effectively cope with the complicated and changeable economic situation at home and abroad as well as the intensified market interest rate fluctuations due to the tight liquidity, the Company flexibly adjusted its assessment policy based on the state macroeconomic policies to guide branches in adjusting their efforts on the expansion of long-term fund sources at appropriate time, enhanced management on spread between the cost of capital source and gains from application of funds, reinforced management on the matching of interbank capital business, and adjusted the structure, duration and basis point value of bond portfolios for better control of maturity mismatch. The Company managed interest rate risk of trading accounts mainly through constant improvements on the market risk indicator limit system, set limits for the authorization of interest rate risk exposures and stop-loss limits respectively for different products under trading accounts, and implemented them through annual letter of business authorization and regular investment strategy plan. In addition, the Company introduced a financial transaction and analysis system to implement dynamic revaluation of market value and control of trading process on interest rate products under trading accounts, so as to achieve real-time monitoring of interest rate risk exposures and stop-loss limits and ensure controllable interest rate risk of trading accounts.

(2) Exchange rate risk

The Company had centralized management on exchange rate risks. The exchange rate risk exposures arising from various business processes of all the branches were collected via relevant systems to the Financial Markets of the Head Office in a timely manner for unified squaring and management. The Financial Markets gave full play to the system' s support function to risk control, made use of the capital trading and analysis system to manage foreign exchange risks in terms of currency and time period, and made sure that the foreign exchange exposure accorded with indicators like the daytime proprietary exposure limit and end-of-day exposure limit so that the foreign exchange risks were always controlled within a reasonable range. The total exposure limit was relatively small compared to the size of the Company' s absolute assets, and risk was controllable.

5. Management of operating risks

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

The Company continued to strengthen the building of the "three lines of defense" for operational risk management. At the level of corporate governance, the board of directors, board of supervisors and senior management formed a steering and supervisory office for operational risk management. At the level of functional management, the head office’s audit department, legal and compliance department and relevant departments and sub-branches jointly formed a multi-defence, matrix operational risk management framework.

The Company formulated the Measures of the Industrial Bank for Operational Risk Management for the implementation of the new Basel Capital Accord and regulatory requirements, and established a complete operational risk management system that covered governance structure, organizational structure, management responsibilities, policies, regulations, procedures, tools, methods and systems. By gradually increasing the Company’s capital management capability as well as internal control and risk management standards, the gateway to withstand risks was switched from the capital management system forward to the risk management system and internal control management system to promote the sustainable, healthy development of the Company’s various businesses. The Measures clearly specified the role, positioning, company departments, division of responsibilities and management details of operational risk management of each of the Company’s departments and sub-branches; and defined operational risk management strategy as well as various management procedures such as identification, assessment, monitoring, control/mitigation, measurement and reporting of operational risks to effectively enhance the specialized and refined standards for operational risk management.

By further improving operational risk management, management responsibilities and policies, processes, tools, methods and systems, together with specialized in-depth reform of business lines and continued effective implementation of the risk management system, the Company continued to push forward the establishment and improvement of the operational risk management system. Firstly, the Company steadily carried out projects for the establishment of the operational risk management system. Using the principal business and processes analysis of management activities as well as control, rearrangement and identification of risks as the entry points, the Company orderly carried out a self-assessment and control of operational risk for all principal businesses and management procedures, the setting and monitoring of key risk indicators as well as collection and analysis of risk events, and the application and implementation of other management tools. It established and improved various standardized and normalized working mechanisms for operational risk management, carried out ongoing measurement and analysis of operational risk capital, strengthened the practical application of operational risk management tools in business operation process, concentrated its efforts on raising the specialized and refined standards for its operational risk management and continued to raise the effectiveness and relevance of operational risk management and control. In the control, assessment and identification of risks, based on the idea for the implementation of the operational risk project and the management integration project for compliance, internal control and operational risk, the Company coordinated the integration of requirements for compliance risk management, internal control management and information technology risk management. Together with the business development plan, compliance and risk management focus for the current year, based on the analysis of the level of importance of financial statements, and combined with the changes in the external economic and financial situation, movements in the regulatory policy and other factors, it selected the three major business lines – corporate finance, retail banking and financial market – as well as the main business and management process of the support and management departments, and steadily carried out a rearrangement process and analysis, risk control, assessment and identification as well as the summing up and sorting of entries of inspection key points for internal control and internal control issues; analyzed and determined the major risks, critical control, high-risk areas and internal control weaknesses in all principal businesses and management areas; and adopted measures to strengthen the rectification, management and improvement of the problem; effectively reinforced the basis for compliance, internal control and operational risk management; and increased the relevance, sensitivity and effectiveness of compliance, internal control and operational risk management.

Secondly, the Company vigorously pushed the setup of a business continuity management system. It steadily carried out various major business risk assessments and business impact analysis; organized and formulated specific contingency plans and specific systems for important business as well as business continuity plans for specific scenarios, and regularly carried out emergency drills to strengthen the alternative means for business and technology; and continued to enhance the level for business continuity management and emergency response to effectively assure the healthy development and continued operation of all the businesses.

Thirdly, the Company carried out ongoing case prevention and control. It further strengthened special treatment for case prevention and control; effectively carried out the tasks for case prevention and control; carried out rearrangement of regulatory policies and systems for special case prevention; and carried out in-depth risk troubleshooting of various cases by focusing on "comprehensive troubleshooting and highlighted major points". By detailing the particulars of troubleshooting and clearly defining division of responsibilities, the Company strengthened cooperation and coordination, and implemented the responsibility for case prevention at each level for timely removing potential risks and effectively assuring the stable operation of the Company's various businesses. Fourthly, the Company improved the platform for the operational risk management system. The setup of the operational risk management system was completed, and the system was brought to on-line operation, serving as a unified platform for operational risk management tools, operational risk capital measurement, business continuity management as well as continued and effective operation of a case prevention and control mechanism to further enhance the quality, efficiency and management level of operational risk management.

6. Compliance risk management

During the reporting period, the Company continued to deepen the philosophy of compliance operations, strengthened the development of a compliance culture and further pushed the effective implementation of compliance management for promoting the healthy and sustainable development of the Company's businesses.

Firstly, the Company made full use of the evaluation management tools to enhance the culture of compliance operations. The Company further optimized and improved compliance operations and internal control evaluation program by setting up a multi-level evaluation system covering the business lines of domestic branches, Hong Kong branch, subsidiaries and the Head Office; effectively carrying out various compliance operations and internal control evaluation tasks; continuing to facilitate the mutual promotion and integration of internal control and compliance operations with business development; increasing the level of delicacy management; stepping up evaluation and the use of evaluation findings; strengthening the guiding ideology for lawful and compliance operations; and cultivating a good compliance operation culture to ensure the healthy and continued development of the Company's businesses at source.

Secondly, the Company continued to make innovative working mechanisms for system management to serve the overall development across the bank. The Company proactively adapted to changes in the internal and external environment in the new, normal state by continuing to enhance the initiative, sensitivity and effectiveness of the management system and strengthening special system rearrangement and post evaluation of key areas. It adapted to the needs for delicacy management in the new, normal state by positively improving the feedback mechanism for system execution and setting up a unified, convenient and swift information management channel for system execution across the bank to effectively improve the effectiveness of system execution for laying a solid foundation for internal control and compliance management.

Thirdly, the Company strengthened the legal and compliance services to ensure the safe and steady operation of all the businesses across the bank. The Company moved forward the legal and compliance services by strengthening the analysis, review, early warning and assessment of legal compliance of new products and new businesses, together with regulatory developments and business management priorities in the new, normal state; boosting the strategic transformation of major projects and financial innovation; strengthening the basic rules for research on judicial adjudication; strengthening case instructions for branches; making full use of legal means to strengthen the recovery of non-performing assets; and providing legal support for the inventory and transfer of non-performing assets for effectively safeguarding the legitimate rights and interests of the Company as well as asset security.

Fourthly, the Company established a sound internal oversight mechanism to strengthen the awareness of compliance operation. The Company further regulated the internal control inspection process, strengthened the long-acting mechanism for internal control inspection and management, continuously carried out in-depth self-assessment of internal control, strengthened internal control supervisory system, strengthened compliance troubleshooting, established a daily management system for the inspection of data, compiled entries of irregularity, reinforced the application of achievements, improved the mechanism and structure of branches for compliance operations, and improved the long-acting mechanism for regulating the extraordinary transaction activities of employees by means of compliance risk alert, compliance and internal control evaluation, special troubleshooting and strengthened accountability of employees for irregularities.

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

7. IT risk management

The Company vigorously improved the organizational structure of information technology risk, made full use of the tools for information technology risk management to create an atmosphere of information technology risk management, and adopted measures to strengthen information technology risk management. Firstly, the basic standard for information technology risk management was strengthened. The Company continued to strengthen information technology risk monitoring, and compiled information technology risk reports to keep track of information technology risks across the bank, together with giving timely alerts on changes in internal and external information technology risks. Moreover, the information technology risk management, compliance checks and internal control self-assessment were combined for making full use of various management tools to enhance the basic level of information technology risk management. Secondly, the tools for information technology risk management were executed effectively by carrying out the control, identification and assessment of information technology risk, setting of key risk indicators, collecting loss events due to technology risk and pushing projects for the establishment of an information technology risk management system. Thirdly, the Company vigorously carried out information security management by engaging a professional information security assessment agency for assessing the protection of the security level of information systems with a security protection of third level and above, and for evaluating the security of infrastructure and software platform, and by conducting thorough troubleshooting of secret sensitive data sources for effectively enhancing the information security management level.

8. Management of reputation and country risks

(1) Management of reputation risks

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

The board of directors and its risk management committee are responsible for approving strategic plans and basic policies for the Company’s reputation risk management as well as the responsibilities, authority limits and reporting lines of the senior management relating to reputation risk management; overseeing the implementation of various regulations by the management for reputation risk management; and periodically reviewing reputation risk management reports. The senior management and the Head Office’s risk management committee are responsible for implementing the reputation risk management strategic plans and policies approved by the board of directors, assessing the Company' s reputation risk management situation on a regular basis as well as monitoring and evaluating whether the reputation risk management of various departments is effective or not. The Head Office' s risk management department is responsible for leading the drafting of the basic policy for reputation risk management, improving the reputation risk management system, incorporating the status of reputation risk management into the overall risk management reporting system and regularly reporting to the senior management, the Head Office' s risk management committee and the board' s risk management committee.

The Company' s reputation risk management follows the principle of "division of labour, hierarchical management, handling by type, swift response and ongoing maintenance" for continuously increasing the effectiveness of reputation risk management. During the reporting period, based on the formulated Sub-strategies of Reputation Risk Management and the Reputation Risk Management System, the Company incorporated the reputation risk management into the Company' s governance and comprehensive risk management system, clarified functions of different levels and divisions, adopted hierarchical classification management, and thus reinforced the effective prevention and control of reputation risks. It also attached importance to the initiative prevention against reputation risks, established corresponding management modes and working mechanisms regarding daily monitoring of public opinions, customer complaint and information disclosure, and immediately initiated corresponding contingency plan for reputation incidents. Besides, the Company created a harmonious media environment for steady development by further strengthening the management of public opinion, stepping up proactive news and promotion initiatives, and preventing and resolving risks of public opinion. The Company also incorporated reputation risk management into the comprehensive appraisal of branches in terms of risk management, compliance operation and internal control, effectively facilitating and reinforcing the reputation risk management at basic operating units.

(2) Management of country risks

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

The board of directors and its risk management committee are responsible for approving the Company' s strategic plans and basic polices for country risk management; reviewing and approving the quota on country risk management; approving the responsibilities, authority limits and reporting lines of the senior management relating to country risk management; supervising the senior management to implement various policies for country risk management; and periodically reviewing country risk reports submitted by the senior management. The senior management and the Head Office' s risk management committee are responsible for implementing the strategic plans and policies for country risk management approved by the board of directors; formulating and reviewing various specific policies, processes and operating procedures for country risk management; regularly assessing the Company' s status of country risk management; as well as monitoring and evaluating whether the country risk management of business units and functional departments at all levels is effective or not. The Head Office' s risk management department is responsible for leading the drafting of basic polices for country risk management and improving the country risk management system, incorporating the status of country risk management into the overall country risk management reporting system, and periodically submitting the same to the senior management and the Head Office' s risk management committee for review.

Based on the degree of risks, country risks are classified into five grades – low, relatively low, moderate, relatively high and high. Appropriate management is carried out for each grade. Moreover, country risks are used as major criteria for weighing the management of granting credit to customers. Based on its progress in the internationalization process and the growth of its business size, the Company will continue to improve country risk management and promote the sustainable and healthy development of its business.

V. Profit distribution

(I) Formulation, implementation or adjustment of the cash dividend policy

1. Policy for cash dividends

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

2. Commitment for cash dividends

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

3. Implementation of cash dividends

According to the annual profit distribution plan 2013 approved by the general meeting on June 27, 2014, based on the total share capital of 19,052,336,751 shares, the Company distributed cash dividend of RMB4.6 for every 10 shares (tax included), whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year. The formulation and implementation procedures of the Company's cash dividend policy were compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the articles of association and requirements in the resolution of the general meeting. The board of directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders. The implementation of the above profit distribution plan was completed in July 2014.

(II) Profit distribution plan 2014

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2014-2016), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve exceeded 50% of the registered capital, therefore it was not necessary to transfer statutory surplus reserve according to the Company Law. The Company planned to transfer RMB10,718,621,600.97 to general reserve. The interest period of preferred shares issued in 2014 was from December 8 to December 31, 2014, and the dividend of preferred shares is RMB51,287,671.23 with dividend yield of 6%. The Company also planned to distribute cash dividend of RMB5.7 for every 10 ordinary shares (tax included), amounting to RMB10,859,831,948, based on the total share capital of 19,052,336,751 shares. The remaining undistributed earnings will be carried forward to the next year.

This plan shall be executed within two months after approval by the annual general meeting 2014.

For details of the preferred shares dividend plan, please refer to "Preferred Shares". This plan shall be implemented within two months after approval by the annual general meeting 2014.

(III) Plan or proposal on profit distribution of the previous three years

Unit: RMB million

Year	Number of bonus shares for every 10 shares (tax incl.)	Amount of dividends for every 10 shares (Yuan) (tax incl.)	Number of shares converted by capital reserve for every 10 shares	Amount of cash dividends (tax incl.)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year	Percentage of net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year (%)
2014	**-**	**5.70**	**-**	**10,860**	**47,138**	**23.04**
2013	-	4.60	-	8,764	41,211	21.27
2012	5	5.70	-	7,240	34,718	20.85

I. Material lawsuits, arbitrations and issues questioned by media

During the reporting period, there was neither material lawsuit nor arbitration against the Company that was required to be disclosed nor issues broadly questioned by media.

II. Material asset transactions

During the reporting period, there was no material acquisition and sale of assets or M&A.

III. Material related party transactions

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

(II)The 6th meeting of the 8th session of the board of directors of the Company considered and approved the Proposal concerning Extending of a Related Party Transaction Line to China National Tobacco Corporation ("CNTC"), agreeing to extend an internal basic credit line of RMB8.5 billion to CNTC related legal persons for various types of short-term, medium-term and long-term business. It was also agreed to extend a non-credit related party transaction line to CNTC related legal persons with an annual transaction amount of not exceeding RMB475 million, and the types of transactions included asset transfer business and service provision business such as property leasing, acquisition of self-occupied real estate and comprehensive services; for a term of 3 years. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company' s announcement dated June 7, 2014.

(III)On June 5, 2014, the Company and the Finance Bureau of Fujian Province, a shareholder of the Company, entered into a conditional subscription agreement, pursuant to which the Finance Bureau of Fujian Province intended to subscribe for 25,000,000 domestic preferred shares issued by the Company at a subscription amount of RMB2.5 billion, with the final number of shares subscribed not exceeding the total number of shares approved by the competent authorities. The Finance Bureau of Fujian Province undertook not to participate in the enquiry process for the dividend yield of the issue of preferred shares and would accept the final dividend yield determined by the Company and the sponsors (underwriters) in accordance with the procedures and requirements prescribed by competent authorities including CSRC. The related party transaction was considered and approved by the 6th meeting of the 8th session of the board of directors and the 2013 annual general meeting of the Company. Pursuant to the subscription agreement, the Finance Bureau of Fujian Province paid a subscription amount of RMB2.5 billion in December 2014 for subscription of the preferred shares issued by the Company. The pricing of the related party transaction was conducted on conditions not more favourable than those for transactions of the same type with non-related parties, the conditions of the transaction were fair and reasonable, and the terms and the entering into of the subscription agreement complied with laws and regulations without prejudicing the interests of the Company and its shareholders, in particular minority shareholders. For details, please refer to the Company' s announcement dated June 7, July 1 and December 11, 2014.

(IV)The 6th meeting of the 8th session of the board of directors of the Company considered and approved the Proposal concerning Further Extension of Related Party Transaction Line to The People' s Insurance Company (Group) of China Limited, agreeing to further extend non-credit related transaction line to PICC related legal persons of RMB2 billion, mainly for related transactions of asset transfer, meanwhile the internal basic credit line was adjusted downwards from RMB5 billion to RMB4.4 billion. After the changes, the related party transaction line for PICC related legal persons was as follows: an internal basic credit line of RMB4.4 billion, with the types of business under the credit extension including financial bond, subordinated debt investment, RMB interbank borrowing, bond repurchase for which the Company assumed the credit risks of the credit receiver, and a non-credit related transaction line of RMB5.412 billion, with the types of business including treasury market transaction, financial consultancy and asset management, financial management, comprehensive services and asset transfer; both valid until September 27, 2014. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company' s announcement dated June 7, 2014.

(V)The 7th meeting of the 8th session of the board of directors of the Company considered and approved the Proposal concerning Extension of a Related Party Transaction Line to The Hongkong and Shanghai Banking Corporation Limited, agreeing to extend a related party transaction line of RMB5.5 billion, comprising: an internal basic credit line of RMB2.5 billion, with the types of business under the credit extension consisting of credit business for which the Company assumed the credit risks of the credit receiver (excluding buy-back credit asset transfer business), and a non-credit related transaction line with an annual transaction amount of not exceeding RMB3 billion for asset transfer business and service provision business such as bond transactions and gold leasing; for a term of 1 year. The above related party transaction line also counted towards the related party transaction line approved by the board of directors of the Company for extension to Hang Seng Bank. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company' s announcement dated August 30, 2014.

(VI)The 9th meeting of the 8th session of the board of directors of the Company considered and approved through teleconference during October 22 to October 27, 2014 the Proposal concerning Extension of Related Party Transaction Line to The People' s Insurance Company (Group) of China Limited, agreeing to extend a related transaction line to PICC related legal persons of RMB9.945 billion for a term of 2 years, comprising: an internal basic credit line of RMB5 billion for financial bond, subordinated debt investment, RMB interbank borrowing, bond repurchase, guarantee and credit enhancement, and RMB interest rate swap, for which the applicant was the issuing entity, and a non-credit related transaction line with an annual transaction amount not exceeding RMB4.945 billion, with the types of transaction including treasury business, asset management, asset custody, credit asset transfer and provision of insurance services. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company's announcement dated October 29, 2014.

As at the end of the reporting period, the balance and risk exposure (excluding deposits from related natural persons) of the Company's related party transactions with related natural persons was RMB9 million.

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

IV. Material contracts and performance thereof

(I) Material custody, lease and undertaking issues

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

(II) Material guarantees

During the reporting period, other than normal financial guarantees within the approved business scope, the Company had no other material guarantees requiring disclosure.

(III) Entrusting others with significant cash assets management

During the reporting period, the Company did not entrust significant cash assets management to other parties.

(IV) Other material contracts

During the reporting period, the Company performed its contracts under normal circumstances and no material contractual disputes occurred.

V. External guarantee

In accordance with the relevant provisions of CSRC, the Company carefully verified its guarantee to external parties in 2014. The Company's external guarantee business was approved by PBOC and CBRC and it was part of the Company's regular business operations. As at the end of the reporting period, the balance of the Company's letter of guarantee business was RMB118.16 billion. Other than the normal guarantee business, no illegal guarantee was discovered.

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

VI. Performance of undertakings

(I)The first extraordinary general meeting 2012 of the Company adopted the Profit Distribution Plan 2012-2014 (for details, please refer to the announcement of the resolutions of the general meeting dated August 29, 2012), which planned that in the coming three years (2012-2014), should there be distributable profit, the profit used for distribution in cash would not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits and appropriating statutory reserves and general provisions from the realized earnings, provided that the regulatory requirements on capital adequacy ratio could be met. The Company fulfilled the above profit distribution undertaking on schedule.

(II)The 2013 annual general meeting of the Company considered and approved the Mid-term Shareholders' Return Plan (2014-2016) (for details, please refer to the announcement on the resolutions of the general meeting dated July 1, 2014), which planned that in the coming three years (2012-2014), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash would not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. When the Company distributes dividends in cash or in specie or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive) of the profit distribution for the year. The Company fulfilled the above profit distribution undertaking on schedule.

(III) The Company's shareholders, namely The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited (collectively holding 10.87% of the total share capital of the Company) undertook that the non-publicly offered shares of the Company they subscribed for in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed, except otherwise required by the competent regulators on the lock-up period. The above-mentioned companies performed their obligations and the shares concerned were registered for restricted transactions.

(IV) The Company's shareholders, namely China National Tobacco Corporation and Shanghai Zheng Yang International Business Co., Ltd., holding 3.22% and 0.99% of the total share capital of the Company respectively, undertook that the non-publicly offered shares of the Company they subscribed in 2012 were subject to restricted trade for 36 months, which could not be transferred within 36 months from the day when the offering was completed. The above-mentioned companies performed their obligations and the shares concerned were registered for restricted transaction.

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

VII. Appointment of accounting firms and sponsors

Upon approval of the 2013 annual general meeting, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the annual report 2014, review the semi-annual report 2014 and provide internal control and audit services with the total audit fee amounting to RMB7.6 million, which included fees and expenses on transportation, accommodation, stationery, communication and printing as well as related taxes. Currently, Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit services to the Company for four consecutive years.

The Company appointed CITIC Securities Co., Ltd. (hereinafter "CITIC Securities") and Industrial Securities Co., Ltd. (hereinafter "Industrial Securities") as the joint sponsors of the non-public offering of preferred shares of the Company. CITIC Securities designated Mr. Zhou Jiwei and Mr. Luo Zhongxing, and Industrial Securities designated Mr. Tian Jinhuo and Ms. Qiaojie, as representatives of sponsors of the Company, with a period for continuous monitoring from September 10, 2014 to December 31, 2015, and a sponsorship fee of RMB8 million.

VIII.Punitive actions against the Company, and its directors, supervisors and senior management personnel

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

IX. Impacts of Adoption of New Accounting Standards on the Consolidated Financial Statements

(I) Impacts of changes in standard on long-term equity investment on the consolidated financial report

According to Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment, equity investment held by the Company over which the Company does not have control, joint control or significant influence, and the fair value of which cannot be measured reliably, will be accounted for as available-for-sale financial assets measured at cost, and will no longer be accounted for as long-term equity investment. The specific impacts are as follows:

Unit: RMB million

Investee	Basic information of the transaction	Equity attributable to shareholders of the parent company as at January 1, 2013 (+/-)	December 31, 2013		
			Long-term equity investment (+/-)	Available-for-sale financial assets (+/-)	Equity attributable to shareholders of the parent company (+/-)
China UnionPay Co., Ltd.	2.13% shareholding	0	-81	+81	0
Huafu Securities Co., Ltd.	4.35% shareholding	0	-180	+180	0
Zijin Mining Group Financial Co., Ltd.	5.00% shareholding	0	-25	+25	0
Total	**-**	**0**	**-286**	**+286**	**0**

(II) Impacts of changes in standard on employee benefits

The Company set up a defined benefits plan as post-employment benefits for employees of the Bank. Staring from July 1, 2014, the Company introduced accounting policy change to its accounting policies on measurement of post-employment benefits for employees in accordance with the revised Accounting Standards for Business Enterprises No. 9 - Employee Benefits. The Company considers that the accounting policy change does not have any significant impact on the net assets of the Group as at January 1, 2013 and December 31, 2013, and therefore no retroactive adjustments are made. The specific impacts are as follows:

Unit: RMB million

Employee benefits payable as at July 1, 2014 (+/-)	Equity attributable to shareholders of the parent company as at July 1, 2014 (+/-)
0	+406

(III) Impacts of changes in standard on the consolidated financial statements

According to Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements, “control” is defined as “the investor has power over the investee, is entitled to variable return through participation in activities related to the investee, and has the ability to apply its power over the investee to affect the amount of its return”. The Company consolidated structured entities meeting the conditions for consolidation, and accounted for the above accounting policy change by applying retrospective adjustments. The specific impacts are as follows:

Unit: RMB million

Equity attributable to shareholders of the parent company as at January 1, 2013 (+/-)	December 31, 2013		
	Investment classified as receivables (+/-)	Other liabilities (+/-)	Equity attributable to shareholders of the parent company (+/-)
0	+869	+869	0

The application guidelines for Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements provide that the “general risk provision” made by a subsidiary should, at the level of the consolidated statements, be recovered based on the share attributable to owners of the parent company. The Group accounted for the above accounting policy change by applying retrospective adjustments. The impacts of the above accounting policy change on the financial statements are set out in the following table.

Unit: RMB million

Equity attributable to shareholders of the parent company as at January 1, 2013 (+/-)	December 31, 2013		
	General risk provision (+/-)	Undistributed earnings (+/-)	Equity attributable to shareholders of the parent company (+/-)
0	+958	-958	0

(IV) Impacts of changes in standard on presentation of financial statements

According to Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements, other comprehensive income items are classified into two categories: (1) other comprehensive income items that cannot be reclassified into profit or loss in subsequent accounting periods; (2) other comprehensive income items that will be reclassified into profit or loss in subsequent accounting periods if specific conditions are met, and presentation of items including items held for sale has been standardized as well. These financial statements have been presented according to the provisions of the standard, and the presentation of the financial statements for the comparable years has been adjusted accordingly. The specific impacts are as follows:

Unit: RMB million

Equity attributable to shareholders of the parent company as at January 1, 2013 (+/-)	December 31, 2013		
	Capital reserve (+/-)	Other comprehensive income (+/-)	Equity attributable to shareholders of the parent company (+/-)
0	+4,619	-4,619	0

IX.Description of other major issues

(I) Issue of Tier 2 capital bonds: upon the approval by the China Banking Regulatory Commission and the People' s Bank of China, the Company successfully issued Tier 2 capital bonds worth RMB20 billion in total in the national interbank bond market on June 17, 2014, and completed the registration and custody formalities with China Government Securities Depository Trust & Clearing Company on June 18. The total size of the bond issue was RMB20 billion. The bonds were 10-year fixed-rate bonds, with issuer redemption rights attached at the end of the fifth year. The coupon was finally determined to be 6.15% through bidding. The proceeds of the bond issue would be used to supplement the Tier 2 capital of the Company in accordance with applicable laws and approval by regulatory authorities. For details, please refer to the Company' s announcement dated June 19, 2014.

(II) Non-public offering of domestic preferred shares: upon the approval by CSRC, the Company issued 130 million preferred shares with a par value of RMB100 each to 28 qualified investors thorough non-public offering in December 2014, which had been listed on the integrated business platform of Shanghai Stock Exchange since December 19, 2014. The proceeds, after deducting issuance expenses, were all used for supplementing tier one capital.

(III) Promoting the establishment of Industrial Consumer Finance Co., Ltd. and changes in the scope of consolidated financial statements: upon the approval by CBRC, the Company and Quanzhou Commercial Corporation, Xtep (China) Co., Ltd., and Fucheng (China) Co., Ltd. jointly promoted to set up Industrial Consumer Finance Co., Ltd. with a registered capital of RMB300 million. The Company contributed RMB198 million, accounting for 66% of the registered capital; and Quanzhou Commercial Corporation, Xtep (China) Co., Ltd., and Fucheng (China) Co., Ltd. contributed 24%, 5% and 5% respectively. The relevant business registration procedures were formally completed in December 2014. For details, please refer to the Company' s announcements dated October 21 and December 24, 2014. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, Industrial Consumer Finance Co., Ltd. was consolidated into scope of the consolidated financial statements in the financial report of the Company for the period.

SHARE CAPITAL CHANGES AND SHAREHOLDERS OF ORDINARY SHARES

I. Changes in shares during the reporting period

(I) Changes in shares

As at the end of the reporting period, the total number of ordinary shares of the Company amounted to 19,052,336,751 shares and there were no changes within the period.

Upon the approval by CSRC, the Company issued RMB13 billion preferred shares in total in December 2014 through non-public offering. For more details, please refer to Chapter VII "Preferred Shares".

(II) Changes in restricted shares

Unit: share

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

Note: The aforesaid restricted shares were non-publicly offered shares by the Company in 2012 and the procedures and formalities for registration and custodian of the non-publicly offered shares were handled with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited in January 7, 2013. These shares could not be transferred within 36 months from the date when the offering was completed, except otherwise required by the competent regulators on the lock-up period.

II. Issuance and listing of securities

(I) Issuance of securities in the past three years

Type	Issue date	Issue price (RMB)	Issue quantity (share)	Listing date	Approved volume of listing (share)	Expiry date of transaction
RMB ordinary shares	December 31, 2012	12.36	1,915,146,700	January 7, 2016	2,872,720,050	N/A

Note: 1,915,146,700 shares were issued at the Non-public Offering in 2012 and these newly issued shares increased to 2,872,720,050 after implementing the annual profit distribution plan 2012 of distributing 5 bonus shares for every 10 shares.

(II) The Company had no employee stocks.

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 263,429 shareholder accounts, and 360,793 shareholders accounts at the end of the fifth trading day prior to the release of this annual report.

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Type of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares
Finance Bureau of Fujian Province	State authority	0	3,402,173,769	17.86	0	N/A
Hang Seng Bank Limited	Overseas legal person	0	2,070,651,600	10.87	0	N/A
PICC Property and Casualty Company Limited - traditional - common insurance product	State-owned legal person	0	948,000,000	4.98	948,000,000	N/A
China National Tobacco Corporation	State-owned legal person	0	613,537,500	3.22	613,537,500	N/A
PICC Life Insurance Company Limited-participating-personal insurance (participating)	State-owned legal person	0	474,000,000	2.49	474,000,000	N/A
PICC Life Insurance Company Limited - universal - personal insurance (universal)	State-owned legal person	0	474,000,000	2.49	474,000,000	N/A
Fujian Tobacco Haisheng Investment Management Co., Ltd.	State-owned legal person	0	441,504,000	2.32	0	N/A
China Tobacco Hunan Investment Management Co., Ltd.	State-owned legal person	0	226,800,000	1.19	0	N/A
Longyan Municipal Bureau of Finance, Fujian Province	State authority	0	218,636,350	1.15	0	94,500,000 (pledged)
Shanghai Zheng Yang International Business Co., Ltd.	Domestic non-state-owned legal persons	0	188,530,950	0.99	188,530,950	N/A

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

(III) Shareholdings of the top ten shareholders of unrestricted shares

Unit: share

Name of shareholders	Number of unrestricted shares	Percentage in total share capital (%)	Type of shares
Finance Bureau of Fujian Province	3,402,173,769	17.86	RMB ordinary shares
Hang Seng Bank Limited	2,070,651,600	10.87	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.32	RMB ordinary shares
China Tobacco Hunan Investment Management Co., Ltd.	226,800,000	1.19	RMB ordinary shares
Longyan Municipal Bureau of Finance, Fujian Province	218,636,350	1.15	RMB ordinary shares
Inner Mongolia Xishui Venture Co., Ltd.	144,129,998	0.76	RMB ordinary shares
International Finance Corporation	121,316,254	0.64	RMB ordinary shares
Zhejiang Southeast Electric Power Company Limited	118,260,000	0.62	RMB ordinary shares
Fujian Investment & Development Group Co., Ltd.	97,200,051	0.51	RMB ordinary shares
Hong Kong Exchanges and Clearing Limited	96,804,450	0.51	RMB ordinary shares

Note: Fujian Tobacco Haisheng Investment Management Co., Ltd. and China Tobacco Hunan Investment Management Co., Ltd. were subsidiaries of China National Tobacco Corporation.

(IV) Number and conditions of restricted shares held by shareholders

Unit: share

<table>
<tr><th rowspan="2">Name of shareholders holding restricted shares</th><th rowspan="2">Number of restricted shares</th><th colspan="2">Listing and trading of restricted shares</th><th rowspan="2">Restriction conditions</th></tr>
<tr><th>Time for listing and trading</th><th>Number of additional shares available for listing and trading</th></tr>
<tr><td>The People' s Insurance Company (Group) of China Limited</td><td>174,651,600</td><td rowspan="6">January 7, 2016</td><td>174,651,600</td><td rowspan="4">Not transferable within 36 months from the day when the offering was finished (except otherwise required by the competent regulators on the lockup period)</td></tr>
<tr><td>PICC Property and Casualty Company Limited-traditional-common insurance product</td><td>948,000,000</td><td>948,000,000</td></tr>
<tr><td>PICC Life Insurance Company Limited-participating-personal insurance (participating)</td><td>474,000,000</td><td>474,000,000</td></tr>
<tr><td>PICC Life Insurance Company Limited-universal-personal insurance (universal)</td><td>474,000,000</td><td>474,000,000</td></tr>
<tr><td>China National Tobacco Corporation</td><td>613,537,500</td><td>613,537,500</td><td rowspan="2">Not transferable within 36 months from the day when the offering was finished</td></tr>
<tr><td>Shanghai Zheng Yang International Business Co., Ltd.</td><td>188,530,950</td><td>188,530,950</td></tr>
<tr><td colspan="2">Description for related relationship or acting in concert of shareholders</td><td colspan="3">PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People' s Insurance Company (Group) of China Limited.</td></tr>
</table>

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

1. The Finance Bureau of Fujian Province is a legal person of government unit. Its legal representative is Chen Xiaoping and the address is 5 Zhongshan Road, Fuzhou. It is the largest shareholder of the Company, holding 17.86% of the Company' s shares.

2. Hang Seng Bank Limited was established in 1933 and now it is one of the largest listed banks by market capitalisation in Hong Kong. Its legal representative is Rose Lee; the registered capital is HKD 9.66 billion; and the legal address is 83 Des Voeux Road, Central, Hong Kong. Hang Seng Bank is one of the major members of the HSBC Group, which indirectly held 62.14% stake in Hang Seng Bank through its holding subsidiaries. In May 2007, Hang Seng Bank established Hang Seng Bank (China) Limited, its wholly-owned subsidiary, in the mainland China.

3. The People' s Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited: the People' s Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 10.87% of the Company' s shares, and PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People' s Insurance Company (Group) of China Limited.

The People' s Insurance Company (Group) of China Limited is a comprehensive insurance (financial) company (organizational code: 10002373-6), incorporated in 1996. Its precedent was the People' s Insurance Company of China established in 1949 upon approval of the Government Administration Council of China. As at the end of the reporting period, it had registered capital of RMB42.424 billion, whose legal representative was Wu Yan and registered office was in Beijing. Its business includes: investment in and holding of shares of listed companies, insurance institutions and other financial institutions; and supervision and management of domestic and overseas businesses of its holding ventures. It was listed on the Hong Kong Stock Exchange in December 2012.

PICC Property and Casualty Company Limited (organizational code: 71093148-3) was established in 2003 and listed on the Hong Kong Stock Exchange in the same year. It has registered capital of RMB14.829 billion, whose legal representative is Wu Yan and registered office is in Chaoyang District, Beijing. Its business covers all types of property insurance, including motor vehicle, property, marine, credit, accident, energy, aerospace and agricultural insurances. Now, it is the largest property insurance company in China.

PICC Life Insurance Company Limited (organizational code: 71093370-2) is a national life insurance company. Established in 2005, it has registered capital of RMB25.761 billion, whose legal representative is Wu Yan and registered office is in Haidian District, Beijing. Its business includes: life insurance, health insurance, accident insurance, personal reinsurance and investment.

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

Unit: share

Stock Code	Stock Name	Date of Issuance	Issuing price (yuan/share)	Dividend Rate (%)	Issuance Size	Date of Listing	No. of shares approved for listing	Last date of Trade
360005	Industrial P1	3 December 2014	100	6.00	130,000,000	19 December 2014	130,000,000	N/A

Note: 1. With the approval of CSRC, the Company issued 130 million preferred shares with a par value of RMB100 per share and 6% coupon in the first interest cycle to 28 eligible investors through non-public offering in December 2014. After deducting the offering expenses, the net proceeds reached RMB12.958 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of issuance, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since 19 December 2014.

2. The dividend of the preferred shares under the issuance will be distributed on an annual non-cumulative basis. Each interest cycle covers five years since the payment due date and the dividend yield will remain the same within the period. The dividend yield for the first interest cycle was set at 6% through quotation. The annual interest rate is the sum of the benchmark interest rate and the basic spread, which means dividend yield = annual interest rate+ basic spread. For the calculation of annual interest rate and basic spread, please refer to the Company's listing announcement of preferred shares dated 16 December 2014.

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

No. of shareholder accounts as of the end of the reporting period	28
No. of shareholder accounts as of the end of the five consecutive trading days from the disclosure of the annual report	28

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes of number of shares during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Fujian Provincial Department of Finance	25,000,000	25,000,000	19.23	Preferred shares	None	State authority
National Social Security Fund 304 Group	4,322,000	4,322,000	3.32	Preferred shares	None	State-owned legal person
National Social Security Fund 306 Group	4,254,000	4,254,000	3.27	Preferred shares	None	State-owned legal person
Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – general insurance products	4,254,000	4,254,000	3.27	Preferred shares	None	Domestic non-state-owned legal person
Ping An Life Insurance Company of China－bonus－bonus-based individual insurance	4,254,000	4,254,000	3.27	Preferred shares	None	Domestic non-state-owned legal person
Ping An Life Insurance Company of China－universal－ universal-based individual insurance	4,254,000	4,254,000	3.27	Preferred shares	None	Domestic non-state-owned legal person
PICC P&C – traditional – general insurance products	4,254,000	4,254,000	3.27	Preferred shares	None	State-owned legal person
Bank of Communications Guosen Jinsheng Tianli No. 1 Individual Capital Trust	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Beijing Tiandi Fangzhong Asset Management	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Bosera Funds	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Bank of Communications Schroders Asset Management	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Bank of Communications Schroders Funds	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Maxwealth Fund	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Guangdong Finance Trust Co., Ltd.	4,254,000	4,254,000	3.27	Preferred shares	None	Others
CRC Trust Co., Ltd.	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Zhonghai Trust Co., Ltd.	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Sunlight Asset Management	4,254,000	4,254,000	3.27	Preferred shares	None	Others
E Funds	4,254,000	4,254,000	3.27	Preferred shares	None	Others
BOCI Securities Limited	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Beijing International Trust	4,254,000	4,254,000	3.27	Preferred shares	None	Others
HuaAn Funds	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Zhongjiang International Trust Co., Ltd.	4,254,000	4,254,000	3.27	Preferred shares	None	Others
COFCO Trust Co., Ltd.	4,254,000	4,254,000	3.27	Preferred shares	None	Others
Zhongrong International Trust Co., Ltd.	4,254,000	4,254,000	3.27	Preferred shares	None	Others

Note: 1. The preferred shares held by the above shareholders contain no difference with regard of their setting for their terms and conditions.

2. The manager of both the National Social Security Fund 304 Group and the National Social Security Fund 306 Group is the National Council for Social Security Fund. The connected relationship exists among Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – general insurance products, Ping An Life Insurance Company of China-bonus-bonus-based individual insurance, Ping An Life Insurance Company of China-universal-universal-based individual insurance. Related party relationship exists among the Bank of Communications Guosen Jinsheng Tianli No. 1 Individual Capital Trust, Bank of Communications Schroders Asset Management and Bank of Communications Schroders Funds.

As at the end of the period, the Finance Bureau of Fujian Province held 3,402,173,769 ordinary shares of the Company, and PICC Property & Casualty Co., Ltd. held 948,000,000 ordinary shares of the Company.

III. Profit distribution of preferred shares

(I) Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment. The initial date of the dividend calculation is the cut-off date for payment for this issuance of preferred shares, i.e. 8 December 2014. The Company's Board of Directors deliberated and approved the profit distribution plan of preferred shares: the interest period of preferred shares issued in 2014 was from 8 December 2014 to 31 December 2014, and the drafted dividends are RMB51,287,671.23 with dividend yield of 6%. This distribution plan will be implemented after the approval of the general shareholders' meeting.

(II) Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio
2014	51	100%
2013	-	-
2012	-	-

Note: Distribution ratio = announced distribution amount / agreed distribution amount for the year x 100%

(III) During the reporting period, the Company made no redemption of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

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

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

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

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

In December 2014, the Company issued non-cumulative preferred shares amounted to RMB13.0 billion to domestic investors, and the Company had, after deducting the issuance fee, booked an amount of RMB12.958 billion under the category of other equity instruments. In the duration period of the preferred shares under this issuance, the Company is entitled to, by satisfying the related requirements and with the approval of the CBRC, fully or partly exercise its redemption rights for its preferred shares on each year' s dividend payment date after 5 years of the issuance date of the preferred shares, but the shareholders of the preferred shares have no right to request the Company to make redemption. The coupon of the preferred shares will be adjusted by phases, i.e. in a five-year coupon adjustment period, the dividend payment shall be paid in cash at a fixed dividend rate once a year. The Company reserves the right to fully or partly cancel the declaration and payment of dividend for the preferred shares.

The Company shall, subject to the approval of CBRC, fully or partly convert its existing preferred shares under this issuance into its ordinary shares, in the event of the following trigger conditions of the mandatory conversion: (1) when the core Tier 1 capital adequacy ratio falls to 5.125% (or below), the preferred shares under this issuance, subject to the decision of the Board of Directors, shall be fully or partly converted into the ordinary A shares of the Company based on the mandatory conversion price, so as to restore the Company' s core Tier 1 capital adequacy ratio to above 5.125%; (2) when there is a Tier 2 capital instrument trigger event of the Company, the preferred shares under this issuance shall be fully converted into the ordinary A shares based on the mandatory conversion price.

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

I. Directors, supervisors and senior management members

(I) General information

Name	Title	Gender	Date of Birth	Tenure	Total remuneration from the Company during the reporting period (before tax) (in RMB ten thousand)
Gao Jianping	Chairman of the board of directors	Male	1959.07	2013.10.15-2016.10.14	325.4
Liao ShiZhong	Director	Male	1962.10	2013.10.15-2016.10.14	0
Andrew H C Fung	Director	Male	1957.07	2013.10.15-2016.10.14	0
Li Liangwen	Director	Male	1951.10	2013.12.24-2016.10.14	0
Zhang Yuxia	Director	Female	1955.06	2013.12.24-2016.10.14	0
Chua Phuay Hee	Director	Male	1953.09	2013.10.15-2016.10.14	0
Li Renjie	Director and president	Male	1955.03	2013.10.15-2016.10.14	315.7
Jiang Yunming	Director and vice president	Male	1965.10	2013.12.24-2016.10.14	261.8
Lin Zhangyi	Director and vice president	Male	1971.09	2013.12.24-2016.10.14	255.9
Tang Bin	Director and board secretary	Male	1957.02	2013.10.15-2016.10.14	255.5
Li Ruoshan	Independent director	Male	1949.02	2013.10.15-2016.10.14	30
Zhou Qinye	Independent director	Male	1952.01	2013.10.15-(Note 4)	30
Paul M. Theil	Independent director	Male	1953.05	2013.12.24-2016.10.14	30
Zhu Qing	Independent director	Male	1957.05	2014.08.26-2016.10.14	15
Liu Shiping	Independent director	Male	1962.04	2014.08.26-2016.10.14	14
Xu Chiyun	Supervisor	Female	1968.08	2013.10.15-2016.10.14	0
Yan Jie	Supervisor	Male	1980.06	2013.10.15-2016.10.14	0
Li Li	Supervisor	Female	1969.02	2013.10.15-2016.10.14	0
Li Jian	Supervisor	Male	1956.09	2013.10.15-2016.10.14	343.9
Lai Furong	Supervisor	Male	1968.10	2013.10.15-2016.10.14	314.0
Wang Guogang	External supervisor	Male	1955.11	2013.10.15-2016.10.14	22
Wang Shuguang	External supervisor	Male	1971.09	2014.06.27-2016.10.14	11
Zhang Xin	External supervisor	Male	1951.12	2014.06.27-2016.10.14	12
Chen Dekang	Vice president	Male	1954.09	2013.10.15-2015.03.02	296.4
Chen Jinguang	Vice president	Male	1961.11	2013.10.15-2016.10.14	253.3
Xue Hefeng	Vice president	Male	1969.03	2013.10.15-2016.10.14	253.9
Li Weimin	Vice president	Male	1967.11	2013.10.15-2016.10.14	248.6
Chen Xinjian	Vice president	Male	1967.10	2014.07.10-2016.10.14	351.5
Deng Ruilin	Independent director	Male	1949.06	2013.12.24-2014.08.26	15

Name	Title	Gender	Date of Birth	Tenure	Total remuneration from the Company during the reporting period (before tax) (in RMB ten thousand)
Zhang Jie	Independent director	Male	1965.03	2013.12.24-2014.08.26	11.75
Kang Yukun	Chairman of the board of supervisors	Male	1954.05	2013.10.15-2014.10.27	320.1
Xu Bin	External supervisor	Male	1944.09	2013.10.15-2014.06.27	11
Zhou Yeliang	External supervisor	Male	1949.06	2013.10.15-2014.06.27	12

Note: 1. The total remuneration for directors, supervisors and senior management members who held full-time positions in the Company during the reporting period has included the annual risk fund, of which, the amount for Gao Jianping (chairman) was RMB935.5 thousand, RMB906.5 thousand for Li Renjie (Director and president), RMB1.0145 million for Kang Yukun (chairman of the board of supervisors), RMB934 thousand for Chen Dekang (vice president), RMB797.5 thousand for Jiang Yunming (director and vice president), RMB770 thousand for Lin Zhangyi (director and vice president), RMB784 thousand for Chen Jinguang (vice president), RMB784 thousand for Xue Hefeng (vice president),RMB757 thousand for Li Weimin (vice president), RMB1.040 million for Chen Xinjian (vice president) and RMB782 thousand for Tang Bin (director and board secretary). In accordance with the Measures on Evaluation and Disbursement related to Risked Fund for Senior Management Members, the risk fund should be disbursed in three years following evaluation.

During the reporting period, the actual remuneration paid for all directors, supervisors and senior management members totalled RMB40.0975 million.

2. As at the end of the reporting period, Mr. Li Jian (supervisor) held 10,000 shares of the Company, no other director, supervisor or senior management member of the Company held any share of the Company, and there was no change in shareholding.

3.The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management members were as follows: the remuneration for directors, supervisors and senior management members were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, Measures of Industrial Bank for Performance Evaluation of Senior Management Members and Administrative Measures of Industrial Bank for Remuneration of Senior Management Members. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disbursed in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the compensation and assessment committee under the board of directors and then submitted to the board of directors for approval.

4. The board of directors received the written resignation of Mr. Zhou Qinye, independent director, on October 23, 2014. According to the Guiding Opinions on Establishment of Independent Director Systems by Listed Companies of CSRC and the Articles of Association, as the resignation will cause the number of independent directors to be less than one-third of the number of members in the board of directors, it will take effect after a new independent director is elected at the general meeting of the Company and the appointment qualifications of the new independent director are approved by the relevant regulatory authority.

(II) Positions held by directors and supervisors in the shareholder companies

Name	Shareholder company	Title
Andrew H C Fung	Hang Seng Bank Limited	Executive Director and head of Global Banking and Capital Markets
Zhang Yuxia	State Tobacco Monopoly Bureau/China National Tobacco Corporation	Chief accountant
Xu Chiyun	Longyan Municipal Bureau of Finance, Fujian Province	Section chief
Li Li	Shanghai Zheng Yang International Business Co., Ltd.	Chairman

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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Gao Jianping	Bachelor degree, senior economist. He previously served as deputy general manager of the general office of Industrial Bank, director of the Industrial Bank's office in Fuzhou Economic and Technological Development Zone, general manager of the general office of Industrial Bank, head of Industrial Bank's Shanghai branch preparatory team, president of Industrial Bank's Shanghai branch, president assistant of Industrial Bank, vice president of Industrial Bank and president of Industrial Bank, secretary of communist party committee, chairman and president of Industrial Bank, and currently as secretary of communist party committee and chairman of Industrial Bank, and member of the National Committee of CPPCC.	Member of the 12^{th} National Committee of the Chinese People's Political Consultative Conference
Liao Shizhong	Master degree, associate research fellow. He previously served as assistant research fellow, deputy director and associate research fellow of Scientific Research Division of Economics Institute of Fujian Provincial Academy of Social Sciences, deputy director and director of Fujian Provincial Institute of Fiscal Science Research, vice president and secretary-general of Fujian Provincial Society of Finance; and currently as vice president of Fujian Provincial Society of Finance.	Vice president of Fujian Provincial Society of Finance
Andrew H C Fung	University graduate. He previously served as managing director of global financial market of DBS Bank Ltd., deputy general manager and head of investment and insurance of Hang Seng Bank, general manager and head of investment and insurance of Hang Seng Bank, and currently as executive director and head of global banking and capital markets of Hang Seng Bank.	Director and general manager of Hang Seng Investment Management Ltd., director of Hang Seng Management Pte Ltd., Hang Seng Bullion, Hang Seng Insurance, Hang Seng Investment, Hang Seng Life and Hang Seng Securities

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Li Liangwen	Bachelor degree, senior economist. He previously served as deputy general manager, general manager of PICC Qinhuangdao Company, deputy general manager of China Insurance (UK) Company, deputy general manager of PICC Hebei Company, deputy general manager of Department of Actuarial of China Life Insurance, and vice president of China Life Insurance Co., Ltd.; vice president, executive director of The People's Insurance Company (Group) of China Limited, and deputy chairman and president of PICC Life Insurance Company Limited.	None
Zhang Yuxia	Bachelor degree, senior accountant. She previously served as section chief, deputy director and director of industry section II, Department of Industry, Transportation and Finance of Ministry of Finance, deputy director of Institution Service Center of Ministry of Finance, and chief of Department of Financial Management and Supervision (Department of Audit) of State Tobacco Monopoly Bureau; and currently as chief accountant of State Tobacco Monopoly Bureau/China National Tobacco Corporation.	Director of Bank of Communications
Chua Phuay Hee	Master degree. He previously served as director of insurance and statistics department, manager of human resources and administration department, director of securities business department of Monetary Authority of Singapore, general manager of investment and plan department, chief financial officer, chief risk officer of Keppel TatLee Bank of Singapore, and executive director of Singapore-based Wilmar International Limited; and currently as director of Singapore-based Temasek Life Sciences Laboratory Ltd.	Director of Singapore-based Temasek Life Sciences Laboratory Ltd.
Li Renjie	Bachelor degree, senior economist. He previously served as director of planning division of Fujian branch of The People's Bank of China (PBOC), executive director of Hong Kong Jiang Nan Finance Ltd., chairman of Great Wall Securities Co., Ltd., head of preparatory team, president of Industrial Bank's Shenzhen branch, vice president of Industrial Bank; and currently as communist party committee member and president of Industrial Bank.	None
Jiang Yunming	PhD, senior economist. He previously served as deputy section chief of business section of securities business department, manager of insurance department of Industrial Bank, general manager assistant and manager of investment banking of Industrial Securities, deputy general manager of general office, general manager of board secretariat and deputy general manager of general office, general manager of general office of Industrial Bank, president of Industrial Bank Beijing Branch; currently as party committee member and vice president of Industrial Bank.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Lin Zhangyi	University graduate, master degree, senior economist. He previously served as deputy section chief of general section of general office, deputy head of Fuqing sub-branch, Fuzhou branch of Industrial Bank, president assistant and manager of personnel & education of Fuzhou branch, vice president of Fuzhou branch, vice president of Fuzhou Shanghai Branch, general manager of Industrial Bank general office; and currently as party committee member, vice president of Industrial Bank and chairman of Industrial Bank Financial Leasing Co., Ltd.	Chairman of Industrial Bank Financial Leasing Co., Ltd.
Tang Bin	University graduate, master degree, senior economist. He previously served as deputy director of trade statistics department, deputy director of foreign trade statistics department of Fujian Provincial Statistics Bureau, deputy director of integrated planning department, direction of distribution system department, system reform commission of Fujian Province, general manager of Industrial Bank general office, business department and corporate finance department of Industrial Bank, head of preparatory team of Industrial Bank Hangzhou branch, general manager of secretariat of Industrial Bank board of directors, board secretary and general manager of board office of Industrial Bank; and currently as board secretary of Industrial Bank.	None
Li Ruoshan	PhD, professor, non-practicing certified accountant. He previously served as deputy dean of the accounting department and vice president of the school of economics, Xiamen University, dean of the accounting department and the finance department, and vice president of the school of management of Fudan University; he is currently serving as MPACC academic dean, professor, PhD tutor at the school of management of Fudan University.	MPACC academic dean, professor and PhD tutor of the school of management at Fudan University, independent director of China Eastern Airlines and Xi' an Shangu Power Co., Ltd.
Zhou Qinye	Master degree, professor. He previously served as deputy dean of the school of accountancy at Shanghai University of Finance and Economics, director of the listing division, deputy general manager and chief accountant of the Shanghai Stock Exchange.	PhD tutor of Fudan University, adjunct professor of Xiamen University and Shanghai University of Finance and Economics
Paul M. Theil	PhD. He served previously as first secretary, commercial counsellor sellor of the U.S. Embassy in China and the executive director of Morgan Stanley; he is currently serving as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd.	Chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., director of Guo An County bank, independent director of Morgan Stanley Huaxin Fund Management Company Limited, legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., and president of Small Loans Industry Association of Shenzhen

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Zhu Qing	PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the school of finance at Renmin University of China, and he also worked for the budget and tariffs departments of European Commission (EC). He is currently serving as director of the academic committee of the school of finance, professor and PhD tutor at Renmin University of China.	Director of academic committee of the school of finance, professor and PhD tutor at Renmin University of China, executive member of the society of public finance of China, executive member and deputy chairman of the academic committee of China International Taxation Research Institute, executive member of the Chinese tax institute, executive director of China Social Insurance Association, executive member of Beijing public-finance society, distinguished professor at Yangzhou Tax Institute of the State Administration of Taxation, adjunct professor at Beijing National Accounting Institute and Xiamen National Accounting Institute
Liu Shiping	PhD. He previously served as leader of the data mining consulting team (global financial industry) of the service division of IBM and chief adviser of Business Intelligence, providing business intelligent consulting services to over 100 financial institutions including central banks, Shanghai Stock Exchange and China Development Bank. He is currently serving as president of the Global Business Intelligence Consulting (Beijing) Co., Ltd.	President of Global Business Intelligence Consulting (Beijing) Co., Ltd., member of the Informatization Committee of the China Association for Public Companies, professor and PhD tutor at the University of Chinese Academy of Sciences (UCAS), Associate of the Research Center of Finance Sciences and Technology of UCAS, torch entrepreneurship tutor in Ministry of Science and Technology, committee member of China Association of Technology Entrepreneurs, committee member of China Accounting Informatization Committee, vice chairman of the executive committee of XBRL China, technical consultant of the Southern Medicine Economic Research Institute of CFDA, advisor of the Chengdu Technology Consulting Team
Kang Yukun	Bachelor degree, senior economist. He previously served as deputy manager of Industrial Bank’s credit department, vice president (in charge of overall management) of Industrial Bank’s Putian branch, vice president (in charge of overall management) and then president of Industrial Bank’s Fuzhou branch, communist party committee member, director, vice president, and chairman of the board of supervisors of Industrial Bank. He is currently retired.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xu Chiyun	University graduate, senior accountant. She previously served as deputy section chief, principal section member of Longyan Municipal Bureau of Finance and deputy president of Accountants Society of Longyan. She is currently serving as section chief of Longyan Municipal Bureau of Finance, Fujian Province, and deputy secretary general of Finance, Accountants & Abacus Society of Longyan.	Deputy secretary general of Finance, Accountants & Abacus Society of Longyan and director of Longyan Huijin Assets Management Development Co., Ltd.
Yan Jie	Master degree. He previously served as manager of Inner Mongolia Yongfeng Investment Management Co., Ltd., investment specialist of Zheng Yuan Investment Co., Ltd. and investment market director of Zheng Yuan Investment Co., Ltd. He is currently serving as assistant to general manager of Zheng Yuan Investment Co., Ltd.	Assistant to general manager of Zheng Yuan Investment Co., Ltd.
Li Li	Master degree. She previously served as senior manager of head office off-shore banking department and inter-bank department of CMBC, vice president of the U.S. headquarters and Hong Kong office of U.S.-based PIMCO. She is currently serving as chairman of Shanghai Zheng Yang International Business Co., Ltd.	Managing director of Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd. independent director of Sangon Biotech (Shanghai) Co., Ltd. and supervisor of ALL IN PAY Network Services Co., Ltd.
Li Jian	Master degree, senior accountant. He previously served as planning team leader, director assistant, deputy director of budget office, concurrently director of budget office, fiscal revenue inspection office and infrastructure construction office, director of enterprise office of Fujian Provincial Department of Finance. He is currently serving as general manager of planning & finance department of Industrial Bank.	None
Lai Furong	Bachelor degree, senior accountant. He previously served as vice head and head of Jin’an sub-branch, Fuzhou branch of Industrial Bank, deputy general manager of finance and accounting department of Industrial Bank, vice president of Guangzhou branch of Industrial Bank, vice general manager of planning and financial department of Industrial Bank. He is currently serving as general manager of audit department of Industrial Bank.	None
Wang Guogang	PhD degree, research fellow. He previously served as teacher of Fujian Normal University, professor of the international business school of Nanjing University, general manager of Jiangsu Xingda Securities Investment Service Co., Ltd., chairman of Jiangsu Xingda Certified Public Accountants Limited, vice president of China Huaxia Securities Co., Ltd., research fellow of Chinese Academy of Social Sciences. He is currently serving as director of Financial Research Institute, Chinese Academy of Social Sciences.	Director of Financial Research Institute, Chinese Academy of Social Sciences
Wang Shuguang	PhD, professor. He previously served as lecturer, professor and PhD tutor of the Department of Finance of the School of Economics, Peking University. He is currently serving as associate dean of the School of Economics, Peking University, as well as professor and PhD tutor of the Department of Finance, Peking University.	Associate dean of the School of Economics, Peking University, professor and PhD tutor of the Department of Finance, Peking University. Independent director of Yantai Rural Commercial Bank and SDIC Zhonglu

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Zhang Xin	PhD and professor. He previously served as teaching assistant, lecturer and associate professor of the School of Economics, Xiamen University, department head and associate dean of the Department of Finance, School of Economics, Xiamen University, dean of the School of Economics, Xiamen University. He is currently serving as professor and PhD tutor of the School of Economics, Xiamen University.	Professor and PhD tutor at the School of Economics, Xiamen University.
Chen Dekang	Bachelor degree, senior economist. He previously served as vice president of Ningde branch, deputy general manager, general manager of the business operation department, vice president (in charge of overall management) and president of Xiamen branch of Industrial Bank. He is currently serving as communist party committee member and vice president of Industrial Bank.	None
Chen Jinguang	College graduate, economist. He previously served as head of Pudong sub-branch of Shanghai branch, vice president of Shanghai branch, president of Ningbo branch, president of Chengdu branch and president of Beijing branch of Industrial Bank. He is currently serving as party committee member and vice president of Industrial Bank.	None
Xue Hefeng	Bachelor degree. He previously served as deputy manager of operation department of Fuzhou branch, deputy head of Majiang office of Fuzhou branch, general manager of credit management department of Beijing branch and head of Chaowai sub-branch, general manager of risk management department of Beijing branch, president assistant and general manager of risk management department of Beijing branch, vice president of Shenzhen branch of Industrial Bank. He is currently serving as party committee member and vice president of Industrial Bank.	None
Li Weimin	University graduate, master degree, senior economist. He previously served as deputy manager and then manager of operation department of Fuzhou branch, president assistant and manager of general office of Fuzhou branch, vice president of Fuzhou branch, vice president of Nanjing branch, president of Zhangzhou branch, president of Zhengzhou branch, and president of Fuzhou branch of Industrial Bank. He is currently serving as party committee member and vice president of Industrial Bank.	None
Chen Xinjian	University graduate, master degree. He previously served as director of the financial division and director of external debt division at the Finance Bureau of Fujian Province, vice president of Shanghai branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen branch of Industrial Bank, president of Nanjing branch of Industrial Bank, president of Beijing branch of Industrial Bank. He is currently serving as party committee member and vice president of Industrial Bank.	None

(IV) Changes of directors, supervisors and senior management members during the reporting period

1. On February 25, 2014 and May 4, 2014, Mr. Zhang Jie and Mr. Deng Ruilin tendered their resignation in writing respectively to the board of directors, and their terms of office were ceased after the appointment qualifications of the two newly-elected independent directors were approved on August 26, 2014.

2. On June 27, 2014, Mr. Zhu Qing and Mr. Liu Shiping were elected as independent non-executive directors following the nominations by the board of directors and the approvals by the annual general meeting 2013, and their appointment qualifications were approved by the CBRC Fujian Bureau.

3. On May 4, 2014 and May 6, 2014, Mr. Xu Bin and Mr. Zhou Yeliang tendered their resignation in writing respectively to the board of supervisors and their terms of office were ceased after the two newly-elected external supervisors obtained the approvals in the election of the annual general meeting 2013 on June 27, 2014.

4. On June 27, 2014, Mr. Wang Shuguang and Mr. Zhang Xin were elected as external supervisors following the nominations by the board of supervisors and the approvals by the annual general meeting 2013.

5. On October 27, 2014, Mr. Kang Yukun, having reached his retirement age, tendered his resignation in writing to the board of supervisors and resigned from the position of chairman and supervisor of board of supervisors.

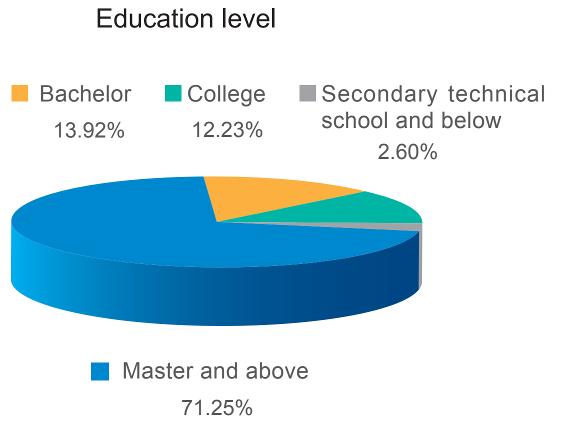
6. On June 6, 2014, the sixth meeting of the eighth session of the board of directors resolved to appoint Mr. Chen Xinjian as vice president of the Company. Mr. Chen Xinjian's appointment qualifications were approved by the CBRC Fujian Bureau on July 10 2014.

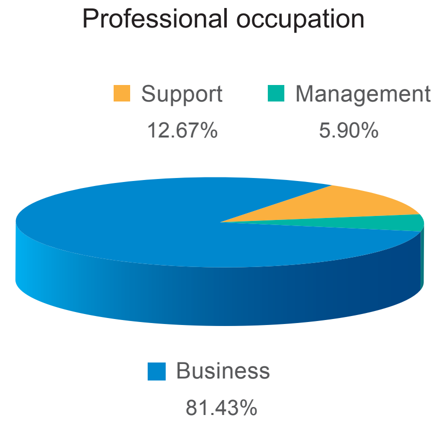
7. On March 2, 2015, Mr. Chen Dekang, having reached his retirement age, tendered his resignation in writing to the board of directors and resigned from the position of vice president of the Company.

II. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	49,388（incl. 12,041 dispatched employees）
Number of the incumbent staff of main subsidiaries	826（incl. 56 dispatched employees）
Total number of the incumbent staff	50,214
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	315
Education level	
Types of education	Number
Master and above	6,989
Bachelor	35,779
College	6,139
Secondary technical school and below	1,307
Total	**50,214**
Professional occupation	
Types of professional occupation	Number
Management	2,962
Business	40,891
Support	6,361
Total	**50,214**





(II) Employee remuneration policies

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

1. Remuneration structure

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

2. Remuneration policies

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

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

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

(III) Staff training schemes

Following the ideas of “planning ahead to proceed step-by-step, and taking a quick walk in small strides to make a steady progress”, the Company formulated the New Training System Planning (2012-2015), with launching of new training projects and new learning motivations, which provides sustained support to the bank’s establishment of a new training system through branding projects, training for instructors, course design, electronic learning systems, internal interaction and collaboration in the bank, etc. Such measures can enrich the learning approaches of staff, broaden the training coverage of all levels of staff and improve their professionalism and comprehensive capabilities, which aim at helping the Company achieve its strategic development goals.

I. Corporate governance overview

Over the last few years, the Company continued to strengthen corporate governance, while constructing and clarifying the objectives and direction of the board of directors and the board of supervisors. The Company continued to solidify the governing concept of sustainable development to shape scientific and democratic decision-making, established a research and training learning system for directors and supervisors, and created a sound corporate governance transmission mechanism.

During the reporting period, the board of directors and the board of supervisors implemented the supervisory policies by fully performing their functions in making strategic decisions and supervision. They also set the 2014 operational plans in a scientific way, and pushed forward the bank to become one of the batch of banks in taking part in the pilot scheme of issuance of preferred shares and helped complete the issuance of the first tranche of preferred shares of RMB13 billion, which furthered the bank' s group-oriented operations, pragmatic promotion of reforms towards professionalism and commitment to fulfilling social responsibilities. Meanwhile, arrangements were made for directors and supervisors to have all-rounded understanding of the business operation and management of the Company through research and special inspections covering topics such as information technology development and Internet finance, the development of community branches and wealth management, control of asset quality, status of capital management and validity of accounting information. These measures could continuously improve the directors' and supervisors' capability and professionalism in fulfilling their duties in compliance with the law. Further amendments to the Company' s Articles of Association and related corporate governance systems regulated corporate governance and operation. The Company effectively implemented the transmission mechanism for major decisions of the board of directors and the feedback mechanism for supervision recommendations of the board of supervisors, which accurately conveyed the spirits of the meetings of the board of directors and the board of supervisors, promoted the steady and sustainable development of the Company, and safeguarded the interests of all shareholders and stakeholders.

(I) Shareholders and general meetings

During the reporting period, the Company standardized the convening, holding, discussing and voting procedures of general meetings in accordance with the relevant laws and regulations, the articles of association of the Company, and the provisions on the rules of procedures for general meetings, and safeguarded the lawful rights of shareholders. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations.

The Finance Bureau of Fujian Province, which holds17.86% shares in the Company, is the largest shareholder of the Company. The Company is totally independent from its largest shareholder in all aspects, including assets, personnel, finance, institutions and businesses. Major decisions of the Company are made and executed by the Company at its absolute discretion. The Company' s major shareholders have neither appropriated any capital of the Company nor requested the Company to act as a guarantor for a third party in any way whatsoever.

(II) Directors and the board of directors

The board of directors of the Company consists of 15 directors. By categories, it includes 10 non-executive directors (including 5 independent non-executive directors) and 5 executive directors. By geographical segments, there are 11 domestic directors and 4 overseas directors. There are 5 committees under the board of directors, namely, the strategy committee, the risk management committee, the audit and the related party transaction control committee, the nomination committee and the remuneration and evaluation committee. With the exception of the strategy committee, the other four committees are chaired by the independent directors. By giving full play of their professional strengths, those committees carefully reviewed and discussed an array of important items, and submitted them to the board of directors for consideration and approval, whereby the Company's corporate governance and operating efficiency were improved effectively. During the reporting period, 7 meetings of the board of directors were convened and 21 meetings were convened by various committees of the board of directors, of which 161 proposals were considered or received. The board of directors effectively played its role of decision-making in development of corporate strategies, determination of business plans and enhancement of capital management and the group-oriented operation, and the committees' supporting functions in decision-making were also strengthened.

(III) Supervisors and the board of supervisors

The board of supervisors has 8 supervisors, including 3 shareholder representatives, 2 employee representatives and 3 external supervisors. Under the board of supervisors, two special committees were established, namely the supervision committee and the nomination, remuneration and evaluation committee. Both of the committees are headed by external supervisors. The board of supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the project-based research and studies and the auditing investigation, overseeing the Company's financial activities, risk management and internal control and the duty-fulfillment of the board of directors and the senior management. In the reporting period, the Company held 6 meetings of the board of supervisors (including 3 teleconferences), in which 31 proposals were considered and received. The committees under the board of supervisors convened 3 meetings and considered and approved 6 proposals.

(IV) Senior management

As of the end of the reporting period, the 8 senior management members of the Company comprised 1 president and 7 vice presidents. With the authorisation by laws and regulations, the articles of association and the board of directors, the president took responsibilities of guiding the overall operation and management activities, organizing and implementing the resolutions approved by the general meetings and the board of directors, and formulating the annual business plans and investment plans, annual financial budgets and final financial statements, profit distribution plans, basic management rules and specific regulations.

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

(V) Related party transactions

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

(VI) Implementation of the management system to the persons with inside information

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

In the reporting period, the Company's board of directors won the award of "The Best Board of Directors" in the "Golden Roundtable" of Boards of Chinese Listed Companies again following 2010 and 2013. Gao Jianping, Chairman, was honoured by Fortune (Chinese edition) as "China's 50 Most Influential Business Leaders". In the 2013 evaluation of value of Chinese Listed Companies conducted by Securities Times, the Company was honoured as one of the "Top 100 Valuable Listed Companies" and "Top 10 Management Teams" among the Chinese listed companies on the main board in 2013. The Company received the "Best Listed Company in Social Responsibilities" award in Sina Finance's first awarding event for listed companies. The Company also received the "Investor Relations Gold Shield Award" in the Risk Management Summit Forum for China Listed Companies (Gold Shield Award).

II. Brief introduction of general meetings

On June 27, 2014, the Company convened the annual general meeting 2013 in Fuzhou city to consider and approve the Annual Work Report of the Board of Directors 2013, the Annual Work Report of the Board of Supervisors 2013, the Annual Appraisal Report on Duty Performance of Directors 2013, the Annual Appraisal Report on Duty Performance of Supervisors 2013, the Annual Appraisal Report by the Board of Supervisors on the Duty Performance of Directors and Senior Management Members 2013, the Annual Report and Abstract 2013, the Report on Final Financial Accounts 2013 & Financial Budget Plan 2014, the Annual Profit Distribution Plan 2013, the Proposal on Engagement of Accounting Firms for 2014, the Proposal on Financial Bonds Issuance, the Proposal on Mid-term Capital Management Planning (2014-2016), the Proposal on Mid-term Shareholders Return Planning (2014-2016), the Proposal on Electing Mr. Zhu Qing and Mr. Liu Shiping as Independent Directors, the Proposal on Electing Mr. Wang Shuguang and Mr. Zhang Xin as External Supervisors, the Proposal on Amendments to the Articles of Association, the Proposal on Non-public Offering of Domestic Preferred Shares, the Proposal on Issuance of Preferred Shares to the Finance Bureau of Fujian Province, the Proposal on Signing of Conditional Subscription Agreement with the Finance Bureau of Fujian Province, the Proposal on Additional Amendments to Certain Articles of the Articles of Association, etc. The resolution announcements were published on July 1, 2014 on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn).

III. The directors' performance of their duties

In the reporting period, the Company convened 7 meetings of the board of directors, including 4 on-site meetings and 3 teleconferences. The attendance records of directors in the board of directors meetings and general meetings are as follows:

Name of director	Whether an independent director	Attendance at meetings of the board of directors						Attendance at general meetings
		Expected attendance	Attendance in person	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Attendance
Gao Jianping	No	6	6	0	0	0	No	1
Liao Shizhong	No	6	6	0	0	0	No	1
Andrew H C Fung	No	7	5	0	2	0	No	0
Li Liangwen	No	7	5	0	2	0	No	0
Zhang Yuxia	No	7	5	0	2	0	No	0
Chua Phuay Hee	No	7	6	0	1	0	No	0
Li Renjie	No	7	7	0	0	0	No	1
Jiang Yunming	No	7	6	0	1	0	No	1
Lin Zhangyi	No	7	7	0	0	0	No	0
Tang Bin	No	7	7	0	0	0	No	1
Li Ruoshan	Yes	7	7	0	0	0	No	0
Zhou Qinye	Yes	7	7	0	0	0	No	1
Paul M. Theil	Yes	7	7	1	0	0	No	0
Zhu Qing	Yes	4	4	0	0	0	No	0
Liu Shiping	Yes	4	4	0	0	0	No	0
Deng Ruilin	Yes	3	3	0	0	0	No	0
Zhang Jie	Yes	3	1	0	2	0	No	0

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

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

(I) The strategy committee

The strategy committee regularly received briefings on the Company's business operations in different phases and earnestly analyzed external economic trends and changes in supervisory policies, evaluated the Company's opportunities and challenges in a scientific way, boosted the improvement of the Company's systems and mechanisms, accelerated business transformation, cultivated the Company's competitive business and unique business in order to reduce capital spending and achieve a balanced development of the Company's overall scale, quality and efficiency. The committee carefully studied the feasibility of the issuance of preferred shares and supported the board of directors in formulating the proposal on the issuance of preferred shares. It also pushed forward the Company to become one of the first batch of banks in taking part in the pilot scheme for issuance of preferred shares and helped complete the issuance of the first tranche of RMB13 billion preferred shares in December 2014. The committee urged the management to improve its administration of purchase of office buildings, and requested strict regulation of the purchasing procedures by taking into account changes in external circumstances, so as to ensure the buildings' locations, quality, image, prices and naming rights could match the requirements of the Company. In line with the special research conducted by directors and supervisors, the committee requested more intensive leadership in information technology and Internet finance, better coordination for the related studies, and better arrangements for forward-looking strategies; as well as strengthening the adoption of information technology approaches in the area of risk management, and improving the comprehensiveness and initiative of risk management. The committee highly appreciated the achievements of the Company's establishment of community banks in terms of the overall progress, cost control, overall returns, service procedures, market reputation, etc., with requests of further improvement in balancing the relationship between wealth management and deposit segments. The committee kept a firm grip on the management of asset quality and urged the management to make choices that are beneficial to the maximization of shareholders' interests regarding the disposal of non-performing assets so as to reduce asset losses, while it also set higher standards for the quality, accuracy and enforcement of the accountability system in order to lift the costs of internal human errors, thereby laying the foundation for further enhancing internal management and formulating and improving measures including due diligence investigation, continuous follow-up and prevention, which aimed to increase the costs of client defaults.

(II) The risk management committee

On the basis of the research and judgement and the grip of the financial trends in the macro-economic environment, the committee strengthened the studies concerning the background of various supervision policies launched and their impacts on the Company's related businesses in the reporting period, paid special attention to and analysed the Company's major risks in its operational management, and drew conclusion on and evaluated its risk management measures. The committee provided opinions and suggestions for further improvement, effectively raised the risk management standards of the Company and ensured the bank's steady management and compliant operations. For credit risk management, the committee urged the management to pay close attention to asset quality and provide more guidance by reasonable formulation of operational strategies, properly speeding up the handling of doubtful debts and enforcing accountability for irregularities, so to dispose of non-performing assets in a timely manner and prevent increase in non-performing assets. For liquidity risk management, the committee suggested that operating institutions should be urged to pay close attention to liquidity risk through financial stress transmission, which should be reflected in budget arrangements and results assessments. For interest rate risk management, the committee suggested that all assets and liabilities should be included into the scope of interest rate risk management and various interest rate instruments should be fully used for mitigating interest rate risks. The committee also recommended that the methods for internal assessment should be optimized, the management of assets and liabilities should be improved, the use of risk measurement instruments under the new capital accord should be strengthened and the standards for risk pricing should be enhanced. For compliance risk management, the committee recommended that the management should further regulate the operations of the related businesses based on the supervision regulations and accurately classify the risks of emerging businesses and make adequate provisions accordingly. For risk management in the core business areas, the committee suggested that national policies should be carefully studies and measures should be set out to effectively prevent the risks of government financing vehicles while grasping business opportunities to explore new models for government financing business. It was also suggested that the regulatory authorities' policies on housing credit should be proactively implemented to provide residential households with continuous support on reasonable housing consumption, risk management and control on property loans should be strictly implemented and management of loan duration should be enhanced. For information technology risk management, the committee suggested that the management should formulate forward-looking planning for information technology development and improve the productivity of information technology systems. For risk tolerance indicators, it was suggested that the setting of risk tolerance indicators should be more scientific and relative stability should be maintained.

(III) The audit and related party transaction control committee

The audit and related party transaction control committee gave full play to its supervision and review functions in the preparation and disclosure procedures of financial reporting, focused on risk and compliance issues of operational management, and urged the bank to strengthen its refined management proactively support the board of directors in its decision-making, enhance the communications with external auditors, request that audit reports be submitted within the agreed deadline and carefully explore issues in internal control based on the findings of financial auditing. It also urged the bank to focus on the compliance risks, information technology risks and expenses and expenditures of emerging business that reflected the ethical risks of employees; improve the analysis on reasons for non-performing loans, and pay attention to the changes in the macro-economic environment and the problems of internal refined management so as to explore the regular reasons leading to non-performing loans. Meanwhile, the external auditors should be required to capitalize on their business experience and strength of professionalism to help the bank better understand financial management, regulatory requirements on interbank businesses and provide constructive opinions and suggestions concerning the tax reform on replacing business tax with value-added tax, platform operations and Internet finance. The committee facilitated the improvement of the accountability mechanism and the related systems and the working procedures, devising of new inspection approaches, strengthening of the enforcement of accountability, development of long-term mechanisms for promoting people's change in attitude from "dare not" to "unable to" and "do not want to" engage in irregular conduct.. The committee urged the bank to pay attention to the changes in the real economy and the intensive reforms on the business expansion models of the bank, and to establish assessment and incentive mechanisms that could adapt to the bank's future business structure and operational features, so as to minimize at source the occurrence of issues such as non-performing loans that may trigger accountability concerns. The committee also urged the bank to pay more attention to the implementation of rectifications of the problems identified in auditing, make reasonable planning for the progress of such rectifications, and to enhance the continuous auditing work after the rectifications in order to ensure that the same problems would not recur and maintain the seriousness of the rectifications. The committee suggested that the financial budget proposal should be further optimized by balancing different factors comprehensively to better reflect the requirements of business restructuring, expanding revenue sources and saving costs. The committee strictly implemented the review and approval procedures for related party transactions, and adhered to the principle that the pricing of related party transactions should not be more favourable than that of similar transactions conducted with non-related parties, so as to ensure the security and fairness of the transactions.

(IV) The nomination committee

The nomination committee of the board of directors earnestly performed the duties conferred by the articles of association, and actively identified suitable candidates for independent directors following the resignation tendered by some directors, and recommended Mr. Zhu Qing and Mr. Liu Shiping to the board of directors for filling the vacancies, who were nominated by the board of directors. They were elected at and their appointments were approved by the general meeting. The appointments further optimized the professional structure of members of the board of directors. Through in-depth reviews of the appointment qualifications of vice president Chen Xinjian, the committee considered that his strong education background and solid work experience could enable him to fulfill the duties of the vice president in the head office, and therefore recommended him to the board of directors for appointment.

(V) The remuneration and evaluation committee

The remuneration and evaluation committee of the board of directors focused on the Company' s development strategies and annual business targets in order to conduct appraisal on the business performance of the senior management members in 2013 by strictly following the performance appraisal criteria and the assessment procedures, and formulated the 2013 Performance Salary Distribution Plan for Senior Management Members and the 2010 Proposal on Evaluation and Disbursement Regarding Risk Fund for Senior Management Members.

V. The description of risks discovered by the board of supervisors

During the reporting period, the board of supervisors made no objection to the issues under supervision during the reporting period.

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

The Finance Bureau of Fujian Province, which holds 17.86% of the shares of the Company, is the largest shareholder of the Company. The Company is fully independent from its largest shareholder in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company' s major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

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

The senior management members were subject to the examination and assessment by the board of directors. The board of directors has formulated the Measures for Performance Evaluation of Senior Management Members and the Administrative Measures for Remuneration of Senior Management Members. By optimizing the remuneration structures for the senior management members, setting scientific and reasonable evaluation indicators and creating an evaluation mechanism linking their remuneration with responsibilities, risks and operating results, the senior management members were provided with incentives and constraints, so as to ensure consistency between the direction of their efforts and the interests of the Company.

INTERNAL CONTROL

I. Statement of responsibility for internal control and building of internal control system

(I) Statement of the board of directors of responsibility for internal control

It is the responsibility of the board of directors to build, perfect and effectively carry out internal control, evaluate its effectiveness and truthfully disclose the internal control evaluation report. The Company's internal control is for the purpose of ensuring the implementation of state laws, regulations and internal rules, ensuring the full implementation and attainment of the Company's development strategies and business objectives, ensuring the effectiveness of the risk management system, guaranteeing the timeliness, authenticity and integrity of the Company's business records, financial information and other management information, and ensuring security of the Company's assets. On account of the inherent limitation of internal control, the board of directors could only provide reasonable guarantee for the above objectives.

(II) Basis for building internal control over financial reporting

During the reporting period, the Company strengthened risk assessment, improved controlling activities, enhanced quality and efficiency of information transmission and built and perfected its internal control system over financial reporting according to the Basic Internal Control Norms for Enterprises issued by the five ministries and commissions including the Ministry of Finance and supporting guidelines, the relevant provisions in the Guidelines for Internal Control of Commercial Banks of CBRC and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, based on requirements in the Basic Internal Control System of Industrial Bank Co., Ltd., with a focus on the Company's internal control objectives.

(III) Building of internal control system

The Company has built an internal control system with continuous improvements, carried out ongoing internal control evaluation and supervision and focused on fostering an internal control compliance culture by strictly adhering to the relevant provisions of the regulatory authority. The Company's internal control span through the entire process from decision-making, implementation to supervision, involving various business processes and management activities and covering all sectors, positions and staff.

In respect of building internal control system, based on the requirements of business lines reform and business innovation, the Company continuously innovated approaches and methods for systems management, constantly improved the work mechanism for systems management and strengthened sorting out of special systems issues and post-evaluation, so as to build a unified, convenient and fast information collection channel across the Company for systems implementation and constantly promote the building of compliant, systemic and dynamic systems. The existing internal control system exhibited high integrity, rationality and efficiency in improving the internal control environment, strengthening capabilities in risk identification, monitoring and assessment, enhancing risk control measures, perfecting information exchange and feedback mechanisms and strengthening supervision, evaluation and rectification mechanisms, laying a sound foundation for achieving the Company's strategic development and business objectives, as well as the implementation of national laws and regulations.

In respect of self-assessment of internal control, the Company paid close attention to the self-assessment of internal control by forming an internal control evaluation system working group led by leaders of the Head Office and directors of major departments to take charge of tasks including decision-making, guidance and coordination regarding significant issues in the internal control evaluation process. The Company adopted a evaluation process of "self-assessment - re-assessment - independent re-assessment" to ensure the effectiveness of self-assessment in internal control. Firstly, departments of the Head Office (including holding subsidiaries) carried out self-assessment of internal control at the enterprise level, information technology level and process level in related fields according to departmental responsibilities. Each branch carried out testing on the effectiveness of internal control in major business processes based on the standard testing model template issued by the Head Office. Throughout the evaluation process, assessment tools and methods of interview, questionnaire, seminar, walk-through test and field inspection by sampling were mainly used. Secondly, the legal and compliance department followed up the organisation and implementation of self-assessment of internal control by institutions at all levels, so as to grasp the status of the Company' s internal control management for issuing the self-assessment report of internal control by the management. Thirdly, on top of the self-assessment by the management, the audit department carried out re-assessment of the effectiveness of the Company' s overall internal control by taking into account audit supervision, so as to complete the annual self-assessment report on internal control for consideration and approval by the board of directors before disclosing the report to the public.

In respect of internal control compliance culture, the Company placed emphasis on fostering an internal control compliance culture by continuously furthering compliance operations and internal control evaluation through the building of an evaluation system covering multiple levels from Head Office business lines, branches to holding subsidiaries, and guiding compliance and sound operations at all levels of institutions. The Company further regulated the internal control inspection processes, strengthened the long-term management mechanism of internal control, improved the internal control supervision and inspection system and reinforced compliance investigation to promote the effective implementation of an internal control compliance culture. In addition, the Company kept close communication and contact with regulators and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the external auditors of the Company, and ensured coordination between self-assessment and external audit of internal control.

During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness.

The Company' s board of directors has issued a self-assessment report on internal control. Please refer to the website of Shanghai Stock Exchange for details.

II. Description of the internal control audit report

The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP in auditing the effectiveness of its internal control with regard to the Company' s financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2014.

III. Description of the accountability system regarding material errors in the annual report as well as its implementation

The Company continuously enhanced its management of regular reports disclosure to ensure the truthfulness, accuracy and completeness of the information disclosed. The contents of regular reports were constantly enriched and the quality of information disclosure was improved. By formulating the Measures for Accountability for Material Errors in Annual Report, the Company urged the relevant personnel to exercise diligence and fully discharge their obligations in information disclosure and comply with the relevant laws and regulations, accounting standards and disclosure norms, so as to ensure that the financial report gives a true and fair view of the Company' s financial position and operating results and to prevent any significant errors or omissions in disclosure of information in the annual report. During the reporting period, there was no correction of material accounting errors, supplement of material omissions, or revision of results forecast.

FULFILLMENT OF SOCIAL RESPONSIBILITY AND SUSTAINABLE FINANCE

I. Concept and management system of corporate social responsibility

The sustainable corporate governance philosophy has been effectively integrated into the Company’s operation and management, which is defined as “implementing the scientific concept of development to deepen our awareness of the relationship between corporate social responsibility and sustainability, and leverage on a variety of means to fulfill social responsibility and build up the harmony among human and nature, environment and the society”.

During the reporting period, the Company adhered to its sustainable development strategy under the social responsibility concept, with an unchanged focus on building the balanced and harmonious multi-stakeholder relationship. Taking initiatives to serve policy goals including “steady growth, structural adjustment, well-being and in-depth reform”, the Company pushed forward its business transformation and management innovations to create a “one body and two wings” specialized service system. While sustaining healthy business development, we made a new progress in fulfilling social responsibility.

(I) Strategic framework for sustainable development

The Company has always attached strategic importance to fulfillment of corporate social responsibility and Green Credit, under which respective mechanisms and work flows have been deployed at the Board, senior management and functional department levels.

In 2008, the Company delegated to the Strategy Committee of the Board (formerly known as the Execution Committee of the Board) the duty of “to consider and draft the corporate social responsibility and sustainable development strategies and policies; and to supervise, inspect and evaluate the fulfillment of social responsibilities”, which has been included into the Articles of Association. The Strategic Committee comprising 4 members namely Gao Jianping (Chairman), Li Renjie (President), Lin Zhangyi (Vice President) and Tang Bin (Secretary to the Board) is responsible for approving social responsibility strategy related to sustainable development, Green Credit, environmental and social policies and other matters, and reviewing reports of senior management from time to time. In early 2014, the Strategic Committee and the Board reviewed and approved the “Social Responsibility Fulfillment Report of Industrial Bank” submitted by the management.

Since 2007, heads of legal affairs, credit approval and corporate financial departments have been appointed as environment officers, to coordinate environmental and social risk management matters of the Company. The current environment officers include heads of Legal and Compliance Department and Environment Finance Department at the head office.

To promote the sustainable development strategy, Legal and Compliance Department and Environment Finance Department at our head office have been designated as execution bodies for implementation of corporate social responsibility and Green Credit policies respectively.

(II) Promoting specialized social responsibility management and fostering the sustainable development culture

A social responsibility leadership group, with Chairman Gao Jianping as leader and Vice President Li Renjie as deputy leader, is in place to oversee social responsibility work of the Bank. Over the years, the Company has been committed to developing diversified social responsibility mechanisms and tools. The Bank’s subsidiaries, branches and departments at head office have designated liaisons for social responsibility, and established an effective collaboration mechanism in the principle of “well-defined duties combining centralization and decentralization”. Since 2013, social responsibility indicators have been included into internal control and compliance assessment system for branches.

With reference to major voluntary principles, certification standards, evaluation systems and other guidelines on social responsibility and sustainable development at home and abroad as well as its own practices, the Company developed a social responsibility indicator system and reporting guide manual in 2013. Through the assessment indicators and incentive mechanism, social responsibility work has been consistently and effectively integrated into our business lines and management departments to deepen their social responsibility performance, summarization and sharing of experience, leading to specialized management and standardization of our social responsibility work.

(III) Practicing social responsibility to innovate on new business model

Through the efforts over years, the Company has introduced an innovative business model for sustainable development, which features green goods and services as the "points" to build a green brand and advance environmental friendliness; the bank-to-bank platform as the "line" to develop inclusive finance under an innovative mechanism of "complementary advantages and resource sharing" to promote mutual growth over peer competition; and the Equator Principles as the "plane" to build environmental and social risk management system, while upgrading the concept of sustainable development through integration with operation, management and corporate culture.

(IV) Strengthening voluntary information disclosure to enhance public transparency

Each year, the Company publishes an annual sustainability report (and corporate social responsibility report) on time. The report covers our philosophy, system, deployments, progress and effectiveness of fulfillment of social responsibility, which combines the strategic vision of adopting the Equator Principles, scope of implementation, means of practices, work performance and specific cases, and includes implementation progress of corporate social responsibility and the Equator Principles.

After publishing the first sustainability report in the domestic banking industry in 2009, the Company further rolled out the CSR Magazine which has been issued with 4 volumes. In addition, the Company employed annual financial report, dedicated channel at website, Weibo and other channels for information disclosure to a diversity of stakeholders in a bid to enhance public transparency.

Since the social responsibility assessment mechanism was established in 2012, the Company has conducted regular assessments on company-wide social responsibility work and the collaboration mechanism between head office and branches, with rectifications and bulletins where necessary to effectively implement social responsibility tasks.

II. Guiding business operations for sustainable development through innovative social responsibility practices

(I) Supporting national economy and serving production and living needs of the public

1.Supporting coordinated economic development

As at the end of the reporting period, the Company has established 108 branches (including 65 tier 2 branches) and

1,435 outlets in major cities across the country, including the first overseas branch in Hong Kong, as well as more than 1,000 correspondent banks worldwide. Through the improving service network covering China and connecting overseas market, we provide full-spectrum, quality and efficient financial services to customers and credit support to local economy, and optimize resource allocation across regions to promote the coordinated development of national economy.

We underpin local economies through economic structure optimization in eastern China, development in central China, the new round of western development and the revitalization of traditional industrial bases in northeast China. As the only listed bank headquartered in Western Taiwan Straits Economic Zone with presence nationwide, the Company regards the region as a key area for credit support to contribute to development of Fujian and the Silk Road Economic Zone alongside the Western Taiwan Straits.

To support China's western development strategy, the Company has established 23 branches (including 13 tier 2 branches) and 327 outlets in major economic hubs in western China including Chongqing, Chengdu, Xi'an, Kunming, Urumqi, Nanning and Hohhot, to provide diversified financial services to governments, enterprises and residents in western China.

2. Promoting industrial upgrading and transformation

With a commitment to serving the real economy, the Company has been increasing credit support to key sectors and projects, giving full play to the key role of financial services in the economy system to serve the policy goals of "steady growth, structural adjustment, well-being and in-depth reform". Advocating the Blue Finance concept to facilitate marine economy under the strategy of the 21st Century Maritime Silk Road, the Company took concerted efforts in constructing the Blue Economic Zone in Shandong Peninsula and the Pingtan Comprehensive Pilot Zone, which effectively promoted sustainable development of economy and society.

In light of the opinions of the State Council on restructuring railway investment and financing system to accelerate railway construction, the Company joined the efforts of three state-owned banks to establish railway development fund, innovate on railway investment and financing system and accelerate railway construction in western China, to advance sustainable and healthy economic and social development.

3. Supporting MSMEs

The Company stepped up the reform targeting specialized financial services for medium, small and micro enterprises ("MSMEs"). Through refining customer positioning for small businesses, we focused on MSMEs with loans below RMB10 million, introduced a series of supporting system reforms and incentives, and launched the "Incubation Plan for 100, 1,000 and 10,000 MSMEs". Along with "The Three Loan Services" for MSMEs, we further broadened the scope of MSMEs to benefit, with an aim to grant supports to 30,000 additional key credit customers of MSMEs across China by the end of 2016.

4. Promoting Internet finance through resource sharing

Responding to the call of the State Council on "promoting healthy development of Internet finance under an improving financial regulation and coordination mechanism", the Company focused on developing Internet finance featuring "open, focused, execution and customer experience" to expedite experience-oriented product and service innovations with reference to advanced concepts, technologies and products in Internet enterprises. Through online, mobile, WeChat and other innovative channels, we rolled out online financial service portals such as "Money Manager" and "Direct Banking" to explore the Internet finance market, gaining sound recognition among customers.

Our "Bank-to-Bank Platform", a pioneering interbank collaboration portal, embraces the concept of "resource sharing and innovative services" to pool advantageous and complementary network, personnel, products and services, to offer financial service solutions to member banks. The platform made a breakthrough from the vicious cycle of homogeneous financial products, and introduced a collaboration model going beyond competition and aiming at mutual success in a symbiotic ecosystem. During the reporting period, the Company also set up a cloud computing platform with independent intellectual property rights, upon which complete financial cloud solutions have been developed. The platform provides small and medium financial institutions the access to tailored and expand financial offerings through our financial cloud services, allowing them to circumvent their own restriction in scale, while enabling the financial sector to improve resource utilization of data centers and reduce construction costs as well as operation, maintenance and management expenses.

5. Caring for well-being through developing inclusive finance

Responding positively to national policies, the Company vigorously develops inclusive finance with a focus on well-being. Under well-established business strategies specific to regional agricultural development and markets, we provide innovative agricultural financial products through specialized business units. Dedicated agricultural offerings such as mortgages backed by four types of property rights (forest tenure, agricultural machinery, rural land contract and management rights, rural housing and residential land right) have been devised to fuel modern agriculture and the urbanization of rural areas. We also supported rural small and medium financial institutions to extend their services through technology output, training, direct marketing of financial offerings based upon our bank-to-bank platform. Meanwhile, the Company strengthened its involvement in construction of affordable housing to improve people’s living condition, and rolled out personal business start-up (employment) loans to provide credit support for start-ups and re-employment. Moreover, based on our negotiation with Peking University, Beijing Normal University and Pingda Group, a partner of the Central Communist Youth League, we plan to provide financial support to student business start-ups and employment in 2015, and underpin healthcare, education and cultural sectors through credit support.

(II) Developing green finance to advance environmental friendliness

1. Sound environmental and social risk management system

Our environmental and social risk management system under well-defined policies comprises scientific strategies, closely correlated concepts and common rules and measures, with an aim at strengthening our environmental and social risk management capability for sustainable development of the Company.

Through risk management processes, the Company identifies potential risks and impacts associated with customers and projects in environment, health and safety management, upon which classification management and risk assessment are conducted and specific control measures are devised to allow preventive control over environmental and social risks. Furthermore, such risk performance evaluation enables the Company to identify good practices and weaknesses, coupled with the heightened employee and public participation to continuously improve its environmental and social risk management level.

2. Innovative green finance

The Company actively implements the national green credit policies and incorporates the green concept into all its banking activities, drawing upon the key role of financial services in modern economy to prioritize funding to green projects in order to build a beautiful China.

During the reporting period, the Company continued to promote specialized management on green finance. At head office level, our green finance business management is led by Environment Finance Department, with a dedicated risk channel for approval and management of green credit projects to achieve full-integration of green finance business development and risk management. At branch level, approximately 80% of our branches have established environment financial centers, with dedicated green finance officers to provide specialized green financial services to the locality.

The Company continued to promote “Green Finance Package”, an innovative multi-level service solution. Addressing differentiated financial needs of corporate finance clients in the field of energy conservation and environmental protection, we integrated the original “8+1” financing services and carbon emission finance into a multi-level and comprehensive product and service system covering financial products, service model and solutions.

As at the end of the reporting period, the Company has provided green financing of RMB555.8 billion in total, with an outstanding balance of RMB296 billion. Each year the underlying projects can save energy equivalent to 23.52 million tonnes of standard coal, reduce carbon dioxide emission by 68.8 million tonnes and chemical oxygen demand (COD) by 1.23 million tonnes, achieve comprehensive utilization of solid waste of 17.11 million tonnes, and save water of 262.29 million tonnes in China.

III. Pressing ahead with green operation to promote environmental friendliness

As a bank of the Equator Principles, the Company keeps a close eye on global climate changes, striving to incorporate the green low-carbon concept into its operation and management and reduce greenhouse gas emissions through actions to protect ecological environment. Taking heed of global climate changes, we promote the concept of green operations within the Group, and have established rules on minimizing consumption of resources such as energy, paper and gasoline, together with recycling of obsolete electronic equipment. We advocate paperless office and water conservation, and adopt the principle of prioritizing utilization of idle assets over re-acquisition. On green procurement, we include energy-efficiency and environmental protection into procurement criteria, and take suppliers' environmental and social performance as a reference indicator in procurement. On green travel, we seek to reduce expenses on company cars, implement energy saving measures for official vehicles, and advocate using public transport.

IV. Extending active presence in public welfare undertakings

Since its inception, the Company has been actively contributing to the charity cause. Combining routine donations and disaster assistance, we have established a trinity charity mechanism comprising "educational donation", "disaster relief" and "poverty alleviation". In 2014, the Company was honoured the "China Charity Outstanding Contribution (Corporate) Award" at the 20th anniversary ceremony of China Charity Federation.

1.Educational donation: Since the "Industrial Bank Student Subsidies Plan" was co-founded with China Charity Federation in 2007, the Company has donated RMB16 million to 4,000 person-times of students in need, to assist their study in five colleges in Fujian. We also established the "Industrial Bank Scholarship", through which we donated RMB1.14 million during the latest five years to reward 1,140 person-times of needy college students in Fujian with good behaviours and academic performance.

2.Disaster relief: Sticking to the humanitarian spirit, the Company continued its active involvement in disaster relief. In July 2014, the Company donated RMB1 million to the "Rammasun" typhoon-stricken area in Hainan. Responding to the Richter 6.5 earthquake occurred in Ludian county, Yunnan in August 2014, we promptly started the disaster relief mechanism and opened a "green passage for donations and remittances", and donated RMB5 million to the disaster area in Ludian through our Kunming Branch.

3.Poverty alleviation: The Company also strengthened its poverty alleviation efforts to support impoverished areas. From 2012 to 2015, the Company donated RMB7.5 million each year (totaling RMB30 million) to the existing state-level impoverished counties. Since 2011, we have also donated RMB2.4 million to two major impoverished villages for local infrastructure construction.

FINANCIAL STATEMENTS

The Company's financial statements 2014 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Tao Jian and Shen Xiaohong, who have issued a standard and unqualified auditor's report. For full text of the financial statements, please refer to the appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

III. Original annual reports bearing the signature and seal of chairman of the Company.

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

V. The articles of association of Industrial Bank Co., Ltd.

Chairman: Gao Jianping

Board of Directors of Industrial Bank Co., Ltd.

April 27, 2015

兴业银行股份有限公司
董事会

Appendix: Financial Statements and Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (15) No. P1807

[Translation]

To the Shareholders of Industrial Bank Co., Ltd.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the Bank's and consolidated balance sheets as at 31 December 2014, and the Bank's and consolidated income statements, the Bank's and consolidated statements of changes in shareholders' equity and the Bank's and consolidated cash flow statements for the year ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

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

2. Auditor's responsibility

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

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

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

3. Opinion

In our opinion, the financial statements of the Bank present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2014, and the Bank's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP	Chinese Certified Public Accountant
	Tao Jian
	Shen Xiaohong
Shanghai, China	27 April 2015

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

THE BANK'S AND CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2014 UNIT: RMB MILLION

		The Group		The Bank	
	Note IX	12/31/2014	12/31/2013	12/31/2014	12/31/2013
			(Restated)		(Restated)
Assets					
Cash and balances with central bank	1	**491,169**	422,871	**491,047**	422,683
Due from banks and other financial institutions	2	**100,816**	62,845	**99,267**	62,313
Precious metals		**7,543**	276	**7,543**	276
Placements with banks and other financial institutions	3	**51,149**	87,091	**50,999**	87,177
Financial assets at fair value through profit or loss	4	**44,435**	42,295	**43,064**	42,267
Derivative financial assets	5	**5,142**	6,414	**5,142**	6,414
Financial assets held under resale agreements	6	**712,761**	921,090	**712,761**	921,09
Interest receivable	7	**24,760**	23,249	**24,601**	23,146
Loans and advances to customers	8	**1,549,252**	1,320,682	**1,549,353**	1,320,682
Available-for-sale financial assets	9	**408,066**	263,967	**404,574**	261,185
Held-to-maturity investments	10	**197,790**	117,655	**197,790**	117,655
Debt securities classified as receivables	11	**708,446**	329,497	**701,156**	326,963
Finance lease receivables	12	**58,254**	46,094	**-**	-
Long-term equity investments	13	**1,704**	1,396	**13,534**	9,581
Fixed assets	14	**9,916**	7,276	**9,866**	7,234
Construction in progress	15	**4,253**	3,481	**4,253**	3,476
Intangible assets		**492**	530	**480**	517
Goodwill	16	**446**	446	**-**	-
Deferred tax assets	17	**11,357**	10,107	**10,985**	9,830
Other assets	18	**18,648**	11,042	**5,507**	5,146
Total assets		**4,406,399**	**3,678,304**	**4,331,922**	**3,627,635**

FOR THE YEAR ENDED 31 DECEMBER 2014 UNIT: RMB MILLION

		The Group		The Bank	
	Note IX	12/31/2014	12/31/2013	12/31/2014	12/31/2013
			(Restated)		(Restated)
Liabilities					
Due to Central Bank		**30,000**	-	**30,000**	-
Due to banks and other financial institutions	20	**1,268,148**	1,007,544	**1,270,109**	1,009,420
Placements from banks and other financial institutions	21	**81,080**	78,272	**24,808**	40,627
Financial liabilities at fair value through profit or loss	22	**1,903**	1,216	**1,702**	1,216
Derivative financial liabilities	5	**4,498**	6,864	**4,498**	6,864
Financial assets sold under repurchase agreements	23	**98,571**	81,781	**98,052**	78,656
Due to customers	24	**2,267,780**	2,170,345	**2,267,780**	2,170,345
Employee benefits payable	25	**9,925**	9,213	**9,410**	8,862
Tax payable	26	**10,873**	12,103	**10,439**	11,753
Interest payable	27	**35,710**	26,317	**35,364**	26,098
Debt securities issued	28	**185,787**	67,901	**185,787**	67,901
Other liabilities	29	**151,028**	15,577	**141,175**	9,215
Total liabilities		**4,145,303**	**3,477,133**	**4,079,124**	**3,430,957**
Shareholders' equity					
Share capital	30	**19,052**	19,052	**19,052**	19,052
Other equity instruments	31	**12,958**	-	**12,958**	-
Including: preferred stock		**12,958**	-	**12,958**	-
Capital reserve	32	**50,861**	50,861	**51,081**	51,081
Other comprehensive income	47	**2,214**	(4,619)	**2,157**	(4,603)
Surplus reserve	33	**9,824**	9,824	**9,824**	9,824
General and regulatory reserve	34	**43,418**	32,283	**42,043**	31,325
Retained earnings	35	**119,607**	92,368	**115,683**	89,999
Equity attributable to equity holdersof the Bank		**257,934**	199,769	**252,798**	196,678
Minority interests		**3,162**	1,402	**-**	-
Total shareholders' equity		**261,096**	**201,171**	**252,798**	**196,678**
Total liabilities and shareholders' equity		**4,406,399**	**3,678,304**	**4,331,922**	**3,627,635**

The accompanying notes form part of the financial statements.

The financial statements on pages 124 to 265 were signed by the following:

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

THE BANK'S AND CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 UNIT: RMB MILLION

		The Group		The Bank	
	Note IX	2014	2013	2014	2013
			(Restated)		(Restated)
1. Operating income		**124,898**	109,287	**120,320**	105,330
Net interest income	36	**95,560**	85,845	**93,556**	84,157
Interest income	36	**219,414**	189,602	**214,745**	186,107
Interest expense	36	**(123,854)**	(103,757)	**(121,189)**	(101,950)
Net fee and commission income	37	**27,041**	23,762	**24,730**	21,644
Fee and commission income	37	**28,412**	24,736	**26,105**	22,620
Fee and commission expense	37	**(1,371)**	(974)	**(1,375)**	(976)
Investment (losses) income	38	**(96)**	22	**(324)**	(127)
Including: income from investments in an associate		**264**	248	**250**	240
Gains (losses) from changes in fair values	39	**1,631**	(1,142)	**1,622**	(1,142)
Foreign exchange gains		**692**	744	**691**	742
Other operating income		**70**	56	**45**	56
2. Operating expenses		**(64,708)**	(55,209)	**(63,022)**	(53,789)
Business taxes and levies	40	**(9,105)**	(7,831)	**(8,867)**	(7,620)
General and administrative expenses	41	**(29,451)**	(28,757)	**(28,510)**	(28,045)
Impairment losses of assets	42	**(25,904)**	(18,188)	**(25,397)**	(17,691)
Other operating expenses		**(248)**	(433)	**(248)**	(433)
3. Operating profit		**60,190**	54,078	**57,298**	51,541
Add: Non-operating income	43	**571**	313	**292**	196
Less: Non-operating expenses	44	**(163)**	(130)	**(163)**	(128)
4. Profit before tax		**60,598**	54,261	**57,427**	51,609
Less: Income tax expenses	45	**(13,068)**	(12,750)	**(12,261)**	(12,090)
5. Net profit		**47,530**	41,511	**45,166**	39,519
Attributable to: Equity holders of the Bank		**47,138**	41,211	**45,166**	39,519
Minority interests		**392**	300	**-**	-
6. Earnings per share					
Basic earnings per share (RMB Yuan)	46	**2.47**	2.16	**-**	-
Diluted earnings per share (RMB Yuan)	46	**2.47**	2.16	**-**	-
7. Other comprehensive income	47	**6,859**	(3,785)	**6,760**	(3,766)
Other attributable to: Equity holders of the Bank		**6,833**	(3,779)	**6,760**	(3,766)
(1) Items that will be reclassified subsequently to profit or loss:					
Loss (profit) due to available-for-sale financial assets change at fair value		**6,611**	(3,779)	**6,538**	(3,766)
(2) Items that will not be reclassified subsequently to profit or loss:					
The movement of net asset or liability result from remeasurement of defined benefit obligation	222	**-**	222	**-**	
Minority interests		**26**	(6)	**-**	-
8. Total comprehensive income		**54,389**	37,726	**51,926**	35,753
Attributable to: Equity holders of the Bank		**53,971**	37,432	**51,926**	35,753
Minority interests		**418**	294	**-**	-

THE BANK'S AND CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 | UNIT: RMB MILLION

	Note IX	The Group 2014	The Group 2013 (Restated)	The Bank 2014	The Bank 2013 (Restated)
Cash flows from operating activities:					
Net increase in due to customers and due to banks and other financial institutions		**358,039**	470,187	**358,124**	471,009
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**19,598**	-	**3,577**	-
Net decrease in placements with banks and other financial institutions and financial assets held under resale agreements		**411,796**	-	**411,734**	-
Net increase in loan from central bank		**30,000**	-	**30,000**	-
Cash receipts from interest, fee and commission		**198,976**	178,022	**193,378**	173,024
Other cash receipts relating to operating activities		**130,396**	2,950	**128,683**	2,372
Sub-total of cash inflows from operating activities		**1,148,805**	**651,159**	**1,125,496**	**646,405**
Net increase in loans and advances to customers		**247,807**	132,282	**247,907**	132,432
Net increase in finance leases		**16,652**	12,174	**-**	-
Net increase in balances with central bank and due from banks and other financial institutions		**45,552**	1,895	**45,614**	1,907
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		**-**	61,900	**-**	61,986
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**-**	90,198	**-**	100,258
Cash payments to interest, fee and commission		**106,620**	94,187	**103,982**	92,273
Cash payments to and on behalf of employees		**16,588**	15,526	**16,162**	15,223
Cash payments of various types of taxes		**27,074**	22,127	**25,921**	21,175
Other cash payments relating to operating activities		**6,452**	11,751	**6,043**	11,512
Sub-total of cash outflows from operating activities		**466,745**	**442,040**	**445,629**	**436,766**
Net cash flow from operating activities	48	**682,060**	209,119	**679,867**	209,639
Cash flows from investing activities:					
Cash receipts from recovery of investments		**1,284,725**	875,425	**1,105,078**	775,068
Cash receipts from investment income		**46,039**	32,186	**45,274**	31,811
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**115**	99	**115**	99
Other cash receipts relating to investing activities		**457**	2,287	**457**	2,287
Sub-total of cash inflows from investing activities		**1,331,336**	**909,997**	**1,150,924**	**809,265**
Net cash payments to acquire investments		**1,892,308**	1,231,016	**1,705,973**	1,128,646
Cash payments for acquisitions of subsidiaries and other business units		**-**	-	**3,737**	1,950
Net cash payments to acquire fixed assets, intangible assets and other long-term assets		**5,263**	4,144	**5,010**	3,958
Other cash payments relating to investing activities	-	**1,060**	-	**1,060**	
Sub-total of cash outflows from investing activities		**1,897,571**	**1,236,220**	**1,714,720**	**1,135,614**
Net cash flow from investing activities		**(566,235)**	(326,223)	**(563,796)**	(326,349)
Cash flows from financing activities:					
Cash receipts from capital contributions		**14,611**	919	**13,000**	-
Including: cash receipts from capital contributions from minority owners of subsidiary		**1,411**	50	**-**	-
Cash receipts from issue of bonds		**178,979**	3,000	**178,979**	3,000
Sub-total of cash inflows from financing activities		**193,590**	**3,919**	**191,979**	**3,000**
Cash repayments of borrowings		**65,919**	4,080	**65,919**	4,080
Cash payments for distribution of dividends or profits or settlement of interest expenses		**13,147**	10,413	**13,254**	10,413
Including: payments for distribution of dividends to minority owners of subsidiary		**69**	-	**-**	-
Other cash payments relating to financing activities		**202**	139	**42**	139
Sub-total of cash outflows from financing activities		**79,268**	**14,632**	**79,215**	**14,632**
Net cash flow from financing activities		**114,322**	(10,713)	**112,764**	(11,632)
Effect of foreign exchange rate changes on cash and cash equivalents		**(140)**	(195)	**(142)**	(195)
Net increase (decrease) in cash and cash equivalents	48	**230,007**	(128,012)	**228,693**	(128,537)
Add: Opening balance of cash and cash equivalents		**127,121**	255,133	**126,585**	255,122
Closing balance of cash and cash equivalents	48	**357,128**	127,121	**355,278**	126,585

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

UNIT: RMB MILLION

	Note IX	Attributable to owners of the Bank								
		Share capital	Other equity instruments	Capital reserve	Other compre-hensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Minority interests	Total
As at 1 January 2014		19,052	-	50,861	(4,619)	9,824	32,283	92,368	1,402	**201,171**
Changes for the year										
(I) Net profit		-	-	-	-	-	-	47,138	392	**47,530**
(II) Other comprehensive income	47	-	-	-	6,833	-	-	-	26	**6,859**
Subtotal		**-**	**-**	**-**	**6,833**	**-**	**-**	**47,138**	**418**	**54,389**
(III) Capital contribution from owners		-	12,958	-	-	-	-	-	1,411	**14,369**
1. Common stock from owners		-	-	-	-	-	-	-	1,411	**1,411**
2. Capital contribution from other equity tool holders		-	12,958	-	-	-	-	-	-	**12,958**
(IV) Profit distribution		-	-	-	-	-	11,135	(19,899)	(69)	**(8,833)**
1. Transfer to surplus reserve		-	-	-	-	-	-	-	-	**-**
2. Transfer to general and regulatory reserve		-	-	-	-	-	11,135	(11,135)	-	**-**
3. Distribution of dividends		-	-	-	-	-	-	(8,764)	(69)	**(8,833)**
As at 31 December 2014		**19,052**	**12,958**	**50,861**	**2,214**	**9,824**	**43,418**	**119,607**	**3,162**	**261,096**

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

UNIT: RMB MILLION

		Attributable to owners of the Bank (Restated)								
	Note IX	Share capital	Other equity instruments	Capital reserve	Other compre-hensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Minority interests	Total
As at 31 December 2012(before restatement)		12,702	-	50,021	-	6,648	28,923	71,283	1,058	**170,635**
Add: accounting policy changes		-	-	840	(840)	-	700	(700)	-	
As at 1 January 2013 (after restatement)		12,702	-	50,861	(840)	6,648	29,623	70,583	1,058	**170,635**
Changes for the year										
(I) Net profit		-	-	-	-	-	-	41,211	300	**41,511**
(II) Other comprehensive income	47	-	-	-	(3,779)	-	-	-	(6)	**(3,785)**
Subtotal		**-**	**-**	**-**	**(3,779)**	**-**	**-**	**41,211**	**294**	**37,726**
(III) Capital contribution from owners		-	-	-	-	-	-	-	50	**50**
1. Common stock from owners		-	-	-	-	-	-	-	50	**50**
2. Capital contribution from other equity tool holders		-	-	-	-	-	-	-	-	**-**
(IV) Profit distribution		6,350	-	-	-	3,176	2,660	(19,426)	-	**(7,240)**
1. Transfer to surplus reserve		-	-	-	-	3,176	-	(3,176)	-	**-**
2. Transfer to general and regulatory reserve		-	-	-	-	-	2,660	(2,660)	-	**-**
3. Distribution of dividends		6,350	-	-	-	-	-	(13,590)	-	**(7,240)**
As at 31 December 2013		**19,052**	**-**	**50,861**	**(4,619)**	**9,824**	**32,283**	**92,368**	**1,402**	**201,171**

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

UNIT: RMB MILLION

	Note IX	Share capital	Other equity Instruments	Capital reserve	Other compre-hensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 1 January 2014		19,052	-	51,081	(4,603)	9,824	31,325	89,999	**196,678**
Changes for the year									
(I) Net profit		-	-	-	-	-	-	45,166	**45,166**
(II) Other comprehensive income	47	-	-	-	6,760	-	-	-	**6,760**
Subtotal		**-**	**-**	**-**	**6,760**	**-**	**-**	**45,166**	**51,926**
(III) Capital contribution from owners		-	12,958	-	-	-	-	-	**12,958**
1. Common stock from owners		-	-	-	-	-	-	-	**-**
2. Capital contribution from other equity tool holders		-	12,958	-	-	-	-	-	**12,958**
(IV) Profit distribution		-	-	-	-	-	10,718	(19,482)	**(8,764)**
1. Transfer to surplus reserve		-	-	-	-	-	-	-	**-**
2. Transfer to general and regulatory reserve		-	-	-	-	-	10,718	(10,718)	**-**
3. Distribution of dividends		-	-	-	-	-	-	(8,764)	**(8,764)**
As at 31 December 2014		**19,052**	**12,958**	**51,081**	**2,157**	**9,824**	**42,043**	**115,683**	**252,798**

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

UNIT: RMB MILLION

	Note IX	Share capital	Other equity Instruments	Capital reserve	Other compre-hensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Total
As at 31 December 2012(before restatement)		12,702	-	50,244	-	6,648	28,923	69,648	**168,165**
Add: accounting policy changes		-	-	837	(837)	-	-	-	**-**
As at 1 January 2013 (after restatement)		12,702	-	51,081	(837)	6,648	28,923	69,648	**168,16**
Changes for the year									
(I) Net profit		-	-	-	-	-	-	39,519	**39,519**
(II) Other comprehensive income	47	-	-	-	(3,766)	-	-	-	**(3,766)**
Subtotal		**-**	**-**	**-**	**(3,766)**	**-**	**-**	**39,519**	**35,753**
(III) Capital contribution from owners		-	-	-	-	-	-	-	**-**
1. Common stock from owners		-	-	-	-	-	-	-	**-**
2. Capital contribution from other equity tool holders		-	-	-	-	-	-	-	**-**
(IV) Profit distribution		6,350	-	-	-	3,176	2,402	(19,168)	**(7,240)**
1. Transfer to surplus reserve		-	-	-	-	3,176	-	(3,176)	**-**
2. Transfer to general and regulatory reserve		-	-	-	-	-	2,402	(2,402)	**-**
3. Distribution of dividends		6,350	-	-	-	-	-	(13,590)	**(7,240)**
As at 31 December 2013		**19,052**	**-**	**51,081**	**(4,603)**	**9,824**	**31,325**	**89,999**	**196,678**

The accompanying notes form part of the financial statements.

I. GENERAL INFORMATION

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

The Bank has obtained its license for carrying out financial activities from China Banking Regulatory Commission (the “CBRC”) with the license number of No. B0013H135010001. The Bank’s business license was approved by Fujian Provincial Administration of Industry and Commerce with the registration number of 350000100009440, the registered address is 154 Hudong Road, Fuzhou, Fujian Province. The legal representative of the Bank is Mr. Gao Jianping.

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

The principal activities of the Bank’s subsidiaries comprise financial leasing, operating leasing, trust services, fund raising and marketing, asset management for specific clients, asset management, consumer finance, equity investment, industrial investment, investment management and consulting; other banking activities approved by the CBRC as well as other businesses permitted by China Securities Regulatory Commission.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank and its subsidiaries (hereinafter referred to as “the Group”) has adopted the Accounting Standards for Business Enterprises (including the standards issued and revised in 2014) issued by the Ministry of Finance (the “MOF”) on 15 February 2006 (the “ASBE”).

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

The report is prepared on an ongoing basis.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank’s and consolidated financial position as of 31 December 2014, and the Bank’s and consolidated results of operations and cash flows for the year then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

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

2. Basic of accounting and principle of measurement

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

3. Functional currency

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

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

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

4.1 Business combinations involving enterprises under common control

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

4.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

5. Preparation of consolidated financial statements

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

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

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

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

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

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

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

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity, and allocated against goodwill simultaneously. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

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

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

6. Recognition criteria of cash and cash equivalents

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

7. Transactions denominated in foreign currencies and transacting for foreign currency financial statements

7.1 Transactions denominated in foreign currencies

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

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

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

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

7.2 Transactions for foreign currency financial statements

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

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

8. Financial instruments

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

8.1 Effective interest method

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

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

8.2 Classification, recognition and measurement of financial assets

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

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

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

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

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

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

8.2.2 Held-to-maturity investments

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

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

8.2.3 Loans and receivables

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

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

8.2.4 Available-for-sale financial assets

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

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

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

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

8.3 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group recognize 50% decline or above in the fair value below its cost as significant, and 12-month or above decline

below its cost as prolonged.

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

8.3.1 Impairment of financial assets measured at amortised cost

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

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

8.3.2 Impairment of available-for-sale financial assets

Objective evidence that an available-for-sale financial asset is impaired includes significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group assesses each available-for-sale financial asset individually on balance sheet date, and recognizes 50%(including) decline or above in the fair value below its cost as significant, and 12-month or above decline below its cost as prolonged.

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

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

8.3.3 Impairment of financial assets measured at cost

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

8.4 Transfer of financial assets and derecognition of financial assets

The Group's financial assets transfer if both of the following conditions are satisfied:

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

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

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

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

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

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

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

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

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

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

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

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

8.5 Asset-backed securities business

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

8.6 Classification, recognition and measurement of financial liabilities

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

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

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

8.6.1 Financial liabilities at fair value through profit or loss

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

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

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

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

8.6.2 Other financial liabilities

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

8.6.3 Financial guarantee contracts and loan commitments

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

8.7 Derecognition of financial liabilities

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

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

8.8 Derivatives and embedded derivatives

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

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

8.9 Offsetting financial assets and financial liabilities

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

8.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group classified financial instruments as equity instruments when all of the following conditions is satisfied: (1) the financial instruments should not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potential adverse conditions; and (2) the Group shall or may measure business with its own equity instruments in the future.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

9. Precious metal

Trading precious metal is initially measured at actual amount at acquisition, and subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

10. Long-term equity investments

10.1 Evident of joint control or significant influence over investee

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

10.2 Determination of investment cost

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

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

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

Long-term equity investments other than those arising from business combination, is initially measured at cost. When the Group increases its ownership interest in the investee to the extent that the Group has joint control or significant influence, but not control, over the investee, the cost of the long-term equity investment is the fair value of its prior ownership interest recognized in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments plus the additional investment cost at that date.

10.3 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

A joint venture is a joint arrangement whereby the parties that joint control of the arrangement have right to the net assets of the joint arrangement.

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

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. The Group reduces the carry amount of the investment when being entitled by the attributable share of cash dividends or profit distributions declared by the investee. When the change of its ownership interest in the investee is not caused by the change of the net profits and losses and other comprehensive, the Group remeasured its investment and recognized in the capital reserve. After adjustment being based on the fair value of all identifiable assets of the invested entity when it obtains the investment, the Group recognises the attributable share of the net profits and losses of the investee. When the accounting policy and accounting period adopted by the investee is different from that adopted by the Group, the adjustments are made to the financial statements of investees to bring their accounting policies into line with the Group's accounting policies, then recognizing investment gain or loss and other comprehensive income accordingly. All intragroup transactions, investment or sale of the asset not constituting a business are eliminated by the proportion of shares and recognized investment income accordingly. Unrecognized intragroup transaction loss between the Group and investees is not allowed for offset, when it is arising from the impairment loss of transferred asset.

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

10.3.3 Disposal of long-term equity investments

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

11. Fixed assets

11.1 Recognition criteria for fixed assets

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

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

11.2 Depreciation of each category of fixed assets

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

Category	Depreciation period	Estimated Residual value rate	Annual depreciation rate
Buildings	20-30 years	0-3%	3.23-5.00%
Property improvement	the lower of improvement period and remaining useful life	0%	
Equipment	3-10 years	0-3%	10.00-33.33%
Transportation vehicles	5-8 years	0-3%	12.50-20.00%

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

11.3 Other explanations

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

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

12. Construction in progress

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

13. Intangible assets

13.1 Intangible assets

Intangible assets include land use rights, franchising, etc.

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

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

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

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and account for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If there is evidence the duration of associated economic benefits is predictable, then estimate the useful life and amortize the intangible assets.

14. Impairment of long-term assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, and intangible assets which able to forecast the period will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their return of cash. For those intangible assets which are unable to forecast the period or unable to use, test of impairment should be conducted no matter whether indication of impairment exists or not.

Estimation of return of cash of the assets is based on individual asset. If the return of cash is difficult to estimate, the amount should be estimated by the asset group which the asset belongs to. Return of cash is the higher of the two: Net fair market value of the assets or assets groups after disposal expenses, or current value of the expected cash flow from the assets.

If asset's return of cash is lower than its book value, the provision for asset impairment should be recognized by their balance in profit or loss for the period.

The goodwill should be conducted test of impairment at least in the end of the year with related assets groups or combination of assets groups. In purchase date, the book value of goodwill should be allocated reasonablely to assets groups or combinations which can benefit from the synergy of enterprise merger. If the return of cash of assets groups or combinations of allocated goodwill is lower than its book value, impairment loss should be recognized. The amount of impairment loss should offset the book value which is allocated to the goodwill of certain assets groups or combinations at first, than it should offset the book value of other assets proportionally according to the proportion of other assets' book value of assets groups or combination after goodwill.

The impairment losses cannot be reversed once they are recognized.

15. Long-term prepaid expenses

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

16. Employee benefits

16.1 Method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the short-term employee benefits for that service as a liability, and expenditure actually incurred is included in the cost of related assets or profit or loss for the period in which they are incurred. The employee's welfare when incurred is recognized in the cost of related assets or profit or loss for the period. The employee's benefit is non-monetary and recorded at fair value.

In the accounting period the related service is rendered by employees, the Group shall calculate the medical insurance, work injury insurance, maternity insurance and other social insurances, as well as housing fund, union funds and staff education fund, which are paid by the enterprise to the employee, on the basis of a certain proportion in the total amount of wages, recognize the liability accordingly and record in the profit and loss or costs of related asset of current period.

16.2 Method of termination benefits

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

Payments to defined contribution pension plans are recognized as an expense or cost of related assets when employees have rendered services entitling them to the contributions.

Pension obligation from defined benefit plans are classified and recorded in profit and loss when employees have rendered services entitling them to the contribution. The classifications of the costs are as follows:

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

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

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

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

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

16.3 Method of demission benefits

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

17. Assets transferred under repurchase agreements

17.1 Financial assets purchased under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date and price are not recognised in the balance sheet. The cost of purchasing such assets is presented under “financial assets purchased under resale agreements” in the balance sheet. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

17.2 Financial assets sold under repurchase agreements

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

18. Provisions

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

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

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

19. Interest income and expense

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

20. Fee and commission income

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

21. Government grants

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

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

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

22. Deferred tax assets/deferred tax liabilities

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

22.1 Current income tax

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

22.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

23. Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fee and commission. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statements.

24. Lease

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

The Group as lessee under operating leases

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

The Group as lessor under operating leases

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

The Group as lessor under finance leases

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

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

25. Other significant accounting policies and accounting estimates

Foreclosed asset

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

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

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

V. CHANGES IN ACCOUNTING POLICIES

The Group applied standards of “Accounting Standards for Business Enterprises No.39-Fair Value Measurement”, “Accounting Standards for Business Enterprises No.40-Joint Arrangements”, “Accounting Standards for Business Enterprises No.41- Disclosure of Interests in Other Entities” which are issued by Ministry of Finance in 2014 and revised standards of “Accounting Standards for Business Enterprises No.2-Long-term Equity Investment”, “Accounting Standards for Business Enterprises No.9-Empolyee Benefits”, “Accounting Standards for Business Enterprises No.30-Presentation of Financial Statements”, “Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements” since 1st July 2014. The revised standard “Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments” applied in the Group’s financial statements of 2014.

Long-term equity investment

Before performing the “Accounting Standards for Business Enterprises No.2-Long Term Equity Investment”(revised)”, for equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such equity investments as long-term equity investments using cost method.

After performing the “Accounting Standards for Business Enterprises No.2-Long Term Equity Investment”(revised)”, for equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such equity investments as available-for-sale financial assets. The company has adopted the retrospective adjustment in accounting treatment; following influence to the financial statement refers to the attached list.

Employee Compensation

“Accounting Standards for Business Enterprises No.9-Employee Compensation” (revised) added the definitions and classifications of short-term compensation, compensated absence, profit sharing plan, post-employment benefits, dismissal welfare and other long-term employee benefits and define the accounting treatment of defined contribution plans and defined benefit plans of post-employment.

See the policy of post-employment benefits in Note. 4 16.2. The Group has conducted the accounting treatment in the financial statement. The Group conducts no retroactive adjustment for the changes of standards have no significant influence on the net assets in 01/01/2013 and 31/12/2013.

Joint Venture Arrangement

“Accounting Standards for Business Enterprises No.40-Joint Venture Arrangement” are classified into joint operation and joint ventures which are determined based on rights enjoyed and obligations assumed by them. Joint operation refers to those joint venture arrangements, relevant assets and liabilities of which are enjoyed and assumed by the joint ventures. Joint ventures refer to those joint venture arrangements, only the right to net assets of which is enjoyed by the joint ventures. The Group thinks that the adoption of the standards has no significant influence on the financial statement.

Consolidated financial statement

“Accounting Standards for Business Enterprises No.33-Consolidated Financial Statement”(revised) revised the definition of control and make definite provisions to the accounting treatment of special transaction. Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. The Group has adopted the retrospective adjustment in accounting treatment; following influence to the financial statement refers to the attached list.

Presentation of Financial Instruments

“Accounting Standards for Business Enterprises No.37-Financial Instruments: Presentation” (revised) has added regulations and disclosure requirements for financial assets, financial liabilities offsetting, and transfer of financial assets. Also, the disclosure requirements for financial assets and financial liabilities maturity analysis were amended. The financial statements have been prepared under the new policy.

Presentation of Financial Statements

"Accounting Standards for Business Enterprises No.30-Presentation of Financial Statements"(revised) classifies other comprehensive income into two categories: (1) Items that will not be reclassified to profit or loss. (2) Items that may be reclassified subsequently to profit or loss. The financial statements have been prepared under the new policy, and the previous years' financial statements have been adjusted accordingly for comparison purpose. Following influence of the changes to the financial statement refers to the attached list.

Fair value measurement

"Accounting Standards for Business Enterprises No.39-Fair Value Measurement" standardizes the measurement and disclosure of fair value. This new policy will not have a significant impact on the measurement of financial statements, but will result in a more extensive disclosure on the content of fair value information in the notes to financial statements. This financial statement has been prepared under the new policy.

Disclosure of Interest in Other Entities

"Accounting Standards for Business Enterprises No.41-Disclosure of Interests in Other Entities" is suitable for companies' disclosures in subsidiaries, joint arrangements, associates and structured entities not included in the consolidated financial statements. Applying this policy will result in a more extensive disclosure. The financial statements have been prepared under the new policy.

Changes above are approved by the board of directors in 27/10/2014.

To those events related to the changes in accounting policy, we have restated the financial statements of last year. The influences of changes in accounting policy to the assets and liabilities of 31/12/2013, 1/1/2013 are as follows:

UNIT: RMB Million

	The Group					
	12/31/2013 (Before restatement)	Long-term equity investment	Consolidated structured entity	Other comprehensive income	Consolidated financial statement	12/31/2013 (After restatement)
Available-for-sale financial assets	263,681	286	-	-	-	263,967
Long-term equity investment	1,682	(286)	-	-	-	1,396
Receivable account investment	328,628	-	869	-	-	329,497
Other liabilities	14,708	-	869	-	-	15,577
Capital reserves	46,242	-	-	4,619	-	50,861
Other comprehensive income	-	-	-	(4,619)	-	(4,619)
General risk reserves	31,325	-	-	-	958	32,283
Undistributed returns	93,326	-	-	-	(958)	92,368

UNIT: RMB Million

	The Group				
	1/1/2013 (Before restatement)	Long-term equity investment	Other comprehensive income	Consolidated financial statement	1/1/2013 (After restatement)
Available-for-sale financial assets	192,057	286	-	-	192,343
Long-term equity investment	1,494	(286)	-	-	1,208
Capital reserves	50,021	-	840	-	50,861
Other comprehensive income	-	-	(840)	-	(840)
General risk reserves	28,923	-	-	700	29,623
Undistributed returns	71,283	-	-	(700)	70,583

UNIT: RMB Million

	The Bank			
	12/31/2013 (Before restatement)	Long-term equity investment	Other comprehensive income	12/31/2013 (After restatement)
Available-for-sale financial assets	261,104	81	-	261,185
Long-term equity investment	9,662	(81)	-	9,581
Capital reserves	46,478	-	4,603	51,081
Other comprehensive income	-	-	(4,603)	(4,603)

UNIT: RMB Million

	The Bank			
	1/1/2013 (Before restatement)	Long-term equity investment	Other comprehensive income	1/1/2013 (After restatement)
Available-for-sale financial assets	190,084	81	-	190,165
Long-term equity investment	7,532	(81)	-	7,451
Capital reserves	50,244	-	837	51,081
Other comprehensive income	-	-	(837)	(837)

The management think the changes above have no significant influence on the net profit and the amount of comprehensive income in 2013.

VI. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements and key estimation uncertainty that the Group has made at the balance sheet date.

1. Impairment losses on loans and advances to customers

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

2. Fair value of financial instruments

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

3. Impairment of available-for-sale financial assets

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

4. Classification of held-to-maturity investments

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

5. Impairment of held-to-maturity investments and debt securities classified as receivables

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

6. Taxes

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

7. Assessment of consolidated structured entities

As the manager of structured entities, the Group should assess whether the Group is main charger or an agent in order to assess whether the Group has control over the structured entities. Based on the decision scope of asset manager, power of other trust holders, reward from offering management service and the risk exposure of variable profit, the Group assesses whether the Group is main charger or an agent and whether should consolidate the structured entities.

VII. TAXATION

1. Enterprise income tax

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

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

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

2. Business tax

Business tax is calculated according to 5% of taxable revenue. Branches declare and pay the business tax to local tax bureau.

3. City maintenance and construction tax

City maintenance and construction tax is calculated according to 1% ~ 7% of business tax.

4. Education surcharge

Education surcharge is calculated according to 3% ~ 5% of business tax.

VIII. SUBSIDIARIES AND CONSOLIDATION RANGE

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

Name of entity	Date of establish-ment	Place of establish-ment	Proportion of equity interest (%)	Principle activities	Authorised capital/ Paid-in capital	Proportion of voting power on the board of directors (%)
Industrial Bank Financial Leasing Co., Ltd.(1)	2010	Tianjin	100.00	Financial leasing	RMB 5,000 million	100.00
China Industrial International Trust Limited	2003	Fuzhou	73.00	Trust	RMB 5,000 million	73.00
CIB Fund Management Co., Ltd.(2)	2013	Fuzhou	90.00	Fund management	RMB 500 million	90.00
Industrial Consumer Finance Co., Ltd.(3)	2014	Quanzhou	66.00	Consumer finance	RMB 300 million	66.00
CIIT Asset Management Co., Ltd.(3)	2013	Shanghai	73.00	Assets management, equity investment, industrial investment, investment management and consulting	RMB 100 million	73.00
Industrial Wealth Asset Management Co., Ltd.(3)	2013	Shanghai	90.00	Assets management	RMB 200 million	90.00

(1) On January 2014, the Bank capitalized RMB 3.5 billion at Industrial International Trust Limited and the authorized capital of Industrial International Trust Limited reached to RMB 5 billion after that.

(2) The Bank received the notice of "the China Banking Regulatory Commission approved Industrial Bank Co., Ltd. initiated the establishment of the fund management company" (YJF [2014] NO.721) from the CBRC and the notice of "Approval of the establishment of Industrial Consumer Finance Co., Ltd." from the China Securities Regulatory Commission. Upon the notices from the regulators, the Bank is officially to set up the Industrial Consumer Finance Co., Ltd. accordingly. Industrial Fund Management Co., Ltd, whose authorised capital was RMB 300 million yuan (the Bank invested RMB 198 million yuan), was co-sponsored with the Quanzhou commercial Company, Xstep (Chian) Co., Ltd, Fucheng (China) Co., Ltd and the Bank, and was registered on 22 December, 2014. Up to the final date of the statement, the Industrial Consumer Finance Co., Ltd did not conduct any business formally.

(3) The companies are the subsidiaries of the Bank's controlled subsidiaries.

2. Information of consolidated structure entities refer to No. 50 IX.

3. Main report term exchange rate of overseas operating entities

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

The exchange rate of USD, JPY, EURO, HKD, and BKD to RMB should be determined by the middle rate published by SAFE. The exchange rate of other currency to RMB should be calculated by the benchmark rate of USD to RMB and rate of USD to other currency offered by SAFE.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash	**6,591**	6,442	**6,591**	6,442
Statutory deposit reserves (1)	**388,008**	349,902	**387,886**	349,717
Surplus deposit reserves (2)	**96,263**	66,208	**96,263**	66,205
Other deposit reserves (3)	**307**	319	**307**	319
Total	**491,169**	**422,871**	**491,047**	**422,683**

(1) The Group places statutory deposit reserves mainly with the PBOC, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred without the PBOC's approval. General deposit generates from Organizations deposit, financial budget deposit, individual deposit, enterprise deposit, net trust funds and other deposit. On 31 December 2014, the ratio of the Bank's RMB deposit reserves is 17.5% (31 December 2013:18 %), the ratio of foreign deposit reserves is 5% (31 December 2013:5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing.

(2) Surplus deposit reserves are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3) The majority of other deposits are the fiscal deposits placed with the PBOC according to regulations, including central budgetary revenues, Local Treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Due from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Banks in mainland China	**89,212**	58,182	**87,685**	57,661
Other financial institutions in mainland China	**715**	888	**693**	877
Banks outside mainland China	**10,910**	3,796	**10,910**	3,796
Subtotal	**100,837**	**62,866**	**99,288**	**62,334**
Less: Provisions for impairment	**(21)**	(21)	**(21)**	(21)
Net value	**100,816**	**62,845**	**99,267**	**62,313**

3. Placements with banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Banks in mainland China	**10,080**	60,275	**10,080**	60,275
Other financial institutions in mainland China	**41,137**	26,884	**40,987**	26,970
Subtotal	**51,217**	**87,159**	**51,067**	**87,245**
Less: Provisions for impairment	**(68)**	(68)	**(68)**	(68)
Net value	**51,149**	**87,091**	**50,999**	**87,177**

4. Financial assets at fair value through profit or loss

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Trading financial assets:				
Debt instrument:				
Government bonds	**1,391**	177	**1,391**	177
The central bank bills and policy financial bonds	**12,126**	4,560	**12,126**	4,560
Banks and other financial institutions	**242**	-	**242**	-
Corporate bonds	**24,623**	37,530	**24,623**	37,530
NCD	**343**	-	**343**	-
Subtotal	**38,725**	**42,267**	**38,725**	**42,267**
Equity instrument:				
Capital funds	**4,389**	-	**4,339**	-
Trust plan of assembled funds	**207**	4	**-**	-
Stocks	**115**	24	**-**	-
Subtotal	**4,711**	**28**	**4,339**	**-**
Total	**43,436**	**42,295**	**43,064**	**42,267**
Assigned as financial assets at fair value through profit and loss:				
Debt instrument:				
Asset management plan	**999**	-	**-**	-
Total	**44,435**	**42,295**	**43,064**	**42,267**

5. Derivative financial instruments

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

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

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

UNIT: RMB Million

	The Group and the Bank					
	12/31/2014			12/31/2013		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	**795,935**	**2,159**	**2,097**	372,459	4,142	3,989
Exchange rate derivatives	**598,394**	**2,383**	**2,265**	504,752	2,195	2,741
Precious metal derivatives	**30,447**	**597**	**134**	5,264	68	134
Credit derivatives	**776**	**3**	**2**	670	9	-
Total		**5,142**	**4,498**		**6,414**	**6,864**

6. Financial assets held under resale agreements

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Bonds	**25,077**	12,846
Bills	**364,923**	352,626
Beneficial rights of trust and others (Note 1)	**322,359**	554,016
Credit assets	**300**	700
Lease receivables	**102**	902
Total	**712,761**	**921,090**

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

7.Interest receivable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Due from central bank and financial institutions	**928**	909	**930**	910
Placements with banks and other financial institutions	**438**	596	**440**	597
Financial assets held under resale agreements	**6,991**	10,169	**6,991**	10,169
Loans and advances to customers	**4,547**	4,048	**4,547**	4,048
Bonds and other investments	**11,671**	7,469	**11,578**	7,419
Others	**185**	58	**115**	3
Total	**24,760**	**23,249**	**24,601**	**23,146**

8. Loans and advances to customers

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

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Personal loans and advances				
Residential and business mortgage loans	**198,769**	185,061	**198,769**	185,061
Credit cards	**66,364**	60,375	**66,364**	60,375
Others	**120,817**	108,208	**120,817**	108,208
Subtotal	**385,950**	**353,644**	**385,950**	**353,644**
Corporate loans and advances				
Loans and advances	**1,179,708**	988,808	**1,179,808**	988,808
Discounted bills	**27,490**	14,605	**27,490**	14,605
Subtotal	**1,207,198**	**1,003,413**	**1,207,298**	**1,003,413**
Gross loans and advances	**1,593,148**	1,357,057	**1,593,248**	1,357,057
Less: Provisions for impairment	**(43,896)**	(36,375)	**(43,895)**	(36,375)
-Individually assessed	**(6,581)**	(3,139)	**(6,581)**	(3,139)
-Collectively assessed	**(37,315)**	(33,236)	**(37,314)**	(33,236)
Loans and advances to customers	**1,549,252**	**1,320,682**	**1,549,353**	**1,320,682**

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

	The Group				The Bank			
	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Manufacturing	**293,739**	**18.44**	281,108	20.71	**293,739**	**18.44**	281,108	20.71
Retail and wholesale	**239,606**	**15.04**	203,774	15.02	**239,606**	**15.04**	203,774	15.02
Real estate	**189,843**	**11.92**	131,253	9.67	**189,843**	**11.92**	131,253	9.67
Leasing and commercial services	**88,290**	**5.54**	83,125	6.13	**88,290**	**5.54**	83,125	6.13
Construction	**80,352**	**5.04**	64,362	4.74	**80,252**	**5.04**	64,362	4.74
Water, environment and public facilities administration	**79,168**	**4.97**	50,527	3.72	**79,168**	**4.97**	50,527	3.72
Transport, logistics and postal service	**56,777**	**3.56**	47,608	3.51	**56,777**	**3.56**	47,608	3.51
Mining	**53,743**	**3.37**	46,146	3.40	**53,743**	**3.37**	46,146	3.40
Production and supply of power, gas and water	**47,638**	**2.99**	41,048	3.02	**47,638**	**2.99**	41,048	3.02
Public administration and social organization activities	**8,644**	**0.54**	5,199	0.38	**8,644**	**0.54**	5,199	0.38
Other corporate industries	**41,908**	**2.63**	34,658	2.55	**42,108**	**2.63**	34,658	2.55
Bill discounted	**27,490**	**1.73**	14,605	1.08	**27,490**	**1.73**	14,605	1.08
Personal loans	**385,950**	**24.23**	353,644	26.07	**385,950**	**24.23**	353,644	26.07
Gross loans and advances	**1,593,148**	**100.00**	**1,357,057**	**100.00**	**1,593,248**	**100.00**	**1,357,057**	**100.00**
Less: Provisions for impairment	**(43,896)**		(36,375)		**(43,895)**		(36,375)	
-Individually assessed	**(6,581)**		(3,139)		**(6,581)**		(3,139)	
-Collectively assessed	**(37,315)**		(33,236)		**(37,314)**		(33,236)	
Loans and advances to customers	**1,549,252**		**1,320,682**		**1,549,353**		**1,320,682**	

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

	The Group				The Bank			
	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Head office (Note 1)	**81,928**	**5.14**	73,771	5.44	**81,928**	**5.14**	73,771	5.44
Fujian	**235,059**	**14.75**	200,481	14.77	**234,959**	**14.75**	200,481	14.77
Beijing	**97,591**	**6.13**	88,455	6.52	**97,591**	**6.13**	88,455	6.52
Shanghai	**99,549**	**6.25**	91,640	6.75	**99,549**	**6.25**	91,640	6.75
Guangdong	**163,696**	**10.28**	150,069	11.06	**163,696**	**10.27**	150,069	11.06
Zhejiang	**118,680**	**7.45**	98,728	7.28	**118,880**	**7.46**	98,728	7.28
Jiangsu	**107,073**	**6.72**	73,682	5.43	**107,073**	**6.72**	73,682	5.43
Others (Note 2)	**689,572**	**43.28**	580,231	42.75	**689,572**	**43.28**	580,231	42.75
Gross loans and advances	**1,593,148**	**100.00**	**1,357,057**	**100.00**	**1,593,248**	**100.00**	**1,357,057**	**100.00**
Less: Provisions for impairment	**(43,896)**		(36,375)		**(43,895)**		(36,375)	
-Individually assessed	**(6,581)**		(3,139)		**(6,581)**		(3,139)	
-Collectively assessed	**(37,315)**		(33,236)		**(37,314)**		(33,236)	
Loans and advances to customers	**1,549,252**		**1,320,682**		**1,549,353**		**1,320,682**	

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

Note 2: As at 31 December 2014, the Bank has 43 tier-1 branches, apart from the tier-1 branches mentioned above, the rest all categorise into “Others”.

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

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Unsecured loans	**281,107**	255,792	**281,307**	255,792
Guaranteed loans	**382,267**	305,317	**382,267**	305,317
Collateralised loans	**902,284**	781,343	**902,184**	781,343
-Secured by mortgage	**712,332**	600,367	**712,232**	600,367
-Secured by collaterals	**189,952**	180,976	**189,952**	180,976
Discounted bills	**27,490**	14,605	**27,490**	14,605
Gross loans and advances	**1,593,148**	**1,357,057**	**1,593,248**	**1,357,057**
Less: Provisions for impairment	**(43,896)**	(36,375)	**(43,895)**	(36,375)
-Individually assessed	**(6,581)**	(3,139)	**(6,581)**	(3,139)
-Collectively assessed	**(37,315)**	(33,236)	**(37,314)**	(33,236)
Loans and advances to customers	**1,549,252**	**1,320,682**	**1,549,353**	**1,320,682**

(5) Overdue loans

UNIT: RMB Million

	The Group and the Bank									
	12/31/2014					12/31/2013				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total
Unsecured loans	**3,011**	**1,032**	**223**	**15**	**4,281**	1,184	1,013	201	13	**2,411**
Guaranteed loans	**7,252**	**5,859**	**1,324**	**264**	**14,699**	2,034	2,164	988	99	**5,285**
Collateralised loans	**9,247**	**6,074**	**1,454**	**76**	**16,851**	2,779	3,035	714	106	**6,634**
-Secured by mortgage	**8,553**	**5,022**	**1,251**	**65**	**14,891**	2,602	2,506	654	71	**5,833**
-Secured by collaterals	**694**	**1,052**	**203**	**11**	**1,960**	177	529	60	35	**801**
Total	**19,510**	**12,965**	**3,001**	**355**	**35,831**	**5,997**	**6,212**	**1,903**	**218**	**14,330**

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

(6) Provisions for loan impairment

UNIT: RMB Million

	The Group					
	2014			2013		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	**3,139**	**33,236**	**36,375**	2,025	22,598	**24,623**
Charge for the year	**13,144**	**6,507**	**19,651**	5,011	11,406	**16,417**
Transfer in/out	**(9,254)**	**(2,462)**	**(11,716)**	(3,631)	(718)	**(4,349)**
-Recoveries of loans and advances written off in previous years	**118**	**120**	**238**	63	50	**113**
-Unwinding of discount on allowance	**(566)**	**(109)**	**(675)**	(329)	(58)	**(387)**
Fluctuation in exchange rate	**-**	**23**	**23**	-	(42)	**(42)**
Closing balance	**6,581**	**37,315**	**43,896**	**3,139**	**33,236**	**36,375**

UNIT: RMB Million

	The Bank					
	2014			2013		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	**3,139**	**33,236**	**36,375**	2,025	22,597	**24,622**
Charge for the year	**13,144**	**6,506**	**19,650**	5,011	11,407	**16,418**
Transfer in/out	**(9,254)**	**(2,462)**	**(11,716)**	(3,631)	(718)	**(4,349)**
-Recoveries of loans and advances written off in previous years	**118**	**120**	**238**	63	50	**113**
-Unwinding of discount on allowance	**(566)**	**(109)**	**(675)**	(329)	(58)	**(387)**
Fluctuation in exchange rate	**-**	**23**	**23**	-	(42)	**(42)**
Closing balance	**6,581**	**37,314**	**43,895**	**3,139**	**33,236**	**36,375**

9. Available-for-sale financial assets

(1) Listed by types

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Available-for-sale debt instrument:				
Government bonds	**96,943**	49,163	**96,943**	49,163
The central bank bills and policy financial bonds	**32,881**	50,061	**32,881**	50,061
Bonds issued by banks and other financial institutions	**6,177**	5,713	**6,177**	5,713
Corporate bonds	**111,099**	79,721	**108,773**	77,628
NCD	**13,742**	-	**13,742**	-
Trust fund plans and other equity instrument (Note 1)	**146,179**	78,774	**145,959**	78,524
Subtotal	**407,021**	**263,432**	**404,475**	**261,089**
Available-for-sale equity instrument:				
Measured by fair value	**731**	249	**18**	15
Measured by cost	**314**	286	**81**	81
Subtotal	**1,045**	**535**	**99**	**96**
Net value	**408,066**	**263,967**	**404,574**	**261,185**

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

(2) Related analysis for available-for-sale financial assets at fair value

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Available-for-sale debt instrument:				
Amortized cost	**405,632**	269,613	**403,134**	267,232
Fair value	**407,021**	263,432	**404,475**	261,089
Accumulative appropriation to other comprehensive income	**2,617**	(6,181)	**2,569**	(6,143)
Accumulative appropriation to provisions	**(1,228)**	-	**(1,228)**	-
Available-for-sale equity instrument:				
Cost	**649**	219	**4**	4
Fair value	**731**	249	**18**	15
Accumulative appropriation to other comprehensive income	**89**	37	**14**	11
Accumulative appropriation to provisions	**(7)**	(7)	**-**	-
Total				
Cost	**406,281**	269,832	**403,138**	267,236
Fair value	**407,752**	263,681	**404,493**	261,104
Accumulative appropriation to other comprehensive income	**2,706**	(6,144)	**2,583**	(6,132)
Accumulative appropriation to provisions	**(1,235)**	(7)	**(1,228)**	-

(3) Related analysis about available-for-sale financial assets at cost

UNIT: RMB Million

Investee	The Group					
	Balance			Provision	Proportion (%)	Cash bonus
	Opening	Increase	Closing			
China Unionpay	81	-	81	-	2.13	3
Huafu Securities	180	-	180	-	4.35	13
Zijin Mining Group	25	-	25	-	5.00	6
Others	-	28	28	-		-
Total	**286**	**28**	**314**	**-**		**22**

UNIT: RMB Million

Investee	The Bank					
	Balance			Provision	Proportion (%)	Cash bonus
	Opening	Increase	Closing			
China Unionpay	81	-	81	-	2.13	3

(4) Related analysis about provisions for impairment on available-for-sale financial assets

UNIT: RMB Million

	The Group			The Bank		
	Available-for-sale debt instrument	Available-for-sale equity instrument	Total	Available-for-sale debt instrument	Available-for-sale equity instrument	Total
Opening	-	7	**7**	-	-	**-**
Provision	1,228	-	**1,228**	1,228	-	**1,228**
Closing	1,228	7	**1,235**	1,228	-	**1,228**

10. Held-to-maturity investments

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Government bonds	**169,913**	89,101
The central bank bills and policy financial bonds	**1,184**	1,396
Bonds issued by banks and other financial institutions	**2,407**	2,116
Corporate bonds	**24,408**	24,123
Deposit receipt from banks	**-**	1,041
Subtotal	**197,912**	**117,777**
Less: Provisions	**(122)**	(122)
Net value	**197,790**	**117,655**

11. Debt securities classified as receivables

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Government bonds	**436**	528	**436**	528
Bonds issued by banks and other financial institutions	**8,881**	8,719	**8,881**	8,719
Corporate bonds	**19,723**	17,747	**18,782**	17,747
Wealth management products (Note 1)	**15,413**	5,936	**15,413**	5,936
Trust fund plans and others (Note 2)	**669,516**	297,939	**663,167**	295,405
Subtotal	**713,969**	**330,869**	**706,679**	**328,335**
Less: Provisions	**(5,523)**	(1,372)	**(5,523)**	(1,372)
Net value	**708,446**	**329,497**	**701,156**	**326,963**

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

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

12. Finance lease receivables

Analysis by nature:

UNIT: RMB Million

	The Group	
	12/31/2014	12/31/2013
Finance lease receivables	**68,937**	55,440
Less: unrealized financing income	**(9,098)**	(8,119)
Subtotal	**59,839**	**47,321**
Less: Provision for finance lease	**(1,585)**	(1,227)
-Individually assessed	**(149)**	-
-Collectively assessed	**(1,436)**	(1,227)
Net value	**58,254**	**46,094**

List as follows:

UNIT: RMB Million

	The Group	
	12/31/2014	12/31/2013
1st year subsequent to the balance sheet date	**18,065**	14,109
2nd year subsequent to the balance sheet date	**17,780**	13,140
3rd year subsequent to the balance sheet date	**14,014**	11,298
Subsequent periods	**19,078**	16,893
Subtotal	**68,937**	**55,440**
Unrealized financing income	**(9,098)**	(8,119)
Subtotal	**59,839**	**47,321**
Less: Provision for finance lease	**(1,585)**	(1,227)
-Individually assessed	**(149)**	-
-Collectively assessed	**(1,436)**	(1,227)
Net value	**58,254**	**46,094**
-Finance lease receivables due less than 1 year	**15,266**	11,731
-Finance lease receivables due more than 1 year	**42,988**	34,363

13. Long-term equity investments

Breakdown of long-term equity investments:

UNIT: RMB Million

Investee	The Group									
	Accounting method	Initial invest-ment	01/01/2014	Additions	12/31/2014	Proportion of equity interest	Proportion of voting power in the investee	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	**1,274**	217	**1,491**	14.72	14.72	N/A	-	33
Chongqing Machinery and Electronics Holding Group Finance Company Limited (2) (3)	Equity method	114	**122**	13	**135**	19.00	19.00	N/A	-	-
Industrial Futures(2)	Equity method	77	**-**	78	**78**	29.70	29.70	N/A	-	-
Total			**1,396**	**308**	**1,704**				**-**	**33**

UNIT: RMB Million

Investee	The Bank									
	Accounting method	Initial invest-ment	01/01/2014	Additions	12/31/2014	Proportion of equity interest	Proportion of voting power in the investee	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	**1,274**	217	**1,491**	14.72	14.72	N/A	-	33
Industrial Bank Financial Leasing Co., Ltd. (Note 8)	Cost method	5,000	**5,000**	-	**5,000**	100.00	100.00	N/A	-	-
China Industrial International Trust Limited (Note 8)	Cost method	2,857	**2,857**	3,538	**6,395**	73.00	73.00	N/A	-	188
CIB Fund Management Co., Ltd. (Note 8)	Cost method	450	**450**	-	**450**	90.00	90.00	N/A	-	-
Industrial Consumer Finance Co., Ltd (Note 8)	Cost method	198	**-**	198	**198**	66.00	66.00	N/A	-	-
Total			**9,581**	**3,953**	**13,534**				**-**	**221**

(1) In accordance with the YJF [2008] No.449, approved by the CBRC on 4 November, 2008, the Bank has acquired 102.2 million shares of Bank of Jiujiang Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB2.9 yuan per share. As the result, the Bank holds 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. In 2009, Bank of Jiujiang increases 4 shares for every 10 shares to all recorded shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Bank currently holds 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increases its registered capital RMB400.66 million, offered privately and subscribed in cash for the price of RMB3.3 yuan per share. The Bank has acquired 80.12 million shares. After the acquisition, the Bank holds 223.20 million shares and the proportion of equity interest remains 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. On 14 December 2011, Bank of Jiujiang increased its registered capital by RMB400 million, the Bank didn’t subscribe, and the proportion of equity interest of the Bank was diluted to 14.72% after the increase of share capital. The equity investment is accounted for using the equity method for the Bank sent a director to the Bank of Jiujiang and has significant influence over the Bank of Jiujiang.

(2) Chongqing Machinery and Electronics Holding Group Finance Company Limited and Industrial Leasing (the subsidiary of Industrial Futures Co., Ltd) are the investees of China Industrial International Trust Limited’s long-term investments. Ningbo Shanli Future economy Co., Ltd was found in 1993, registered in Ningbo, Zhejiang Province. The registered capital is RMB 100 million. In March 2014, approved by CSRC Ningbo supervision bureau, Industrial International Trust became a shareholder of Ningbo Shanli Future with a share of 29.7%. In September 2014, approved by National administrative bureau for industry and commerce, The Company changed its name to Industrial Future Co., Ltd.

(3) Chongqing Machinery and Electronics Holding Group Finance Company Limited is a new investee of China Industrial International Trust Limited. As China Industrial International Trust Limited holds 19% of the total shares and sends directors to the investee, China Industrial International Trust Limited has significant influence over Chongqing Machinery and Electronics Holding Group Finance Company Limited, therefore the equity investment is accounted by the equity method.

(4) There are no restrictions of the investees’ capital transferring capacities to the Group and the Bank on 31 December 2014.

14. Fixed Asset

UNIT: RMB Million

	The Group				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2014	6,434	429	4,354	399	**11,616**
Purchase	86	1	1,217	44	**1,348**
Transfers from constructions in progress	1,897	434	22	-	**2,353**
Sales/disposals	(37)	(8)	(170)	(22)	**(237)**
12/31/2014	**8,380**	**856**	**5,423**	**421**	**15,080**
Accumulated depreciation					
1/1/2014	1,490	248	2,455	144	**4,337**
Depreciation for the year	237	40	703	48	**1,028**
Eliminated on sales/disposals	(14)	(2)	(170)	(18)	**(204)**
12/31/2014	**1,713**	**286**	**2,988**	**174**	**5,161**
Net value					
1/1/2014	4,944	181	1,899	255	**7,279**
12/31/2014	**6,667**	**570**	**2,435**	**247**	**9,919**
Provision for impairment					
1/1/2014	(3)	-	-	-	**(3)**
Recognized in profit or loss	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
12/31/2014	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
1/1/2014	4,941	181	1,899	255	**7,276**
12/31/2014	**6,664**	**570**	**2,435**	**247**	**9,916**

All the buildings of the Group are located in the PRC. Buildings cost RMB 2, 464 million are in use but the legal ownership registrations were still in process as at 31 December, 2014 (31 December 2013: RMB 1,014 million).

UNIT: RMB Million

	The Bank				
	Buildings	Property improvement	Equipment	Transportation vehicles	Total
Cost					
1/1/2014	6,418	429	4,331	383	**11,561**
Purchase	86	1	1,205	38	**1,330**
Transfers from constructions in progress	1,897	434	22	-	**2,353**
Sales/disposals	(37)	(8)	(168)	(22)	**(235)**
12/31/2014	**8,364**	**856**	**5,390**	**399**	**15,009**
Accumulated depreciation					
1/1/2014	1,488	248	2,447	141	**4,324**
Depreciation for the year	236	40	695	46	**1,017**
Eliminated on sales/disposals	(13)	(2)	(168)	(18)	**(201)**
12/31/2014	**1,711**	**286**	**2,974**	**169**	**5,140**
Net value					
1/1/2014	4,930	181	1,884	242	**7,237**
12/31/2014	**6,653**	**570**	**2,416**	**230**	**9,869**
Provision for impairment					
1/1/2014	(3)	-	-	-	**(3)**
Recognized in profit t or loss	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	**-**
12/31/2014	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
1/1/2014	4,927	181	1,884	242	**7,234**
12/31/2014	**6,650**	**570**	**2,416**	**230**	**9,866**

All the buildings of the Group are located in the PRC. Buildings cost RMB 2,464 million are in use but the legal ownership registrations were still in process as at 31 December, 2014 (31 December 2013: RMB 1,014 million).

15. Construction in progress

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

UNIT: RMB Million

	The Group					
	12/31/2014			12/31/2013		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**1,804**	**-**	**1,804**	804	-	804
Operating building, Shenyang	**439**	**-**	**439**	-	-	-
Operating building, Dalian	**337**	**-**	**337**	337	-	337
Operating building, Jinan	**325**	**-**	**325**	-	-	-
Operating building, Suzhou	**297**	**-**	**297**	148	-	148
Operating building, Nantong	**195**	**-**	**195**	144	-	144
Others	**856**	**-**	**856**	2,048	-	2,048
Total	**4,253**	**-**	**4,253**	**3,481**	**-**	**3,481**

UNIT: RMB Million

	The Bank					
	12/31/2014			12/31/2013		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**1,804**	**-**	**1,804**	804	-	804
Operating building, Shenyang	**439**	**-**	**439**	-	-	-
Operating building, Dalian	**337**	**-**	**337**	337	-	337
Operating building, Jinan	**325**	**-**	**325**	-	-	-
Operating building, Suzhou	**297**	**-**	**297**	148	-	148
Operating building, Nantong	**195**	**-**	**195**	144	-	144
Others	**856**	**-**	**856**	2,043	-	2,043
Total	**4,253**	**-**	**4,253**	**3,476**	**-**	**3,476**

(2) Changes in significant construction in progress:

UNIT: RMB Million

	The Group				
	2014				
	1/1/2014	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2014
Operating building, Lujiazui Shanghai	804	1,000	-	-	**1,804**
Operating building, Shenyang	-	439	-	-	**439**
Operating building, Dalian	337	-	-	-	**337**
Operating building, Jinan	-	325	-	-	**325**
Operating building, Suzhou	148	149	-	-	**297**
Operating building, Nantong	144	51	-	-	**195**
Others	2,048	1,888	(2,353)	(727)	**856**
Total	**3,481**	**3,852**	**(2,353)**	**(727)**	**4,253**

UNIT: RMB Million

	The Bank				
	2014				
	1/1/2014	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2014
Operating building, Lujiazui Shanghai	804	1,000	-	-	**1,804**
Operating building, Shenyang	-	439	-	-	**439**
Operating building, Dalian	337	-	-	-	**337**
Operating building, Jinan	-	325	-	-	**325**
Operating building, Suzhou	148	149	-	-	**297**
Operating building, Nantong	144	51	-	-	**195**
Others	2,043	1,882	(2,353)	(716)	**856**
Total	**3,476**	**3,846**	**(2,353)**	**(716)**	**4,253**

16. Goodwill

UNIT: RMB Million

Investee	The Group				
	01/01/2014	Additions	Less	12/31/2014	12/31/2014 Provision
China Industrial International Trust Limited	446	-	-	446	-

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011.

At the end of the year, the Group performed impairment tests on goodwill based on future cash flow of the investee for next 5 years, applying appropriate discount rate, reflecting current time value of money and the risk of specific assets. No evidence shows that the recoverable amount of goodwill is less than the carrying amount, therefore no impairment is recognised.

17. Deferred tax asset and deferred tax liability

(1) Recognized deferred tax assets and liabilities before offset

UNIT: RMB Million

	The Group				The Bank			
	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets								
Impairment losses on assets	**40,044**	**10,011**	25,090	6,273	**38,955**	**9,739**	24,316	6,079
Fair value changes of derivative financial instruments	**-**	**-**	450	113	**-**	**-**	450	113
Fair value changes of financial assets at fair value through profit or loss	**147**	**37**	672	167	**147**	**37**	672	167
Fair value changes of available-for-sale financial assets	**-**	**-**	6,144	1,536	**-**	**-**	6,132	1,533
Accrued but not paid staff cost	**8,371**	**2,093**	7,675	1,919	**7,839**	**1,960**	7,353	1,838
Fair value changes of precious metals	**-**	**-**	1	-	**-**	**-**	1	-
Others	**547**	**136**	397	99	**540**	**134**	393	100
Subtotal	**49,109**	**12,277**	**40,429**	**10,107**	**47,481**	**11,870**	**39,317**	**9,830**
Deferred tax liabilities								
Fair value changes of derivative financial instruments	**(655)**	**(163)**	-	-	**(655)**	**(163)**	-	-
Fair value changes of precious metals	**(21)**	**(5)**	-	-	**(21)**	**(5)**	-	-
Difference of fixed asset impairment tax	**(283)**	**(71)**	-	-	**(283)**	**(71)**	-	-
Fair value changes of available-for-sale financial assets	**(2,706)**	**(676)**	-	-	**(2,583)**	**(646)**	-	-
Fair value changes of financial assets at fair value through profit or loss	**(20)**	**(5)**		-	**-**	**-**	-	-
Subtotal	**(3,685)**	**(920)**	**-**	**-**	**(3,542)**	**(885)**	**-**	**-**
Net value	**45,424**	**11,357**	**40,429**	**10,107**	**43,939**	**10,985**	**39,317**	**9,830**

The tax payment of various branches of Bank can be aggregated, the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; the subsidiaries are individual taxable entities, the deferred tax assets and deferred tax liabilities of the respective entity can be presented at the net amount after offset.

UNIT: RMB Million

	The Group	The Bank
	2014	2014
Opening balance of net value	**10,107**	9,830
-Deferred tax assets	**10,107**	9,830
-Deferred tax liabilities	**-**	-
Net changes of deferred tax recognised in income tax expenses	**3,462**	3,334
Net changes of deferred tax recognised in other comprehensive income	**(2,212)**	(2,179)
Closing balance of net value	**11,357**	10,985
-Deferred tax assets	**12,277**	11,870
-Deferred tax liabilities	**(920)**	(885)

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

18. Other assets

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Other receivables (1)	**3,975**	3,566	**2,991**	3,229
Prepaid purchase cost of finance lease assets	**12,146**	5,553	**-**	-
Foreclosed assets (2)	**148**	136	**148**	136
Items in the process of clearance and settlement	**140**	410	**140**	410
Long term deferred assets (3)	**1,763**	1,377	**1,752**	1,371
Defined benefit plan net value (Note 9, 49.2)	**476**	-	**476**	-
Total	**18,648**	**11,042**	**5,507**	**5,146**

(1) Other receivables

Listed by account age

UNIT: RMB Million

Account age	The Group				The Bank			
	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	**3,759**	**88.45**	3,374	89.38	**2,785**	**85.28**	3,045	88.57
1-2years	**191**	**4.49**	213	5.64	**181**	**5.54**	205	5.96
2-3years	**121**	**2.85**	99	2.62	**121**	**3.70**	99	2.88
Over 3 years	**179**	**4.21**	89	2.36	**179**	**5.48**	89	2.59
Subtotal	**4,250**	**100.00**	**3,775**	**100.00**	**3,266**	**100.00**	**3,438**	**100.00**
Less: Provision for bad debts	**(275)**		(209)		**(275)**		(209)	
Net value	**3,975**		**3,566**		**2,991**		**3,229**	

(2) Foreclosed assets

Analysed by nature of the foreclosed assets

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Buildings	**124**	199
Land use rights	**60**	31
Others	**1**	1
Subtotal	**185**	**231**
Less: Provision for losses	**(37)**	(95)
Net value	**148**	**136**

(3) Long term deferred assets

UNIT: RMB Million

	The Group				
	1/1/2014	Additions	Transferred from construction in progress	Amortization	12/31/2014
Leasehold improvements	1,301	208	719	(537)	**1,691**
Others	76	(4)	8	(8)	**72**
Total	**1,377**	**204**	**727**	**(545)**	**1,763**

UNIT: RMB Million

	The Bank				
	1/1/2014	Additions	Transferred from construction in progress	Amortization	12/31/2014
Leasehold improvements	1,295	208	708	(531)	**1,680**
Others	76	(4)	8	(8)	**72**
Total	**1,377**	**204**	**716**	**(539)**	**1,752**

19. Provision for impairment losses of assets

UNIT: RMB Million

	The Group					
	2014					
	1/1/2014	Charge/ (credit)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2014
Loss provision for due from banks and other financial institutions	21	-	-	-	-	**21**
Loss provision for placement with banks and other financial institutions	68	-	-	-	-	**68**
Loss provision for loans and advances to customers	36,375	19,651	(437)	(11,716)	23	**43,896**
Loss provision for held-to-maturity investments	122	-	-	-	-	**122**
Loss provision for available-for-sale financial assets	7	1,228	-	-	-	**1,235**
Loss provision for debt securities classified as receivables	1,372	4,151	-	-	-	**5,523**
Loss provision for finance lease receivables	1,227	358	-	-	-	**1,585**
Loss provision for fixed assets	3	-	-	-	-	**3**
Loss provision for foreclosed assets	95	-	(58)	-	-	**37**
Loss provision for prepaid purchase						
cost of finance lease assets	70	148	-	-	-	**218**
Loss provision for other assets	209	368	(67)	(235)	-	**275**
Total	**39,569**	**25,904**	**(562)**	**(11,951)**	**23**	**52,983**

UNIT: RMB Million

	The Bank					
	2014					
	1/1/2014	Charge/ (credit)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2014
Loss provision for due from banks and other financial institutions	21	-	-	-	-	**21**
Loss provision for placement with banks and other financial institutions	68	-	-	-	-	**68**
Loss provision for loans and advances to customers	36,375	19,650	(437)	(11,716)	23	**43,895**
Loss provision for held-to-maturity investments	122	-	-	-	-	**122**
Loss provision for available-for-sale financial assets	-	1,228	-	-	-	**1,228**
Loss provision for debt securities classified as receivables	1,372	4,151	-	-	-	**5,523**
Loss provision for fixed assets	3	-	-	-	-	**3**
Loss provision for foreclosed assets	95	-	(58)	-	-	**37**
Loss provision for other assets	209	368	(67)	(235)	-	**275**
Total	**38,265**	**25,397**	**(562)**	**(11,951)**	**23**	**51,172**

20. Due to banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Due to banks				
Domestic banks	**495,801**	590,130	**495,801**	590,130
Foreign banks	**54,466**	7,453	**54,466**	7,453
Due to other financial institutions				
Domestic other financial institutions	**717,881**	409,961	**719,842**	411,837
Total	**1,268,148**	**1,007,544**	**1,270,109**	**1,009,420**

21. Placements from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Domestic banks	**72,032**	64,324	**15,760**	26,679
Domestic other financial institutions	**680**	-	**680**	-
Overseas banks	**8,368**	13,948	**8,368**	13,948
Total	**81,080**	**78,272**	**24,808**	**40,627**

22. Financial liabilities at fair value through profit or loss

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Trading financial liabilities				
Sold rent precious metal	**-**	1,216	**-**	1,216
Sold financing equity	**1,702**	-	**1,702**	-
Total	**1,702**	**1,216**	**1,702**	**1,216**
Assigned as financial liabilities at fair value through profit or loss	**201**	-	**-**	-
Total	**1,903**	**1,216**	**1,702**	**1,216**

23. Financial assets sold under repurchase agreements

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Bonds	**78,188**	53,170	**78,188**	53,170
Bills	**19,864**	18,729	**19,864**	18,729
Others	**519**	9,882	**-**	6,757
Total	**98,571**	**81,781**	**98,052**	**78,656**

24. Due to customers

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Demand deposits		
Corporate	**786,745**	721,121
Personal	**161,680**	185,957
Subtotal	**948,425**	**907,078**
Term deposits (including call deposits)		
Corporate	**847,319**	811,637
Personal	**206,409**	167,406
Subtotal	**1,053,728**	979,043
Guaranteed and margin deposits	**260,689**	**280,853**
Others	**4,938**	3,371
Total	**2,267,780**	**2,170,345**

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

UNIT: RMB Million

	12/31/2014	12/31/2013
Bank acceptances	**142,188**	147,311
Letters of credit	**29,397**	24,342
Guarantee	**12,314**	6,618
Others	**76,790**	102,582
Total	**260,689**	**280,853**

25. Employee benefits payable

UNIT: RMB Million

	The Group				The Bank			
	01/01/2014	Increase	Decrease	12/31/2014	01/01/2014	Increase	Decrease	12/31/2014
Salaries and bonus	8,410	13,272	(12,781)	**8,901**	8,075	12,715	(12,383)	**8,407**
Labour union expenditure and staff educational funds	697	561	(373)	**885**	689	535	(351)	**873**
Social insurance	16	1,569	(1,539)	**46**	11	1,528	(1,500)	**39**
Supplementary pension funds	37	720	(725)	**32**	35	706	(711)	**30**
Defined contribution pension plans	53	1,247	(1,239)	**61**	52	1,226	(1,217)	**61**
Total	**9,213**	**17,369**	**(16,657)**	**9,925**	**8,862**	**16,710**	**(16,162)**	**9,410**

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note 9, 49.1,

26. Tax payable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Income tax	**8,177**	9,675	**7,839**	9,384
Business tax	**2,235**	1,999	**2,170**	1,956
City maintenance and construction tax	**154**	139	**148**	135
Others	**307**	290	**282**	278
Total	**10,873**	**12,103**	**10,439**	**11,753**

27. Interest payable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Interest due to central banks	**210**	-	**210**	-
Interest due to banks and other financial institutions	**8,750**	4,989	**8,753**	4,990
Interest of placement from banks and other financial institutions	**454**	339	**116**	136
Interest of debt securities issued	**1,258**	624	**1,258**	624
Interest of financial assets sold under repurchase agreements	**142**	301	**133**	285
Interest due to customers	**24,842**	20,058	**24,842**	20,058
Others	**54**	6	**52**	5
Total	**35,710**	**26,317**	**35,364**	**26,098**

28. Debt securities issued

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Long term subordinated bonds	**20,949**	22,948
Financial bonds	**37,974**	37,960
Secondary capital bonds	**19,967**	-
Hybrid capital bonds	**4,000**	4,000
Short term bonds	**102,897**	2,993
Total	**185,787**	**67,901**

Debt securities issued by the Group include long-term subordinated bonds, financial bonds, secondary capital bonds, hybrid capital bonds and deposit receipt from banks. The hybrid capital bonds are issued to meet the requirement of hybrid capital instrument (debt, equity) according to The Basel Capital Accord, whose liquidation sequence is behind subordinated debts; Secondary capital bonds are issued by commercial banks to supply the secondary capital. The secondary capital bonds and the long term subordinated bonds are in the same liquidation sequence; sequence of hybrid capital bonds is behind them.

Detailed information for debt securities issued as follows:

UNIT: RMB Million

Type	Issuing date	Interest payable frequency	12/31/2014
Long-term subordinate bonds			
09 CIB 02(1)	2009-09-09	Yearly	**7,995**
10 CIB 01(2)	2010-03-29	Yearly	**3,000**
11 CIB 01(3)	2011-06-28	Yearly	**10,000**
Less: unamortized issuance cost			**(46)**
Subtotal			**20,949**
Financial bonds			
06 CIB 03(4)	2006-12-15	Yearly	**8,000**
11 CIB 01 (5)	2011-12-28	Yearly	**30,000**
Less: unamortized issuance cost			**(26)**
Subtotal			**37, 974**
Secondary capital bonds			
14 CIB secondary (6)	2014-06-18	Yearly	**20,000**
Less: unamortized issuance cost			**(33)**
Subtotal			**19,967**
Hybrid capital bonds			
06 CIB 02 fixed (7)	2006-09-28	Yearly	**3,000**
06 CIB 02 floating (8)	2006-09-28	Yearly	**1,000**
Less: unamortized issuance cost			**-**
Subtotal			**4,000**
Short term bonds			
Book value of certificate of deposit(9)			**4,092**
Book value of NCD(10)			**100,300**
Accrued interest			**33**
Less: unamortized issuance cost			**(1,528)**
Subtotal			**102,897**
Total			**185,787**

(1) In September 2009, the Group issued RMB7,995 million subordinated bonds with a 15-year maturity, a fixed interest rate and a redemption option in the end of the tenth year. The annual coupon rate in first ten interest-bearing years is 5.17%, and the rate in late five years is 8.17% if the issuer does not exercise the option of redemption.

(2) In March 2010, the Group issued RMB3,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate in first ten interest-bearing years is 4.80%, and the rate in late five years is 7.80% if the issuer does not exercise the option of redemption.

(3) In June 2011, the Group issued RMB10,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate is 5.75% consistently.

(4) In December 2006, the Group issued RMB8,000 million financial bond with a 10-year maturity and a fixed interest rate. The annual coupon rate is 3.75%.

(5) In December 2011, the Group issued RMB30,000 million special financial bond for small enterprises with a 5-year maturity and a fixed interest rate. The annual coupon rate is 4.20%.

(6) In June 2014, the Group issued RMB20,000 million subordinated bond with a 10-year maturity, a fixed interest rate and a redemption right in the end of the fifth year. The annual coupon rate is 6.15% consistently.

(7) In September 2006, the Group issued RMB3,000 million hybrid capital bond with a 15-year maturity and a fixed interest rate. The Bank has an option to redeem all of the bonds at face value from the eleventh year to maturity day. The annual coupon rate of the first ten years is 4.94%. If the Bank does not exercise this option, the annual coupon rate of the bonds will be 7.74% for the next five years.

(8) In September 2006, the Group issued RMB1,000 million hybrid capital bond with a 15-year maturity and a floating interest rate. The Bank has an option to redeem all of the bonds at face value from the eleventh year to maturity day. Annual interest rate is the summation of the benchmark interest rate and the basic margin; the benchmark interest rate refers to the interest rate for fixed amount and period deposit with a term of one year stipulated by the PBOC, which is applicable on the issuance date and reprising date. The basic margin of the first ten years (the original basic margin) is 1.82%. If the Bank does not exercise this option, the basic margin will be the original basic margin plus 1% during the period from the 11th year to the maturity of the bond.

(9) Hongkong branch has 12 payable certificates of deposit in 2014 with total amount of RMB 4,092 million. The period of certificates is 6-12 months, among which has 1 RMB certificate with face value of RMB 1,240 million; 8 USD certificates with USD 350 million, equals to RMB 2,142 million; 3 HKD certificates with HKD 900 million, equals to RMB 710 million. The interest rate of the year is 1.41% to 3.78%. Except 1 certificate with USD 20 million in which the interest should be paid by season, others should be paid when they are due.

(10) The Group has 101 payable NCDs in the end of 2014, with total amount of RMB 100.3 billion. Period of 14 Industrial CD008 to 14 Industrial CD0149 is 1-12 months with interest rate of 4.16% to 6.1%, paid when they are due.

29. Other liabilites

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Bank promissory notes	**4,691**	412	**4,691**	412
Items in the process of clearance and settlement	**109,882**	639	**109,882**	639
Dividend payables	**8**	6	**8**	6
Wealth management and entrusted investment fund	**20,238**	2,889	**20,238**	2,889
Deferred income	**2,701**	2,693	**1,285**	1,718
Other payables	**13,508**	8,938	**5,071**	3,551
Total	**151,028**	**15,577**	**141,175**	**9,215**

30. Share capital

UNIT: RMB Million

	The Group and the Bank		
	1/1/2014	Change for the year Capitalisation of stock dividend	12/31/2014
Shares without limited sales restrictions			
RMB ordinary shares (A shares)	16,178	-	**16,178**
Shares with limited sales restrictions			
RMB ordinary shares (A shares)	2,874	-	**2,874**
Total shares	**19,052**	**-**	**19,052**

As at 31 December 2014, the share capital of the Bank is RMB19, 052 million (31 December 2013: RMB19, 052 million) with par value of RMB1 Yuan per share.

31. Other equity instrument

The Bank are approved by CSRC to non-publicly issue domestic preferred stock no further than RMB 26 billion in 24/11/2014, in which RMB 13 billion is initially issued with face value of RMB 100 per share and completed in 09/12/2014.

Outstanding preferred stocks in the end of the year are as follows:

The Group and the Bank									
Outstanding financial Instrument	Time	Classification	Rate	Price RMB/ Share	Quantity RMB Million Share	Amount RMB million	Maturity Date	Require-ment	Condition
Preferred stock	2014.12	Equity instrument	Note 1	100	130	13,000	N/A	Note 2	N/A

Note 1: The preferred stock of this issue, every five years is a interest-bearing cycle from the payment deadline 8 December 2014, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 6.00% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of preferred stock of this issue is not higher than annual weighted average ROE of ordinary shareholders in the last two fiscal years. The dividend rate of preferred stock of this issue is the sum of benchmark interest rate and basic interest rate, the benchmark interest rate of the first interest-bearing cycle is national debt (which period before payment is for 5 years)YTM's arithmetic mean (Ie 3.45%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Network (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 8 December 2014 which's the date of the deadline for payment of preferred stock issued (excluding the day). The benchmark interest rate adjusts every 5 years from the deadline for payment of preferred stock issued. The basic interest rate is the dividend rate of first cycle deducting the benchmark interest rate, which is 2.55%. The basic interest rate will no longer be adjusted since the issue of determining. The coupon interest rate of follow-up period is current dividend benchmark interest rate plus an interest margin, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years)YTM's arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Network (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preferred stock issued (which is 8 December).

Note 2: (1) When the bank's core tier one capital adequacy ratio fell to 5.125%, the preferred stocks of this issue will be examined and decided by CBRC in accordance with the relevant requirements of, in accordance with the full mandatory conversion price into common shares of the Bank, when the preference stocks converted into A shares of common stock, under any conditions no longer be restored to preferred stock.

(2) When triggered event of the secondary capital instruments issued by the Bank occurs, the preferred stocks of this issue will be examined and decided by CBRC in accordance with the relevant requirements of, in accordance with the full mandatory conversion price into common shares of the Bank, when the preference stocks converted into A shares of common stock, under any conditions no longer be restored to preferred stock. Among them, the secondary capital instruments triggering event is the earlier of the following two situations: ① CBRC identifies if it was not conversion or written down, the Bank will be unable to survive; ② Relevant departments identify if the public sectors don't inject or offer the same effect support, the Bank will not survive.

The principal terms of disclosure:

The bank will pay preferred dividends in cash. The preferred stock of this issue use a non-cumulative dividend payment, which means dividend that is not paid in full to preferred shareholders do not accrue interest to next year. After the preferred shareholders of this issue obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of profits remaining.

Under the premise of ensuring the capital adequacy ratio meets the regulatory requirements, after the Bank covers losses, extracts statutory reserve and general reserve, under the case of there still is retained earnings in the Bank's financial statements caliber, the Bank could allocate dividends to preferred shareholders. The order of preference shareholders dividends is before common shareholders, payment of preferred stock dividends is neither linked to ratings of banks, nor adjusted with the rating changes. The Bank could cancel payment of dividend in any case, and it does not constitute an event of default. The Bank can freely dispose the income that canceled paying before to repay other maturing debts. Canceling paying dividend shall not constitute any further restrictions on the Bank except income distribution of ordinary shares. When the Bank exercises of these rights, it will take full account of the interests of preference shareholders. If payment of dividend for preference shareholders is all or part canceled, the Bank shall not pay common stock dividend for the fiscal year.

The right of redemption for preferred stocks of this issue belongs to the Bank, the Bank exercised the right of conditional redemption is under the premise of CBRC's approval, the Bank's preferred shareholders do not have the right to request redemption of preference stocks and should not form expectations that the preference stocks will be redeemed.

The initial mandatory conversion price of the preferred stock of this issue is the Bank A shares of common stock trading price on the date of 20 days before consideration by the Board of Directors of this preferred stock issued, which means that mandatory initial conversion price of preference stocks of this issue is RMB9.86 / share. Since the day that the issuance of preferred stock program is passed by the Bank's Board of Directors, when the Bank shares change with the delivery of the stock dividend, share capital, issuance of new shares (not including any increasing share from conversion of financing instruments with terms that could be converted to ordinary shares) or the allotment of shares, the preferred stock will be accumulating adjusted in accordance with the established formula in turn forced the conversion price, and disclosures relevant information in accordance with the provisions.

The Bank's preferred shareholders assign priority to ordinary shareholders of the remaining property, the amount paid off is the sum of the neither canceled nor distributed dividends and the total nominal amount of the held preferred stock; if it could not cover, then assign by the preferred shareholders in proportion to their shareholding.

As of December 31, 2014, the Bank net proceeds of RMB 12,958 million dollars have been all used to supplement the level of capital.

Changes of outstanding preferred stocks are as follows:

	The Group and the Bank							
	1/1/2014	Addition	Less	12/31/2014				
	Quant Million	Book value RMB Million	Quant Million	Book value RMB Million	Quant Million	Book value RMB Million	Quant Million	Book value RMB Million
Preferred Stocks	-	-	130	13,000	-	-	130	13,000
Fees								(42)
Total							**130**	**12,958**

Attributing to holders of equity instrument

UNIT: RMB Million

	The Group	
	12/31/2014	12/31/2013
Equities attribute to holders of parent company		
Equities attribute to common stock holders of parent company	**244,976**	199,769
Equities attribute to other stocks holders of parent company	**12,958**	-
Net profit	**-**	-
Amount of comprehensive income	**-**	-
Distributed dividend of the period	**-**	-
Accumulated retained dividend	**-**	-
Equities attribute to minority holders	**3,162**	1,402

32. Capital reserve

UNIT: RMB Million

	The Group				The Bank			
	1/1/2014 (restated)	Increase	Decrease	12/31/2014	1/1/2014 (restated)	Increase	Decrease	12/31/2014
Equity premium	50,828	-	-	**50,828**	51,048	-	-	**51,048**
Others	33	-	-	**33**	33	-	-	**33**
Total	**50,861**	**-**	**-**	**50,861**	**51,081**	**-**	**-**	**51,081**

33. Surplus reserve

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Statutory surplus reserve	**9,527**	9,527
Discretionary surplus reserve	**297**	297
Total	**9,824**	**9,824**

Pursuant to the relating laws issued by the government, the Bank is required to transfer 10% of its net profit to the statutory surplus reserve. The statutory surplus reserve is no longer appropriated when the accumulated amount exceeds 50% of the Bank's registered capital. As of 31 December, 2014, the Bank appropriated the amount which was equal to the difference between 50% of the balance of the registered capital and the balance of the accumulated statutory surplus reserves appropriated at the end of last year to the statutory surplus reserve.

34. General and regulatory reserve

UNIT: RMB Million

	The Group		The Bank	
	2014	2013 (restated)	2014	2013
General and regulatory reserve	43,418	32,283	42,043	31,325

Pursuant to (CJ[2012] No. 20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general and regulatory reserve balance should not be lower than 1.5% of the ending balance of gross risk-bearing assets. Gross risk-bearing assets, include loans and advances to customers, available-for-sale financial assets, held-to-maturity investments, long-term equity investments, due from banks and other financial institutions, placements with banks and other financial institutions, foreclosed assets and other receivables and so forth. As at 31 December, 2013, the balance of the provision of general risk is 1.5% of the balance of risk-bearing assets at the end of the year. The subsidiaries of the Bank determine the general and regulatory reserve according to the regulation.

35. Retained earnings

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Opening balance	**92,368**	70,583	**89,999**	69,648
Net profit for the year	**47,138**	41,211	**45,166**	39,519
Appropriations to statutory surplus reserve	**-**	(3,176)	**-**	(3,176)
Appropriations to general and regulatory reserve	**(11,135)**	(2,660)	**(10,718)**	(2,402)
Dividend distributions	**(8,764)**	(13,590)	**(8,764)**	(13,590)
Closing balance	**119,607**	92,368	**115,683**	89,999

(1) “2014 Profit Distribution Proposal of Industrial Bank” was approved by the Board of Directors on 27 April 2015:

(i)Transfer RMB10,718 million to general and regulatory reserve. As at 31 December 2014, the general and regulatory reserve recommended to transfer has been included in the general and regulatory reserve.

(ii)Distribute a cash dividend of RMB5.7 per 10 ordinary shares (tax inclusive) on the basis of 19,052,336,751 ordinary shares at the end of 2014.

(iii)For the preferred stock issued in 2014, the interest was calculated from 8 December 2014 to 31 December 2014. The preference shareholders’ dividends are RMB 51million (annual dividend rate: 6%).

The profit distribution plan above has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme is not carried out.

(2) “2013 Profit Distribution Proposal of Industrial Bank” was approved on 27,June 2014 on the Annual General Meeting of the Bank ,the detailed plan are as follows:

(i)Transfer RMB3,176 million to statutory surplus reserve based on the net profit, RMB39,519 million. As at 31 December 2013, the statutory surplus reserve recommended to transfer has been included in the surplus reserve.

(ii)Transfer RMB2,402 million to general and regulatory reserve. As at 31 December 2013, the general and regulatory reserve recommended to transfer has been included in the general and regulatory reserve.

(iii)Distribute a cash dividend of RMB4.6 per 10 ordinary shares (tax inclusive) on the basis of 19,052,336,751ordinary shares in the end of 2013.

As at December 31, 2014, the above-mentioned dividend distribution scheme has been done.

(3) Surplus reserves and risk reserves appropriated by subsidiaries

As at 31 December 2014, the balance of the Group’s retained earnings contained surplus reserves appropriated by subsidiaries: RMB 564 million (31 December 2013: RMB360 million).

36. Net interest income

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Interest income:				
Balances with central bank	**6,205**	5,831	**6,202**	5,828
Due from banks and other financial institutions	**4,782**	6,086	**4,778**	6,057
Placements with banks and other financial institutions	**4,645**	6,998	**4,648**	7,008
Financial assets held under resale agreements	**56,335**	50,231	**56,334**	50,230
Loans and advances to customers	**93,393**	82,505	**93,381**	82,497
Including: Corporate	**68,544**	60,561	**68,532**	60,553
Personal	**22,867**	20,377	**22,867**	20,377
Bill discount	**1,982**	1,567	**1,982**	1,567
Bonds and other investment	**49,814**	34,694	**49,193**	34,458
Finance lease	**4,031**	3,228	**-**	-
Others	**209**	29	**209**	29
Subtotal	**219,414**	**189,602**	**214,745**	**186,107**
Interest expense:				
Due to central banks	**(210)**	-	**(210)**	-
Due to banks and other financial institutions	**(57,565)**	(47,367)	**(57,641)**	(47,411)
Placement from banks and other financial institutions	**(3,546)**	(2,718)	**(862)**	(883)
Financial assets sold under repurchase agreements	**(4,969)**	(5,537)	**(4,913)**	(5,521)
Due to customers	**(52,279)**	(44,209)	**(52,279)**	(44,209)
Debt securities issued	**(5,136)**	(3,100)	**(5,136)**	(3,100)
Others	**(149)**	(826)	**(148)**	(826)
Subtotal	**(123,854)**	**(103,757)**	**(121,189)**	**(101,950)**
Net interest income	**95,560**	**85,845**	**93,556**	**84,157**
Including: Interest income accrued on impaired financial assets	**675**	387	**675**	387

37. Net fee and commission income

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Fee and commission income				
Settlement and clearing fee	**743**	517	**743**	517
Bank card fee	**5,653**	4,742	**5,653**	4,742
Agency commissions	**2,789**	2,724	**2,789**	2,724
Guarantee and commitment commissions	**1,794**	1,111	**1,794**	1,111
Transactional service fee	**133**	105	**133**	105
Custodian fee	**4,211**	3,357	**4,211**	3,357
Consultancy and advisory fee	**10,512**	9,642	**10,132**	9,540
Trust service fee	**1,376**	1,630	**-**	-
Lease service fee	**534**	384	**-**	-
Others	**667**	524	**650**	524
Subtotal	**28,412**	**24,736**	**26,105**	**22,620**
Fee and commission expense				
Settlement and clearing expenses	**(103)**	(81)	**(102)**	(81)
Bank card expenses	**(634)**	(421)	**(632)**	(421)
Inter-bank expenses	**(86)**	(100)	**(86)**	(100)
Others	**(548)**	(372)	**(555)**	(374)
Total	**(1,371)**	**(974)**	**(1,375)**	**(976)**
Net fee and commission income	**27,041**	**23,762**	**24,730**	**21,644**

38. Investment income(loss)

UNIT: RMB Million

	The Group		The Bank	
	2014	2013 (restated)	2014	2013 (restated)
Precious metal	**(377)**	837	**(377)**	837
Financial assets at fair value through profit of loss	**250**	(232)	**114**	(237)
Derivative financial instruments	**(186)**	(1,069)	**(186)**	(1,069)
Available-for-sale financial assets	**183**	214	**(83)**	78
Long-term equity investment (equity method)	**264**	248	**250**	240
Dividend declared by investee (cost method)	**-**	-	**188**	-
Financial liabilities at fair value through profit of loss	**(230)**	24	**(230)**	24
Total	**(96)**	**22**	**(324)**	**(127)**

39. Gains (losses) from changes in fair value

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Precious metals	**21**	163	**21**	163
Financial assets at fair value through profit of loss	**534**	(595)	**525**	(595)
Derivative financial instruments	**1,105**	(722)	**1,105**	(722)
Financial liabilities at fair value through profit of loss	**(29)**	12	**(29)**	12
Total	**1,631**	**(1,142)**	**1,622**	**(1,142)**

40. Business tax and levies

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Business tax	**8,085**	6,937	**7,882**	6,756
City maintenance and construction tax	**569**	488	**549**	471
Education surcharge	**382**	327	**369**	315
Others	**69**	79	**67**	78
Total	**9,105**	**7,831**	**8,867**	**7,620**

41. General and administrative expenses

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Staff costs	**17,369**	17,304	**16,710**	16,842
Depreciation and amortization	**1,684**	1,404	**1,666**	1,392
Lease expenses	**2,387**	1,885	**2,329**	1,847
Others	**8,011**	8,164	**7,805**	7,964
Total	**29,451**	**28,757**	**28,510**	**28,045**

42. Impairment losses of assets

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Loans and advances to customers	**19,651**	16,417	**19,650**	16,418
Investment classified as receivables	**4,151**	1,221	**4,151**	1,221
Available-for-sale financial assets	**1,228**	-	**1,228**	-
Finance lease receivable	**358**	516	**-**	-
Others	**516**	34	**368**	52
Total	**25,904**	**18,188**	**25,397**	**17,691**

43. Non-operating income

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Gains from disposal of non-current assets	**85**	6	**85**	6
Including: Gains from disposal of fixed assets	**47**	3	**47**	3
Gains from disposal of foreclosed assets	**38**	3	**38**	3
Penalties and fines received	**11**	4	**11**	4
Gains from dormant accounts	**12**	8	**12**	8
Government grants	**379**	162	**101**	45
Others	**84**	133	**83**	133
Total	**571**	**313**	**292**	**196**

44. Non-operating expenses

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Losses on disposal of non-current assets	**2**	34	**2**	34
Including: Losses on disposal of fixed assets	**2**	2	**2**	2
Losses on disposal of foreclosed assets	**-**	32	**-**	32
Donation expenses	**54**	55	**54**	53
Penalties and fines paid	**38**	1	**38**	1
Others	**69**	40	**69**	40
Total	**163**	**130**	**163**	**128**

45. Income tax expenses

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Current income tax	**16,357**	16,615	**15,422**	15,824
Deferred income tax	**(3,462)**	(3,910)	**(3,334)**	(3,779)
Adjustment income tax for previous year	**173**	45	**173**	45
Total	**13,068**	**12,750**	**12,261**	**12,090**

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

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Profit before tax	**60,598**	54,261	**57,427**	51,609
Tax calculated at applicable statutory tax rate of 25%	**15,149**	13,565	**14,357**	12,902
Adjustments on income tax:				
Income not taxable for tax purpose	**(2,336)**	(1,115)	**(2344)**	(1,104)
Expenses not deductible for tax purpose	**82**	255	**75**	247
Adjustment on income tax for previous year	**173**	45	**173**	45
Total	**13,068**	**12,750**	**12,261**	**12,090**

46. Earnings per share

UNIT: RMB Million

	The Group	
	2014	2013
Net profit attributable to ordinary shareholders of the Bank (RMB million)	**47,138**	41,211
Weighted average ordinary shares issued by the Bank (shares in million)	**19,052**	19,052
Basic and diluted earnings per share (RMB Yuan)	**2.47**	2.16

Note: As at 31 December 2013, there is no dilutive potential ordinary share of the Group. As at 31 December 2014, the Group issued preferred stock, which has no influence on the calculation of earnings per share in 2014.

47. Other comprehensive income

UNIT: RMB Million

	The Group						
	2014						
	12/31/2013	Accrual income tax	Other compre-hensive income transferred to profit and loss	Income tax expense	Belong to parent company of owners after tax	Belong to minority shareholder after tax	12/31/2014
Other comprehensive income cannot be classified to profit and loss							
Recalculation of defined benefit changes of net liabilities and net assets	-	222	-	-	222	-	**222**
Subtotal	-	222	-	-	222	-	**222**
Other comprehensive income should be classified to profit and loss							
Available-for-sale financial assets profit and loss due to changes in fair value	(4,615)	11,511	(2,662)	(2,212)	6,611	26	**1,996**
Shares of investee after reclassifying the other incomprehensive income to profit and loss under equity method	(4) -	-	-	-	-	(4)	
Subtotal	**(4,619)**	**11,511**	**(2,662)**	**(2,212)**	**6,611**	**26**	**1,992**
Total	**(4,619)**	**11,733**	**(2,662)**	**(2,212)**	**6,833**	**26**	**2,214**

UNIT: RMB Million

	The Bank				
	2014				
	12/31/2013	Accrual income tax	Other comprehensive income transferred to profit and loss	Income tax expense	12/31/2014
Other comprehensive income cannot be classified to profit and loss					
Recalculation of defined benefit changes of net liabilities and net assets	-	222	-	-	**222**
Subtotal	**-**	**222**	**-**	**-**	**222**
Other comprehensive income should be classified to profit and loss					
Available-for-sale financial assets profit and loss due to changes in fair value	(4,599)	11,425	(2,031)	(2,856)	**1,939**
Shares of investee after reclassifying the other incomprehensive income to profit and loss under equity method	(4)	-	-	-	**(4)**
Subtotal	**(4,603)**	**11,425**	**(2,031)**	**(2,856)**	**1,935**
Total	**(4,603)**	**11,647**	**(2,031)**	**(2,856)**	**2,157**

48. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	**47,530**	41,511	**45,166**	39,519
Add: Provision for impairment losses of assets	**25,904**	18,188	**25,397**	17,691
Depreciation of fixed assets	**1,028**	835	**1,017**	829
Amortization of intangible assets	**111**	119	**110**	116
Amortization of long-term prepaid expenses	**545**	450	**539**	447
(Gains) Losses from disposal of fixed assets, intangible assets and other long-term assets	**(83)**	28	**(83)**	28
Interest income of bonds and other investments	**(49,814)**	(34,694)	**(49,193)**	(34,458)
Interest income of impairment financial assets	**(675)**	(387)	**(675)**	(387)
(Gains) losses from changes in fair value	**(1,631)**	1,142	**(1,622)**	1,142
Investment income (losses)	**96**	(22)	**324**	127
Interest expense for debt securities issued	**5,136**	3,100	**5,136**	3,100
Increase in deferred tax assets	**(3,706)**	(3,843)	**(3,573)**	(3,712)
Increase (decrease) in deferred tax liabilities	**244**	(67)	**239**	(67)
Decrease (increase) in receivables of operating activities	**101,217**	(209,727)	**120,951**	(196,840)
Increase in payables of operating activities	**556,158**	392,486	**536,134**	382,104
Net cash flow from operating activities	**682,060**	209,119	**679,867**	209,639
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**357,128**	127,121	**355,278**	126,585
Less: opening balance of cash and cash equivalents	**127,121**	255,133	**126,585**	255,122
Net increase (decrease) of cash and cash equivalents	**230,007**	**(128,012)**	**228,693**	**(128,537)**

(2) Composition of cash and cash equivalents

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash on hand	**6,591**	6,442	**6,591**	6,442
Balances with central bank	**96,263**	66,208	**96,263**	66,205
Deposits with banks and other financial institutions with original maturity of less than three months	**50,222**	19,709	**48,673**	19,176
Placements with banks and other financial institutions with original maturity of less than three months	**19,901**	5,597	**19,601**	5,597
Financial assets held under resale agreements with original maturity of less than three months	**174,407**	21,186	**174,407**	21,186
Bonds investment with original maturity of less than three months	**9,744**	7,979	**9,743**	7,979
Closing balance of cash and cash equivalents	**357,128**	**127,121**	**355,278**	**126,585**

49. Post-employment compensation

49.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally. Except the expenses above, the Group shoulders no further payment duties. Certain expenses are charged in profit and loss of the period.

Expense:

UNIT: RMB Million

	The Group		The Bank	
	2014	2013	2014	2013
Defined contribution plans	**1,247**	**1,506**	**1,226**	**1,495**

Amount of payable:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Defined contribution plans	**61**	**53**	**61**	**52**

49.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31/12/2007. The Group invited Tower Watson Consulting Group (Shanghai) to estimate the present value. The project estimates the future cash flow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the national debt market income rate in which the period of defined benefit plans and currency in balance sheet date. Past service costs will be charged in profit and loss in the period of revising the plans. The interest net value is recognized by the defined benefit plans net liabilities or assets timing appropriate discount rate.

The profit and loss charged by related influence from defined benefit plans are RMB 254 million. Actuary profit and loss charging to other comprehensive income are RMB 222 million. Net assets of defined benefit plans are RMB 476 million at the end of the year, which is the net value of fair value of defined benefit plans duties and defined benefit plans assets, and should be charged to other assets. (Note 9, 18).

In December 31, 2014, the group benefit plans set was in the period of the average benefit obligation for about 11 years (December 31, 2013, 12 years).

Defined benefit plan makes the group face the actuarial risks that include interest rate risk and longevity risk. Government bond yielding down will lead to a defined benefit plan duty value added. The present value of defined benefit plan duty is calculated based on the best estimate of employees participating in the scheme of the mortality rate, and the increase in life expectancy will lead to an increase in plan liabilities.

In determining the set of major actuarial present value using the benefit plan obligations assumed discount rate, mortality rate. The discount rate is 3.75% (2013: 4.50%). Mortality assumptions are released to Chinese Insurance Regulatory Commission (China experience life table of life insurance “2000-2003”) men and women of pension service is on the basis of the pension business. The men and women workers retire at the age of 60 and retired at the age of 55 on average expected residual life for 22.20 years and 29.52 years respectively.

The sensitivity analysis to the corresponding hypothesis reasonably possible changes occurred at the end of the reporting period (based on all the other assumptions unchanged):

If the discount rate increase (decrease) of 25 basis points, then the present value of defined benefit plan duty will be reduced by RMB52 million (an increase of RMB54 million).

As part of hypothesis may have relevance, a hypothesis cannot be isolated to change, so the sensitivity analysis cannot reflect the actual changes in benefit obligations set value.

In the sensitivity analysis, the end of the reporting period and the confirmation benefit plan of net debt and balance sheet debt related share the same calculation method.

Compared with the previous year, the method for sensitivity analysis and the hypothesis doesn’t change.

50. Structured entities

50.1 Consolidated structured entities

The consolidated structured entities of the Group are trust products and asset management plans. As the manager of the trusts and asset management plans, the Group should consider whether it has control over the structured entities, and should judge whether the consolidation is needed based on the decision scope of asset manager, power of trust holder, reward from offering management service and the risk exposure of variable profit. In 2014, the Group didn't offer financial support to the consolidated structured entities which are without the scope.

50.2 Unconsolidated structured entities

50.2.1 Structured entities without the scope managed by the Group

The Group initiates and establishes structured entities which offer specific investment opportunities. The Group invests in the structured entities issued by the Group or the independent third party, which offer specific investment opportunities. Such structured entities conduct financing and investing through issuing products. The Group enjoys no control over such structured entities. Therefore, such structured entities are unconsolidated. Up to 31/12/2014, the consolidated entities issued by the Group mainly include financing products, funds, asset supported securities, capital trust plans and asset management plans. And the Group earns commission income mainly from offering management service to the investors of these structured entities.

To the best benefit of the fund investors, as the fund manager, the Group opens T+0 funds which can be redeemed immediately to offer liquidity support. In 2014, the amount of support above is not significant to the Group. And the Group did not offer financial support to other structured entities without the scope.

Up to 31/12/2014 and 31/12/2013, the information of unconsolidated structured entities initiated by the Group is listed below:

UNIT: RMB Million

	The Group	
	Scale 12/31/2014	Type
Financing products	**628,007**	Commission income
Funds	**14,377**	Commission income
Asset supported securities	**15,049**	Commission income
Capital trust plans	**643,494**	Commission income
Asset management plans	**179,901**	Commission income
Total	**1,480,828**	

UNIT: RMB Million

	The Group	
	Scale 12/31/2013	Type
Financing products	461,506	Commission income
Capital trust plans	561,986	Commission income
Asset management plans	49,976	Commission income
Total	**1,073,468**	

In 2014, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB 9,577 million (2013: RMB8,682 million).

50.2.2 Equity enjoyed by the Group in structured entities without the scope

To manage the capital better, the equity enjoyed by the Group in structured entities without the scope in 31/12/2014 mainly includes financing products, funds, asset support securities, capital trust plans and asset management plans issued or managed by the Group or individual third parties. The Group earns interest income and investment income mainly through holding these structured entities equities. The Group does not consolidate these structured entities because the Group does not control them.

The Group did not offer financial support to the structured entities above in 2014.

Up to 31/12/2014 and 31/12/2013, the information of unconsolidated structured entities initiated by the Group enjoys equity is listed below:

UNIT: RMB Million

	The Group							
	12/31/2014							
	Financial assets held under resale agreement	Financial asset at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity invest-ment	Debt securities classified as receivables	Book value	Max risk exposure (Note 1)	Type
Funds	-	4,389	704	-	-	5,093	5,093	Investment income
Financing products	-	-	-	-	15,406	15,406	15,406	Interest income
Capital trust plans	260,816	207	83,340	-	447,147	791,510	791,510	Investment income, Interest income
Asset management plans	61,543	499	62,839	-	215,145	340,026	340,026	Investment income, Interest income
Asset supported securities	-	-	47	554	1,581	2,182	2,182	Interest income
Total	**322,359**	**5,095**	**146,930**	**554**	**679,279**	**1,154,217**	**1,154,217**	

UNIT: RMB Million

	The Group							
	12/31/2013							
	Financial assets held under resale agreement	Financial asset at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity invest-ment	Debt securities classified as receivables	Book value	Max risk exposure (Note 1)	Type
Funds	-	-	228	-	-	228	228	Investment income
Financing products	-	-	-	-	5,936	5,936	5,936	Interest income
Capital trust plans	432,712	4	51,864	-	275,715	760,295	760,295	Investment income, Interest income
Asset management plans	121,304	-	26,910	-	19,552	167,766	167,766	Investment income, Interest income
Total	**554,016**	**4**	**79,002**	**-**	**301,203**	**934,225**	**934,225**	

Note 1: Max loss exposure to funds, financial products, capital trust plans, asset management plans and asset supported securities is the amortized cost or fair value recognized in the balance sheet in statement date.

X. SEGMENT REPORTING

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other northern region, western region, central region, a total of ten segments, of which branches within the northeast and other northern region, western region, central region are presented in a consolidated manner.

Among them, the northeast and other northern region includes: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch Haikou branch, Hongkong branch and Industrial Bank Financial Leasing Co., Ltd.

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch and Xining branch.

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

UNIT: RMB Million

	The Group											
	2014											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	**Total**
Operating income	28,512	16,021	7,682	7,785	9,585	5,296	5,833	14,552	14,603	15,029	-	**124,898**
Net interest income	16,114	12,516	6,485	5,962	8,203	4,482	4,511	11,851	12,154	13,282	-	**95,560**
Including: Net inter-segment interest income	(26,770)	(241)	5,108	6,329	1,340	(499)	3,302	2,494	3,150	5,787	-	**-**
Net fee and commission income	11,170	2,970	1,020	1,764	1,287	797	1,298	2,615	2,407	1,713	-	**27,041**
Other income	1,228	535	177	59	95	17	24	86	42	34	-	**2,297**
Operating expenses	(11,472)	(8,681)	(2,577)	(3,258)	(6,564)	(5,053)	(2,999)	(7,459)	(6,491)	(10,154)	-	**(64,708)**
Operating profit	17,040	7,340	5,105	4,527	3,021	243	2,834	7,093	8,112	4,875	-	**60,190**
Add: Non-operating income	73	61	3	57	14	11	9	289	23	31	-	**571**
Less: Non-operating expenses	(41)	(26)	-	(16)	(4)	(12)	(5)	(11)	(25)	(23)	-	**(163)**
Profit before tax	17,072	7,375	5,108	4,568	3,031	242	2,838	7,371	8,110	4,883	-	**60,598**
Less: Income tax expenses												**(13,068)**
Net profit												**47,530**
Segment assets	1,638,352	390,761	394,006	335,631	439,266	215,285	315,466	561,478	524,899	647,234	(1,067,336)	**4,395,042**
Including: Investment in an associate												**1,704**
Undistributed liabilities												**11,357**
Total liabilities												**4,406,399**
Segment liabilities	1,448,466	373,412	388,722	330,980	436,236	215,042	312,629	547,922	516,788	642,442	(1,067,336)	**4,145,303**
Undistributed liabilities												**-**
Total liabilities												**4,145,303**
Supplemental information												
Credit commitments	60,712	62,800	16,945	21,483	56,671	43,511	69,514	147,687	130,983	179,622	-	**789,928**
Depreciation and amortization	283	200	46	63	191	79	109	237	180	296	-	**1,684**
Capital expenditures	665	611	409	1080	272	73	505	1281	410	551	-	**5,857**

UNIT: RMB Million

	The Group											
	2013											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	**Total**
Operating income	15,718	14,313	7,346	7,448	10,034	5,069	6,150	14,200	14,342	14,667	-	**109,287**
Net interest income	7,884	11,207	6,401	5,767	8,153	4,515	4,855	12,260	11,640	13,163	-	**85,845**
Including: Net inter-segment interest income	(22,224)	1,146	2,182	4,126	1,664	(1,472)	2,685	1,248	5,145	5,500	-	**-**
Net fee and commission income	8,635	2,878	916	1,679	1,841	538	1,259	1,872	2,676	1,468	-	**23,762**
Other income	(801)	228	29	2	40	16	36	68	26	36	-	**(320)**
Operating expenses	(17,578)	(5,378)	(2,219)	(2,729)	(3,885)	(4,414)	(2,330)	(5,772)	(4,704)	(6,200)	-	**(55,209)**
Operating profit	(1,860)	8,935	5,127	4,719	6,149	655	3,820	8,428	9,638	8,467	-	**54,078**
Add: Non-operating income	70	23	2	3	15	21	18	137	12	12	-	**313**
Less: Non-operating expenses	(16)	(36)	-	(39)	(4)	(8)	(3)	(4)	(9)	(11)	-	**(130)**
Profit before tax	(1,806)	8,922	5,129	4,683	6,160	668	3,835	8,561	9,641	8,468	-	**54,261**
Less: Income tax expenses												**(12,750)**
Net profit												**41,511**
Segment assets (restated)	1,173,435	346,515	254,994	289,430	405,854	190,531	256,121	517,944	508,845	600,136	(875,608)	**3,668,197**
Including: Investment in an associate												**1,396**
Undistributed assets												**10,107**
Total assets (restated)												**3,678,304**
Segment liabilities (restated)	1,047,523	333,620	250,004	284,814	399,828	189,865	252,285	503,933	499,202	591,667	(875,608)	**3,477,133**
Undistributed liabilities												**-**
Total liabilities (restated)												**3,477,133**
Supplemental information												
Credit commitments	41,340	56,326	13,005	17,334	61,940	35,111	62,731	130,844	96,154	161,801	-	**676,586**
Depreciation and amortization	234	189	33	56	179	73	91	184	149	216	-	**1,404**
Capital expenditures	629	240	191	46	122	97	566	632	315	547	-	**3,385**

XI. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related Party Relationship

The Group

Related parties with no controlling interest

(1) Shareholders holding more than 5% (inclusive) of the Bank's shares

Name	Economic nature	Place of registration	Registered capital	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Chen Xiaoping
Hang Seng Bank Limited	Limited Company	Hong Kong	HKD11 billion	Financial services	Rose Lee
People's Insurance Company of China (note)	Incorporated Company	Beijing	RMB13.604 billion	Insurance services	Wu Yan
China Life Insurance Company (note)	Incorporated Company	Beijing	RMB25.761 billion	Insurance services	Wu Yan
China National Tobacco Corporation (note)	Owned by the whole people	Beijing	RMB57 billion	Production, and sales of tobacco products	Ling Chengxing
Haisheng Investment Management Company of Fujian Tobacco (note)	Limited Company	Xiamen	RMB2.647 billion	Diverse investment management of Fujian tobacco commercial system	Huang Xueliang
China Tobacco Hunan Investment Management Company (note)	Limited Company	Changsha	RMB0.2 billion	Diverse investment management of Hunan tobacco commercial system	Chen Guolian
The People's Insurance Company (Group) of China Limited (note)	Incorporated Company	Beijing	RMB42.424 billion	Insurance services	Wu Yan

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name of share holders	12/31/2014&12/31/2013	
	Shares	Proportion
	Million Shares	(%)
The Finance Bureau of Fujian Province	**3,402**	17.86
Hang Seng Bank Limited	**2,070**	10.87
People's Insurance Company of China	**948**	4.98
China Life Insurance Company	**948**	4.98
China National Tobacco Corporation	**614**	3.22
Haisheng Investment Management Company of Fujian Tobacco	**441**	2.32
China Tobacco Hunan Investment Management Company	**226**	1.19
The people's Insurance Company (Group) of China Limited	**174**	0.91
Total	**8,823**	**46.33**

Notes: Relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 10.87%. Both Haisheng Investment Management Company of Fujian Tobacco and China Tobacco Hunan Investment Management Company are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 6.73%.

(2) Associates

Name of related party	Economic nature	Domicile	Registered Capital RMB100 million	Business Scope	Legal Representative
Bank of Juijiang Co., Ltd.	Incorporated Company	Jiujiang	15.16	Financial Service	Liu Xianting
Chongqing Machinery and Electronics Holding Group Finance Company Limited	Limited Company	Chongqing	6	Financial and financing consulting service	Wang Yuxiang
Industrial Future Co., Ltd.	LLC	Ningbo	1	Merchandise, financial futures investment and consulting Service	Jiang Tengfei

(3) Other related party

Other related party includes key management personnel (including directors, supervisors, the senior management personnel of the head office), key management personnel or close family members who have control or joint control of the enterprise and the subsidiary of Hang Seng Bank Limited, Hang Seng Bank (China) Limited.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

For newly added related parties, Industrial Futures Co., Ltd., comparative numbers in previous year has not been disclosed.

(1) Interest income

UNIT: RMB Million

Related party	2014	2013
People's Insurance Company of China	**33**	46
The people's Insurance Company(Group) of China Limited	**79**	43
China Life Insurance Company	**12**	-
Bank of Jiujiang Co., Ltd	**76**	41
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**526**	214
Total	**726**	**344**

(2) Interest expense

UNIT: RMB Million

Related party	2014	2013
The Finance Bureau of Fujian Province	**400**	341
Hang Seng Bank Limited	**21**	5
Hang Seng Bank (China) Limited	**29**	12
People's Insurance Company of China	**34**	34
China Life Insurance Company	**2**	13
China National Tobacco Corporation	**672**	419
Haisheng Investment Management Company of Fujian Tobacco	**44**	40
China Tobacco Hunan Industrial Corporation	**1**	4
Bank of Jiujiang Co., Ltd	**18**	22
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**16**	17
Industrial Future Co., Ltd.	**2**	—
Total	**1,239**	**907**

(3) Net fee and commission income

UNIT: RMB Million

Related party	2014	2013
Bank of Jiujiang Co., Ltd.	**8**	8

(4) Net fee and commission outcome

UNIT: RMB Million

Related party	2014	2013
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**1**	-

(5) General and administrative expenses-insurance

UNIT: RMB Million

Related party	2014	2013
People's Insurance Company of China	**232**	105

In 2014, the Bank was paid RMB205 million in compensation from People's Insurance Company of China (2013: RMB73 Million).

(6) Acquire other equity instruments issued by the bank – preferred stock

UNIT: RMB Million

Related party	2014	2013
The Finance Bureau of Fujian Province	**2,500**	-

3. Unsettled amount of related party transactions

Because the shares have been transferred from China Tobacco Hunan Industrial Corporation to China Tobacco Hunan Investment Management Company in March 2013, the unsettled amount of related party transactions of China Tobacco Hunan Industrial Corporation didn't been disclosed as at 31 December 2013.

(1) Due from banks

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Hang Seng Bank Limited	**18**	11

(2) Derivative financial instruments

UNIT: RMB Million

Related party	Transaction Type	12/31/2014		12/31/2013	
		Nominal amount	Fair value	Nominal amount	Fair value
Hang Seng Bank (China) Limited	Interest Rate Derivative	**4,070**	**(4)**	4,130	3
Hang Seng Bank (China) Limited	Exchange Rate Derivative	**7,747**	**3**	8,024	6
Hang Seng Bank Limited	Exchange Rate Derivative	**11,207**	**(8)**	-	-
China Life Insurance Company	Interest Rate Derivative	**1,300**	**(5)**	1,300	(2)
Total		**24,324**	**(14)**	**13,454**	**7**

(3) Financial assets held under resale agreements

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Bank of Jiujiang Co., Ltd.	**1,658**	434
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**3,362**	15,584
Total	**5,020**	**16,018**

(4) Interest receivable

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
People's Insurance Company of China	**5**	10
The people's Insurance Company (Group) of China Limited	**43**	43
Bank of Jiujiang Co., Ltd	**22**	1
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**78**	198
Total	**148**	**252**

(5) Investment classified as receivables

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
People's Insurance Company of China	**450**	850
China Life Insurance Company	**200**	200
The people's Insurance Company (Group) Of China Limited	**1,600**	1600
Total	**2,250**	**2650**

All the investment classified as receivables are the bonds issued by the above-mentioned related parties.

(6) Loans and advances to customers

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Key management personnel and their close relatives	**9**	10

(7) Due to banks and other financial institution

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Hang Seng Bank Limited	**29**	29
Hang Seng Bank (China) Limited	**330**	571
Bank of Jiujiang Co., Ltd.	**15**	5
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**84**	436
Industrial Futures Co., Ltd.	**773**	5
Total	**1,231**	**1,046**

(8) Placements from banks

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Hang Seng Bank Limited	**-**	168
Hang Seng Bank (China) Limited	**-**	32
Total	**-**	**200**

(9) Financial assets held under resale agreements

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Bank of Jiujiang Co., Ltd.	**1,034**	-

(10) Due to customers

UNIT: RMB Million

Related party	31/12/2014	31/12/2013
The Finance Bureau of Fujian Province	**17,433**	16,081
China Life Insurance Company	**120**	496
People's Insurance Company of China	**5,869**	701
China National Tobacco Corporation	**29,126**	19,003
Haisheng Investment Management Company of Fujian Tobacco	**739**	1,120
China Tobacco Hunan Industrial Corporation	**102**	54
Chongqing Machinery and Electronics Holding Group Finance Company Limited	**81**	27
Key managers and their close relatives	**14**	20
Total	**53,484**	**37,502**

(11) Interest payable

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
The Finance Bureau of Fujian Province	**261**	201
Hang Seng Bank (China) Limited	**15**	2
People's Insurance Company of China	**23**	12
China Life Insurance Company	**-**	4
China National Tobacco Corporation	**402**	221
Haisheng Investment Management Company of Fujian Tobacco	**35**	38
Total	**736**	**478**

(12) Credit facility

UNIT: RMB Million

Related party	12/31/2014	12/31/2013
Hang Seng Bank Limited & Hang Seng Bank (China) Limited	**3,000**	3,000
The people's Insurance Company (Group) of China Limited & its subsidiaries	**5,000**	5,000
China National Tobacco Corporation and its subsidiaries	**8,500**	-
Total	**16,500**	**8,000**

4. Key management personnel remuneration

UNIT: RMB Million

	2014	2013
Salary and welfare	**40**	40

XII. CONTINGENCIES AND COMMITMENTS

1.Pending litigations

On balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements that needs to be disclosed.

2.Off-balance sheet items

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	12/31/2014	12/31/2013
Credit card commitments	**60,712**	41,341
Letters of credit	**160,142**	129,383
Letters of guarantee	**118,160**	53,152
Bank acceptances	**450,914**	452,710
Total	**789,928**	**676,586**

In addition, the Group also provides credit facilities to specific customers. According to the management's opinion, since such credit facilities are conditional and can be canceled, the Group is not committed to these customers for the credit risk of the unused facilities.

3. Capital commitments

UNIT: RMB Million

	Contractual amount of the Group		Contractual amount of the Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Authorized but not contracted for	**2**	1,138	**2**	1,138
Contracted but not paid for	**2,716**	4,884	**2,715**	4,883
Total	**2,718**	**6,022**	**2,717**	**6,021**

4. Operating lease commitments

As a tenant, according to the non-cancellable lease contracts, the required minimum lease payments by the Group and the Bank are as follows:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Within one year	**1,740**	1,466	**1,633**	1,433
One to five years	**4,725**	4,159	**4,688**	4,151
Over five years	**1,662**	1,705	**1,662**	1,705
Total	**8,127**	**7,330**	**7,983**	**7,289**

5. Collateral

(1) Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Bonds	**81,188**	51,463	**81,188**	51,463
Bills	**19,864**	18,729	**19,864**	18,729
Others	**519**	9,882	**-**	6,757
Total	**101,571**	**80,074**	**101,052**	**76,949**

On 31 December 2014, the bills purchased under resale agreements of the Group used for sale under repurchase agreements amount to RMB18,279 million (31 December 2013: RMB18,598 million).

(2) Collateral obtained

In the resale agreement, if the counterparty of the transaction has not violated the contractual terms, the Group can sell some of the pledged assets or transfer the pledged assets in other transactions. The fair value of the pledged assets available for sale and available for pledge on 31 December 2014 is RMB366,673 million. (31 December 2012: RMB353,018 million).

6. Transfer of financial assets

6.1 Asset-backed securities

The Bank carries out asset-backed securities transactions in the normal course of business. The Bank will sell part of credit assets to a special purpose trust, then the special purpose trust will issue asset-backed securities to investors.

The book value of credit assets which have been securitized by the Bank in 2014 amounted to RMB 15,049 million on the transfer day. As of December 31, 2014, the book value of the asset-backed securities held by the Group and the Bank is RMB 625 million.

In the above procedure of transferring financial assets, because the issue price is same as the carrying amount of the transferred financial assets' book value, the Bank does not recognize profit or loss in these financial assets transferred process, the Bank will charge a service fee as a loan provider during the follow-up. Although the Bank establishes the special purpose trust as cosponsors, only 5% of the stall asset-backed securities issue size is held by it respectively, which means its holding size is only 5% of the total issue size by each time, and therefore the Ban does not have authority to obtain most benefits of a special purpose trust, but also does not bear most risk of a special purpose trust, hence the Bank won't merge these special purpose trusts, which means special purpose trust that is not an integral part of the Group's.

The Bank transfers related financial assets, and transferred substantially all the risks (including part credit risk of the transferred credit assets, prepayment risk and interest rate risk) and rewards to other investors, therefore related financial assets are derecognized.

The Bank loses the right to use of the related credit assets during the transferring of asset-backed securities transactions to credit assets. Once the special purpose trust is established, the Bank should distinguish it from other property that the Bank has not established trust. According to the relevant transaction documents, when the Bank dismisses in accordance with law, be liquidated in accordance with law or declared bankrupt, the trust property will be liquidated as liquidated property.

6.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets are settled a fixed price of repurchasing when they are sold. Due to the fixed repurchasing price, the Group shoulders almost all the credit and market risks and benefit of the assets. The sold financial assets (cannot be used within the period) should not be recognized in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognizes the financial liabilities by the price received. In these trading, the counter-parties' right to the Group is not limited within the transferred financial assets.

In 31/12/2014 and 31/12/2014, the Group conducted trading of the equities, bills, and financial assets sold under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note 9, 23).

Book value:

UNIT: RMB Million

	The Group					
	12/31/2014			12/31/2013		
	Equity	Bill	Others	Equity	Bill	Others
Assets book value	**81,188**	**19,864**	**519**	51,463	18,729	9,882
Liabilities book value	**78,188**	**19,864**	**519**	53,170	18,729	9,882

UNIT: RMB Million

	The Bank					
	12/31/2014			12/31/2013		
	Equity	Bill	Others	Equity	Bill	Others
Assets book value	**81,188**	**19,864**	**-**	51,463	18,729	6,757
Liabilities book value	**78,188**	**19,864**	**-**	53,170	18,729	6,757

7. Redemption commitment of certificate government bonds and saving government bonds

(1)The Group entrusted by the MOF as its agent issues certificate government bonds and saving government bonds. Holders of certificate government bonds and saving government bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate government bonds and saving government bonds includes principal and interest payable till redemption date.

As of 31 December 2014 and 31 December 2013, the cumulative principal balances of the certificate government bonds and saving government bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	12/31/2014	12/31/2013
Certificate government bonds and saving government bonds	**2,940**	3,899

The Group believes, before maturity date of certificate government bonds and saving government bonds, the amount redeemed is not significant.

(2) The Group has no announced but unissued bonds underwriting amount on 31 December 2014 and 31 December 2013.

8. Fiduciary business

UNIT: RMB Million

	The Group and the Bank	
	12/31/2014	12/31/2013
Fiduciary deposits and loans	**580,572**	365,237
Fiduciary wealth management	**628,007**	461,506
Fiduciary investment	**12,944**	13,331

Fiduciary deposits and loans are deposits and loans that depositor designated specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management is borne by the trustee.

Fiduciary investment refers to a kind of service that the entrusted Group engaged in capital operation, investment management, investment advisory and other investment services based on the principal-agent relationship. The investment risk of fiduciary investment is borne by the trustee.

XIII. OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

UNIT: RMB Million

	The Group				
	2014				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Financial assets at fair value through profit or loss	42,295	534	-	-	**44,435**
Derivative financial assets	6,414	(1,272)	-	-	**5,142**
Available-for-sale financial assets	263,681	-	2,706	(1,228)	**407,752**
Total	**312,390**	**(738)**	**2,706**	**(1,228)**	**457,329**
Financial liabilities [(1)]	**(8,080)**	**2,348**	**-**	**-**	**(6,401)**

UNIT: RMB Million

	The Bank				
	2014				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Financial assets at fair value through profit or loss	42,267	525	-	-	**43,064**
Derivative financial assets	6,414	(1,272)	-	-	**5,142**
Available-for-sale financial assets	261,104	-	2,583	(1,228)	**404,493**
Total	**309,785**	**(747)**	**2,583**	**(1,228)**	**452,699**
Financial liabilities [(1)]	**(8,080)**	**2,348**	**-**	**-**	**(6,200)**

(1) Financial liabilities include financial liabilities at fair value through profit or loss and derivative financial liabilities.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

UNIT: RMB Million

	The Group				
	2014				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Cash and balances with central bank	8,615	-	-	-	**8,446**
Due from banks and other financial institutions	10,778	-	-	-	**20,241**
Placements with banks and other financial institutions	1,000	-	-	-	**3,121**
Financial assets at fair value through profit or loss	-	-	-	-	**400**
Derivative financial assets	313	1,860	-	-	**2,173**
Loans and advances to customers	104,802	-	-	(37)	**99,211**
Available-for-sale financial assets	2,139	-	18	-	**2,849**
Held-to-maturity investments	336	-	-	-	**149**
Other financial assets	1,201	-	-	-	**1,459**
Total of financial assets	**129,184**	**1,860**	**18**	**(37)**	**138,049**
Financial liabilities [(1)]	**(180,043)**	**(1,676)**	**-**	**-**	**(252,452)**

UNIT: RMB Million

	The Bank				
	2014				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Provision for impairment losses in the current period	Closing Balance
Cash and balances with central bank	8,615	-	-	-	**8,446**
Due from banks and other financial institutions	10,778	-	-	-	**20,241**
Placements with banks and other financial institutions	1,000	-	-	-	**3,121**
Financial assets at fair value through profit or loss	-	-	-	-	**400**
Derivative financial assets	313	1,860	-	-	**2,173**
Loans and advances to customers	104,802	-	-	(37)	**99,211**
Available-for-sale financial assets	2,139	-	18	-	**2,849**
Held-to-maturity investments	336	-	-	-	**149**
Other financial assets	950	-	-	-	**969**
Total of financial assets	**128,933**	**1,860**	**18**	**(37)**	**137,559**
Financial liabilities (1)	**(180,128)**	**(1,676)**	**-**	**-**	**(201,151)**

(1) Financial liabilities include due to banks and other financial institutions, placements from banks and other financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, due to customers and debt securities issued, etc.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

XIV. FINANCIAL RISK MANAGEMENT

1. Overview

The Group is exposed to various types of risk due to its banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

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

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focus on business operation as well as risk management, established risk control system with a core of risk asset management, set up risk management rules and operation regulations for each business sector, improved risk accountability and punishment mechanism. The Group has integrated credit risk, market risk, liquidity risk, operational risk and other risk into the overall risk management, clarified specific responsibility of Board of Directors, Board of Supervisors, senior management and operation executives, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the "three defences"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defences to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risk, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defences, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuously improvement, pushing forward the outspread of overall risk management work. The internal audit department is the third line of defences. It provides independent, objective supervision, evaluation and consultation to the Group's risk management, provides post-event risk management assessment and feedback adjustment.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables, treasury operations and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the group, it is also responsible for making basic rules for the group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail banking line and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post disbursement monitoring and recovery process. In addition, the Group issued “Due diligence of credit approval” to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

The Group set up detailed rules for implementing of credit policy, which intensified the credit support for the real economy. In accordance with the discriminative credit policy of “protecting, controlling, and pressing”, the Group also goes along with the policy that “speeds up the transforming of economy development mode, intensifies the adjustment of economic structure, and ties to the core spirit of protecting & improving the people’s livelihood”. The Group accurately understands the credit layout of mainstream business, give more financial support to related entities in key industry or field, strengthen the credit management over the industries that involves in “ high contaminative, high level of energy consumption, and industries over capacities” .The group compresses and gradually withdraws projects that belong to the restrictive and eliminative list of backward production capacity, and continue to promote the structure optimization and adjustment of credit assets.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers’ credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. The Group has developed and established the non-retail section of internal rating system according to the Basel New Capital Accord and the relevant guidelines of CBRC, the accomplishment is put into practice in risk management such as business authorization, quota management and development of client to enhance the ability of credit risk identification, estimation and control, credit risk weighted assets measurement system is developed completely and got on-line in January 2014, the Group has the ability to follow the measurement method IRB credit risk-weighted assets. As the new agreement related capital projects are completed, the Group’s capacity of credit risk identification, measurement and control capability has been further improved.

The Group strengthens the monitoring and warning of credit operations by drawing up Corporate Customer Risk Warning Regulations and Personal Credit Risk Warning Regulations, so that a variety of credit risk information can be accessed through internal and external sources. Also, warnings would be notified and relevant procedures would be carried out to prevent and overcome risks. Besides, the Group develops the credit management information system to provide management information and advices 24/7 to detect and prevent the credit risk through conducting dynamic monitoring, real-time warning and pre-controlling of customer operation status and credit assets status of the Group.

The Group deals with the relationship between risk management and development by establishing quota management implementation plan, so as to strengthen the real-time warning of credit concentration risk for those emphasized credit industries. The Group will re-adjust and optimize the quota among industries, which advices the branches to optimize structure and control credit concentration risk.

In order to accurately identify the risk profile of credit assets and reasonably reflect the risk-adjusted earnings position, the Group establishes Implementation Rules of Credit Assets Risk Classification, Implementation Standards of Credit Assets Risk Classification, etc., guiding the operating units to optimize the allocation of capital and credit resources and strengthen the awareness of risk management. Based on the five grades classification method established by CBRC, the Company further classifies its credit assets into nine grades: normal 1, 2 and 3; special mention 1, 2 and 3; substandard; doubtful and loss. Different management policies are addressed to the credit assets according to their grades. Provision is also made for these credit assets according to their grades.

Risk arises from credit commitment is similar with risk associate with loans and advances to customer. Therefore, the requirements for application, post disbursement management and collateral and other enhancements for these transactions are the same with the requirements for loans and advances to customer.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group operates the lending business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note IX 8.

3.2 Maximum exposure to credit risk

Despite any usable guarantee or pledge, and other credit enhancement measures, the max credit risk exposure that the Group and the Bank can afford in balance sheet date is the related financial assets (including derivative instrument and deducted equity instrument) in the balance sheet date plus the amount of off-balance sheet book value in Note XII 2. Up to 31/12/2014, the max credit risk exposure: the Group: RMB 5,146,359 million (12/31/2013: RMB 4,322,860 million), the Bank: RMB 5,062,261 million (31/12/2013: RMB 4,265,262 million).

3.3 Analysis of exposure to credit risk of the Group and the Bank about loans and advances to customers, inter-bank placement, investment and finance lease receivables

UNIT: RMB Million

	The Group				
	12/31/2014				
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	14,487	89	1,671	399	**16,646**
Provision for impairment	(6,581)	(89)	(811)	(149)	**(7,630)**
Net value of assets	7,906	-	860	250	**9,016**
Collective assessment					
Total assets	3,057	-	-	-	**3,057**
Provision for impairment	(1,599)	-	-	-	**(1,599)**
Net value of assets	1,458	-	-	-	**1,458**
Past due but not impaired:					
Total assets	18,540	-	-	-	**18,540**
Including:					
Within 90 days	16,474	-	-	-	**16,474**
90 to 360 days	1,767	-	-	-	**1,767**
360 days to 3 years	299	-	-	-	**299**
Provision for impairment	(3,136)	-	-	-	**(3,136)**
Net value of assets	15,404	-	-	-	**15,404**
Neither past due nor impaired:					
Total assets	1,557,064	864,726	1,358,183	59,440	**3,839,413**
Provision for impairment	(32,580)	-	(6,062)	(1,436)	**(40,078)**
Net value of assets	1,524,484	864,726	1,352,121	58,004	**3,799,335**
Total of net value of assets	**1,549,252**	**864,726**	**1,352,981**	**58,254**	**3,825,213**

UNIT: RMB Million

	The Group				
	12/31/2013 (restated)				
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	8,381	89	509	-	**8,979**
Provision for impairment	(3,139)	(89)	(215)	-	**(3,443)**
Net value of assets	5,242	-	294	-	**5,536**
Collective assessment					
Total assets	1,950	-	-	-	**1,950**
Provision for impairment	(1,345)	-	-	-	**(1,345)**
Net value of assets	605	-	-	-	**605**
Past due but not impaired:					
Total assets	4,490	-	-	-	**4,490**
Including:					
Within 90 days	4,055	-	-	-	**4,055**
90 to 360 days	435	-	-	-	**435**
360 days to 3 years	-	-	-	-	**-**
Provision for impairment	(668)	-	-	-	**(668)**
Net value of assets	3,822	-	-	-	**3,822**
Neither pass due nor impaired:					
Total assets	1,342,236	1,071,026	753,836	47,321	**3,214,419**
Provision for impairment	(31,223)	-	(1,279)	(1,227)	**(33,729)**
Net value of assets	1,311,013	1,071,026	752,557	46,094	**3,180,690**
Total of net value of assets	**1,320,682**	**1,071,026**	**752,851**	**46,094**	**3,190,653**

UNIT: RMB Million

	The Bank			
	12/31/2014			
	Loans and advances to customers	Inter-bank placement[(1)]	Investment[(2)]	Total
Impaired:				
Individual assessment				
Total assets	14,487	89	1,671	**16,247**
Provision for impairment	(6,581)	(89)	(811)	**(7,481)**
Net value of assets	7,906	-	860	**8,766**
Collective assessment				
Total assets	3,057	-	-	**3,057**
Provision for impairment	(1,599)	-	-	**(1,599)**
Net value of assets	1,458	-	-	**1,458**
Past due but not impaired:				
Total assets	18,540	-	-	**18,540**
Including:				
Within 90 days	16,474	-	-	**16,474**
90 to 360 days	1,767	-	-	**1,767**
360 days to 3 years	299	-	-	**299**
Provision for impairment	(3,136)	-	-	**(3,136)**
Net value of assets	15,404	-	-	**15,404**
Neither past due nor impaired:				
Total assets	1,557,164	863,027	1,347,348	**3,767,539**
Provision for impairment	(32,579)	-	(6,062)	**(38,641)**
Net value of assets	1,524,585	863,027	1,341,286	**3,728,898**
Total of net value of assets	**1,549,353**	**863,027**	**1,342,146**	**3,754,526**

UNIT: RMB Million

	The Bank			
	12/31/2013			
	Loans and advances to customers	Inter-bank placement(1)	Investment(2)	Total
Impaired:				
Individual assessment				
Total assets	8,381	89	509	**8,979**
Provision for impairment	(3,139)	(89)	(215)	**(3,443)**
Net value of assets	5,242	-	294	**5,536**
Collective assessment				
Total assets	1,950	-	-	**1,950**
Provision for impairment	(1,345)	-	-	**(1,345)**
Net value of assets	605	-	-	**605**
Past due but not impaired:				
Total assets	4,490	-	-	**4,490**
Including:				
Within 90 days	4,055	-	-	**4,055**
90 to 360 days	435	-	-	**435**
360 days to 3 years	-	-	-	**-**
Provision for impairment	(668)	-	-	**(668)**
Net value of assets	3,822	-	-	**3,822**
Neither past due nor impaired:				
Total assets	1,342,236	1,070,580	748,959	**3,161,775**
Provision for impairment	(31,223)	-	(1,279)	**(32,502)**
Net value of assets	1,311,013	1,070,580	747,680	**3,129,273**
Total of net value of assets	**1,320,682**	**1,070,580**	**747,974**	**3,139,236**

(1) Inter-bank placement includes due from banks and other financial institutions, placements with banks and other financial institutions and financial assets sold under repurchase agreements.

(2) Investment includes financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt investment of debt securities classified as receivables.

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

- For reverse repurchase agreements, collateral mainly includes bills, loans and securities
- For commercial loans, collateral mainly includes land, properties, equipment and shares, etc.
- For retail loans, collateral mainly includes properties

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the change in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Analysis of collateral value

3.5.1 The Group evaluates the fair value of collateral periodically

A.As at 31 December 2014, the fair value of collateral that related to loans past due but not impaired amounted to RMB 22,631 million (31 December 2013: RMB 7,294million). The collateral includes land, properties, equipment and shares.

B.As at 31 December 2014, the fair value of collateral that related to loans individually assessed to be impaired amounted to RMB8, 811 million (31 December 2013: RMB4,874 million). The collateral includes land, properties, equipment and shares.

3.5.2The book value of foreclosed assets the Group obtained during 2014 amounted to RMB63 million (2013: RMB34 million).

3.6 Rescheduled loans and advances

Reschedule including the extension of payment time, approval of external management plans and modification and extension of payment. After rescheduling, the customers who were overdue are now back to normal and managed with other similar customers. Rescheduled policies are made under the criteria of local management's judgement that the payment is highly possible to continue. These policies' appliance should be checked constantly. As at 31 December 2014, the carrying amount of rescheduled loans and advances to customers amounted to RMB7,660 million (31 December 2013: RMB996 million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB118 million (31 December 2013: RMB106 million).

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the management of the Group's assets and liabilities. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analyzing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes reprising risk, yield curve risk, benchmark risk and optional risk, among which reprising risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date and the reprising date of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and liabilities are as follows:

UNIT: RMB Million

	The Group					
	12/31/2014					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	477,122	-	-	-	14,047	**491,169**
Due from banks and other financial institutions	58,801	33,290	8,725	-	-	**100,816**
Placements with banks and other financial institutions	25,390	25,457	302	-	-	**51,149**
Financial assets at fair value through profit or loss	7,949	19,839	10,999	937	4,711	**44,435**
Derivative financial assets	-	-	-	-	5,142	**5,142**
Financial assets held under resale agreements	387,391	206,201	119,169	-	-	**712,761**
Loans and advances to customers	960,716	528,851	55,035	4,650	-	**1,549,252**
Available-for-sale financial assets	57,552	141,435	126,503	81,427	1,149	**408,066**
Debt securities classified as receivables	155,104	214,812	296,682	41,848	-	**708,446**
Finance lease receivables	46,094	-	12,160	-	-	**58,254**
Held-to-maturity investments	483	1,911	65,899	129,497	-	**197,790**
Other assets	12,146	-	-	-	29,352	**41,498**
Total financial assets	**2,188,748**	**1,171,796**	**695,474**	**258,359**	**54,401**	**4,368,778**
Financial liabilities:						
Due to central banks	30,000	-	-	-	-	**30,000**
Due to banks and other financial institutions	1,072,674	173,874	21,600	-	-	**1,268,148**
Placements from banks and other financial institutions	40,332	39,223	1,525	-	-	**81,080**
Financial liabilities at fair value through profit or loss	-	-	-	-	1,903	**1,903**
Derivative financial liabilities	-	-	-	-	4,498	**4,498**
Financial assets sold under repurchase agreements	94,572	3,480	519	-	-	**98,571**
Due to customers	1,473,272	551,671	237,998	198	4,641	**2,267,780**
Debt securities issued	41,270	62,627	40,974	40,916	-	**185,787**
Other liabilities	-	709	40	-	183,288	**184,037**
Total financial liabilities	**2,752,120**	**831,584**	**302,656**	**41,114**	**194,330**	**4,121,804**
Net position	**(563,372)**	**340,212**	**392,818**	**217,245**	**(139,929)**	**246,974**

UNIT: RMB Million

	The Group					
	12/31/2013 (restated)					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central banks	408,431	-	-	-	14,440	**422,871**
Due from banks and other financial institutions	33,976	18,367	10,502	-	-	**62,845**
Placements with banks and other financial institutions	41,648	43,543	1,900	-	-	**87,091**
Financial assets at fair value through profit or loss	12,396	15,027	13,942	902	28	**42,295**
Derivative financial assets	-	-	-	-	6,414	**6,414**
Financial assets held under resale agreements	380,717	288,180	252,193	-	-	**921,090**
Loans and advances to customers	810,834	478,016	28,609	3,223	-	**1,320,682**
Available-for-sale financial assets	19,605	55,211	146,986	41,381	784	**263,967**
Debt securities classified as receivables	27,235	76,723	190,270	35,269	-	**329,497**
Finance lease receivables	45,766	-	328	-	-	**46,094**
Held-to-maturity investments	4,741	901	23,917	88,096	-	**117,655**
Other assets	5,553	-	-	-	27,225	**32,778**
Total financial assets	**1,790,902**	**975,968**	**668,647**	**168,871**	**48,891**	**3,653,279**
Financial liabilities:						
Due to banks and other financial institutions	799,959	193,698	13,887	-	-	**1,007,544**
Placements from banks and other financial institutions	42,437	30,467	5,368	-	-	**78,272**
Financial liabilities at fair value profit or loss	-	-	-	-	1,216	**1,216**
Derivative financial liabilities	-	-	-	-	6,864	**6,864**
Financial assets sold under repurchase agreements	67,018	11,638	3,125	-	-	**81,781**
Due to customers	1,415,464	514,114	237,413	271	3,083	**2,170,345**
Debt securities issued	2,993	2,001	41,961	20,946	-	**67,901**
Other liabilities	2	-	909	-	38,290	**39,201**
Total financial liabilities	**2,327,873**	**751,918**	**302,663**	**21,217**	**49,453**	**3,453,124**
Net position	**(536,971)**	**224,050**	**365,984**	**147,654**	**(562)**	**200,155**

UNIT: RMB Million

	The Bank					
	12/31/2014					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	477,000	-	-	-	14,047	**491,047**
Due from banks and other financial institutions	57,352	33,290	8,625	-	-	**99,267**
Placements with banks and other financial institutions	25,141	25,557	301	-	-	**50,999**
Financial assets at fair value through profit or loss	7,450	19,641	10,698	936	4,339	**43,064**
Derivative financial assets	-	-	-	-	5,142	**5,142**
Financial assets held under resale agreements	387,391	206,201	119,169	-	-	**712,761**
Loans and advances to customers	960,716	528,952	55,035	4,650	-	**1,549,353**
Available-for-sale financial assets	57,552	141,340	125,086	80,497	99	**404,574**
Debt securities classified as receivables	154,250	211,623	293,485	41,798	-	**701,156**
Held-to-maturity investments	483	1,911	65,899	129,497	-	**197,790**
Other assets	-	-	-	-	28,209	**28,209**
Total financial assets	**2,127,335**	**1,168,515**	**678,298**	**257,378**	**51,836**	**4,283,362**
Financial liabilities:						
Due to central banks	30,000	-	-	-	-	**30,000**
Due to banks and other financial institutions	1,074,635	173,874	21,600	-	-	**1,270,109**
Placements from banks other financial institutions	20,785	4,023	-	-	-	**24,808**
Financial liabilities at fair value profit or loss	-	-	-	-	1,702	**1,702**
Derivative financial liabilities	-	-	-	-	4,498	**4,498**
Financial assets sold under repurchase agreements	94,572	3,480	-	-	-	**98,052**
Due to customers	1,473,272	551,671	237,998	198	4,641	**2,267,780**
Debt securities issued	41,270	62,627	40,974	40,916	-	**185,787**
Other liabilities	-	-	-	-	175,254	**175,254**
Total financial liabilities	**2,734,534**	**795,675**	**300,572**	**41,114**	**186,095**	**4,057,990**
Net position	**(607,199)**	**372,840**	**377,726**	**216,264**	**(134,259)**	**225,372**

UNIT: RMB Million

	The Bank					
	12/31/2013 (restated)					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with central bank	408,243	-	-	-	14,440	**422,683**
Due from banks and other financial institutions	33,444	18,367	10,502	-	-	**62,313**
Placements with banks and other financial institutions	41,734	43,543	1,900	-	-	**87,177**
Financial assets at fair value through profit or loss	12,396	15,027	13,942	902	-	**42,267**
Derivative financial assets	-	-	-	-	6,414	**6,414**
Financial assets held under resale agreements	380,717	288,180	252,193	-	-	**921,090**
Loans and advances to customers	810,834	478,016	28,609	3,223	-	**1,320,682**
Available-for-sale financial assets	19,605	55,151	146,031	40,302	96	**261,185**
Debt securities classified as receivables	27,222	76,421	188,051	35,269	-	**326,963**
Held-to-maturity investments	4,741	901	23,917	88,096	-	**117,655**
Other assets	-	-	-	-	26,785	**26,785**
Total financial assets	**1,738,936**	**975,606**	**665,145**	**167,792**	**47,735**	**3,595,214**
Total financial assets:						
Due to banks and other financial institutions	801,835	193,698	13,887	-	-	**1,009,420**
Placements from banks other financial institutions	32,336	8,291	-	-	-	**40,627**
Financial liabilities at fair value profit or loss	-	-	-	-	1,216	**1,216**
Derivative financial liabilities	-	-	-	-	6,864	**6,864**
Financial assets sold under repurchase agreements	67,018	11,638	-	-	-	**78,656**
Due to customers	1,415,464	514,114	237,413	271	3,083	**2,170,345**
Debt securities issued	2,993	2,001	41,961	20,946	-	**67,901**
Other liabilities	-	-	-	-	33,595	**33,595**
Total financial liabilities	**2,319,646**	**729,742**	**293,261**	**21,217**	**44,758**	**3,408,624**
Net position	**(580,710)**	**245,864**	**371,884**	**146,575**	**2,977**	**186,590**

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and liabilities at the balance sheet date.

UNIT: RMB Million

	The Group			
	12/31/2014		12/31/2013	
	Net interest income increase(decrease)	Other comprehensive income increase(decrease)	Net interest income increase(decrease)	Other comprehensive income increase(decrease)
+100 basis points	**4,645**	**(5,571)**	4,079	(3,438)
- 100 basis points	**(4,645)**	**5,903**	(4,079)	3,650

UNIT: RMB Million

	The Bank			
	12/31/2014		12/31/2013	
	Net interest income increase(decrease)	Other comprehensive income increase(decrease)	Net interest income increase(decrease)	Other comprehensive income increase(decrease)
+100 basis points	**4,384**	**(5,532)**	3,778	(3,396)
- 100 basis points	**(4,384)**	**5,861**	(3,778)	3,606

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate available-for-sale financial assets at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallel. Therefore it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation. And such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD and other currencies. RMB is the functional currency. The foreign exchange rate is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The financial market department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “day time self-trading positions”. The positions are centralized to the financial market department in a timely way and managed centrally. This kind of position is relatively small compared to the Group’s asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and liabilities by currency.

UNIT: RMB Million

	The Group			
	12/31/2014			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	482,723	8,041	405	**491,169**
Due from banks and other financial institutions	80,575	17,793	2,448	**100,816**
Placements with banks and other financial institutions	48,028	3,121	-	**51,149**
Financial assets at fair value through profit or loss	44,035	400	-	**44,435**
Derivative financial assets	2,969	2,040	133	**5,142**
Financial assets held under resale agreements	712,761	-	-	**712,761**
Loans and advances to customers	1,450,041	92,020	7,191	**1,549,252**
Available-for-sale financial assets	405,217	2,768	81	**408,066**
Debt securities classified as receivables	708,446	-	-	**708,446**
Finance lease receivables	58,254	-	-	**58,254**
Held-to-maturity investments	197,641	149	-	**197,790**
Other assets	40,039	1,352	107	**41,498**
Total financial assets	**4,230,729**	**127,684**	**10,365**	**4,368,778**
Financial liabilities:				
Due to central banks	30,000	-	-	**30,000**
Due to banks and other financial institutions	1,244,250	23,809	89	**1,268,148**
Placements from banks and other financial institutions	58,369	20,067	2,644	**81,080**
Financial liabilities at fair value through profit or loss	1,903	-	-	**1,903**
Derivative financial liabilities	3,303	734	461	**4,498**
Financial assets sold under repurchase agreements	98,403	168	-	**98,571**
Due to customers	2,119,010	142,722	6,048	**2,267,780**
Debt securities issued	182,924	2,151	712	**185,787**
Other liabilities	181,190	2,708	139	**184,037**
Total financial liabilities	**3,919,352**	**192,359**	**10,093**	**4,121,804**
Net position	**311,377**	**(64,675)**	**272**	**246,974**

UNIT: RMB Million

	The Group			
	12/31/2013 (restated)			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	414,256	8,226	389	**422,871**
Due from banks and other financial institutions	52,067	10,008	770	**62,845**
Placements with banks and other financial institutions	86,091	1,000	-	**87,091**
Financial assets at fair value through profit or loss	42,295	-	-	**42,295**
Derivative financial assets	6,101	82	231	**6,414**
Financial assets held under resale agreements	921,090	-	-	**921,090**
Loans and advances to customers	1,215,880	98,640	6,162	**1,320,682**
Available-for-sale financial assets	261,828	2,076	63	**263,967**
Debt securities classified as receivables	329,497	-	-	**329,497**
Finance lease receivables	46,094	-	-	**46,094**
Held-to-maturity investments	117,319	168	168	**117,655**
Other assets	31,577	1,147	54	**32,778**
Total financial assets	**3,524,095**	**121,347**	**7,837**	**3,653,279**
Financial liabilities:				
Due to banks and other financial institutions	1,006,300	1,161	83	**1,007,544**
Placements from banks and other financial institutions	49,760	28,426	86	**78,272**
Financial liabilities at fair value through profit or loss	1,216	-	-	**1,216**
Derivative financial liabilities	3,993	2,769	102	**6,864**
Financial assets sold under repurchase agreements	81,574	-	207	**81,781**
Due to customers	2,024,791	139,350	6,204	**2,170,345**
Debt securities issued	67,901	-	-	**67,901**
Other liabilities	37,546	1,563	92	**39,201**
Total financial liabilities	**3,273,081**	**173,269**	**6,774**	**3,453,124**
Net position	**251,014**	**(51,922)**	**1,063**	**200,155**

UNIT: RMB Million

	The Bank			
	12/31/2014			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	482,601	8,041	405	**491,047**
Due from banks and other financial institutions	79,026	17,793	2,448	**99,267**
Placements with banks and other financial institutions	47,878	3,121	-	**50,999**
Financial assets at fair value through profit or loss	42,664	400	-	**43,064**
Derivative financial assets	2,969	2,040	133	**5,142**
Financial assets held under resale agreements	712,761	-	-	**712,761**
Loans and advances to customers	1,450,142	92,020	7,191	**1,549,353**
Available-for-sale financial assets	401,725	2,768	81	**404,574**
Debt securities classified as receivables	701,156	-	-	**701,156**
Held-to-maturity investments	197,641	149	-	**197,790**
Other assets	27,240	862	107	**28,209**
Total financial assets	**4,145,803**	**127,194**	**10,365**	**4,283,362**
Financial liabilities:				
Due to central banks	30,000	-	-	**30,000**
Due to banks and other financial institutions	1,246,211	23,809	89	**1,270,109**
Placements from banks and other financial institutions	3,384	18,780	2,644	**24,808**
Financial liabilities at fair value through profit or loss	1,702	-	-	**1,702**
Derivative financial liabilities	3,303	734	461	**4,498**
Financial assets sold under repurchase agreements	97,884	168	-	**98,052**
Due to customers	2,119,010	142,722	6,048	**2,267,780**
Debt securities issued	182,924	2,151	712	**185,787**
Other liabilities	172,421	2,694	139	**175,254**
Total financial liabilities	**3,856,839**	**191,058**	**10,093**	**4,057,990**
Net position	**288,964**	**(63,864)**	**272**	**225,372**

UNIT: RMB Million

	The Bank			
	12/31/2013 (restated)			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with central bank	414,068	8,226	389	**422,683**
Due from banks and other financial institutions	51,535	10,008	770	**62,313**
Placements with banks and other financial institutions	86,177	1,000	-	**87,177**
Financial assets at fair value through profit or loss	42,267	-	-	**42,267**
Derivative financial assets	6,101	82	231	**6,414**
Financial assets held under resale agreements	921,090	-	-	**921,090**
Loans and advances to customers	1,215,880	98,640	6,162	**1,320,682**
Available-for-sale financial assets	259,046	2,076	63	**261,185**
Debt securities classified as receivables	326,963	-	-	**326,963**
Held-to-maturity investments	117,319	168	168	**117,655**
Other assets	25,835	896	54	**26,785**
Total financial assets	**3,466,281**	**121,096**	**7,837**	**3,595,214**
Financial liabilities:				
Due to banks and other financial institutions	1,008,176	1,161	83	**1,009,420**
Placements from banks and other financial institutions	12,029	28,512	86	**40,627**
Financial liabilities at fair value through profit or loss	1,216	-	-	**1,216**
Derivative financial liabilities	3,993	2,769	102	**6,864**
Financial assets sold under repurchase agreements	78,449	-	207	**78,656**
Due to customers	2,024,791	139,350	6,204	**2,170,345**
Debt securities issued	67,901	-	-	**67,901**
Other liabilities	31,941	1,562	92	**33,595**
Total financial liabilities	**3,228,496**	**173,354**	**6,774**	**3,408,624**
Net position	**237,785**	**(52,258)**	**1,063**	**186,590**

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses.

UNIT: RMB Million

	The Group	
	2014	2013
	Foreign exchange increase/(decrease)	Foreign exchange increase/(decrease)
5% appreciation	**415**	238
5% depreciation	**(415)**	(238)

UNIT: RMB Million

	The Bank	
	2014	2013
	Foreign exchange increase/(decrease)	Foreign exchange increase/(decrease)
5% appreciation	**375**	255
5% depreciation	**(375)**	(255)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: (1) drafting liquidity risk management policies and measures; (2) monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets' and liabilities' structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly; (3) analysing the liquidity risk and reporting to the assets and liability management committee regularly; and (4) daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, loan-to-deposit ratio and sets alarming and security limits for each ratio. The Group also prepares general liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee of the Board of Directors for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 A maturity analysis of financial assets and liabilities of the Group as follows

The following tables are the structure analysis of non-derivative financial assets and liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group							
	12/31/2014							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	103,172	-	-	-	-	-	388,195	**491,367**
Due from banks and other financial institutions	25,177	25,011	9,192	34,138	8,906	-	21	**102,445**
Placements with banks and other financial institutions	-	23,284	2,655	26,782	1,167	-	68	**53,956**
Financial assets at fair value through profit or loss	4,512	2,140	4,367	17,371	17,561	2,348	-	**48,299**
Financial assets held under resale agreements	-	231,668	165,960	218,887	125,393	-	-	**741,908**
Loans and advances to customers	-	139,978	148,481	733,417	498,621	323,087	23,618	**1,867,202**
Available-for-sale financial assets	678	11,273	37,645	113,288	215,408	94,544	314	**473,150**
Debt securities classified as receivables	503	68,952	89,810	240,232	355,483	56,658	1,782	**813,420**
Financial lease receivables	-	1,422	2,945	13,698	46,226	4,646	-	**68,937**
Held-to-maturity investments	-	261	1,378	8,660	96,214	178,269	122	**284,904**
Other non-derivative financial assets	859	688	1,108	2,905	11,691	1,445	869	**19,565**
Total non-derivative financial assets:	**134,901**	**504,677**	**463,541**	**1,409,378**	**1,376,670**	**660,997**	**414,989**	**4,965,153**
Non-derivative financial liabilities:								
Due to central banks	-	-	30,210	-	-	-	-	**30,210**
Due to banks and other financial institutions	421,331	340,603	307,475	180,032	23,052	-	-	**1,272,493**
Placements from banks and other financial institutions	-	22,997	18,002	40,116	1,989	-	-	**83,104**
Financial liabilities at fair value through profit or loss	-	1,702	-	200	1	-	-	**1,903**
Financial assets sold under repurchase agreements	-	78,643	16,283	3,530	606	-	-	**99,062**
Due to customers	1,040,079	193,511	245,912	568,464	267,652	1,276	-	**2,316,894**
Debt securities issued	-	18,317	21,991	66,230	81,201	14,294	-	**202,033**
Other non-derivative financial liabilities	114,025	25,098	143	2,092	6,043	917	9	**148,327**
Total non-derivative financial liabilities	**1,575,435**	**680,871**	**640,016**	**860,664**	**380,544**	**16,487**	**9**	**4,154,026**
Net position	**(1,440,534)**	**(176,194)**	**(176,475)**	**548,714**	**996,126**	**644,510**	**414,980**	**811,127**

UNIT: RMB Million

	The Group							
	12/31/2013 (restated)							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	72,983	-	-	-	-	-	350,072	**423,055**
Due from banks and other financial institutions	10,782	15,940	7,350	19,013	11,529	-	21	**64,635**
Placements with banks and other financial institutions	-	17,642	24,513	44,716	1,985	-	68	**88,924**
Financial assets at fair value through profit or loss	28	1,187	9,366	14,415	21,536	1,034	-	**47,566**
Financial assets held under resale agreements	-	198,351	229,812	309,964	267,904	-	-	**1,006,031**
Loans and advances to customers	-	117,234	159,333	655,207	336,105	293,561	11,187	**1,572,627**
Available-for-sale financial assets	445	3,324	7,684	43,531	197,699	63,901	286	**316,870**
Debt securities classified as receivables	-	19,001	13,768	91,873	217,114	45,826	-	**387,582**
Financial lease receivables	-	1,080	2,480	10,549	37,184	4,147	-	**55,440**
Held-to-maturity investments	-	230	5,434	4,665	42,201	130,178	122	**182,830**
Other non-derivative financial assets	1,040	723	758	1,998	5,228	1,061	162	**10,970**
Total non-derivative financial assets:	**85,278**	**374,712**	**460,498**	**1,195,931**	**1,138,485**	**539,708**	**361,918**	**4,156,530**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	215,948	301,448	289,944	200,375	15,365	-	-	**1,023,080**
Placements from banks and other financial institutions	-	22,802	19,826	32,081	5,507	-	-	**80,216**
Financial liabilities at fair value through profit or loss	1,216	-	-	-	-	-	-	**1,216**
Financial assets sold under repurchase agreements	-	38,531	28,748	11,847	3,743	-	-	**82,869**
Due to customers	1,004,072	179,031	243,254	533,653	268,940	346	-	**2,229,296**
Debt securities issued	-	3,000	144	4,831	50,043	23,427	-	**81,445**
Other non-derivative financial liabilities	3,111	3,668	108	591	4,557	661	188	**12,884**
Total non-derivative financial liabilities	**1,224,347**	**548,480**	**582,024**	**783,378**	**348,155**	**24,434**	**188**	**3,511,006**
Net position	**(1,139,069)**	**(173,768)**	**(121,526)**	**412,553**	**790,330**	**515,274**	**361,730**	**645,524**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances with central bank, due from banks and other financial institutions, placements with banks and other financial institutions and financial assets at fair value through profit or loss, etc.,. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition, the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

UNIT: RMB Million

	The Bank							
	12/31/2014							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	103,172	-	-	-	-	-	388,073	**491,245**
Due from banks and other financial institutions	24,503	23,790	9,059	33,290	8,625	-	21	**99,288**
Placements with banks and other financial institutions	-	23,334	2,354	26,887	1,167	-	68	**53,810**
Financial assets at fair value through profit or loss	4,339	1,442	4,351	17,055	17,325	2,348	-	**46,860**
Financial assets held under resale agreements	-	231,668	165,960	218,887	125,393	-	-	**741,908**
Loans and advances to customers	-	139,978	148,481	733,519	498,621	323,087	23,618	**1,867,304**
Available-for-sale financial assets	18	11,264	37,645	113,022	213,252	93,536	81	**468,818**
Debt securities classified as receivables	-	68,943	89,305	239,887	353,357	55,651	1,549	**808,692**
Held-to-maturity investments	-	261	1,378	8,660	96,214	178,269	122	**284,904**
Other non-derivative financial assets	859	508	586	793	320	61	481	**3,608**
Total non-derivative financial assets:	**132,891**	**501,188**	**459,119**	**1,392,000**	**1,314,274**	**652,952**	**414,013**	**4,866,437**
Non-derivative financial liabilities:								
Due to central banks	-	-	30,210	-	-	-	-	**30,210**
Due to banks and other financial institutions	423,292	340,603	307,475	180,032	23,052	-	-	**1,274,454**
Placements with banks and other financial institutions	-	16,262	4,615	4,082	-	-	-	**24,959**
Financial liabilities at fair value through profit or loss	-	1,702	-	-	-	-	-	**1,702**
Financial assets sold under repurchase agreements	-	78,643	16,283	3,530	-	-	-	**98,456**
Due to customers	1,040,079	193,511	245,912	568,464	267,652	1,276	-	**2,316,894**
Debt securities issued	-	18,317	21,991	66,230	81,201	14,294	-	**202,033**
Other non-derivative financial liabilities	114,025	25,069	137	381	270	8	-	**139,890**
Total non-derivative financial liabilities	**1,577,396**	**674,107**	**626,623**	**822,719**	**372,175**	**15,578**	**-**	**4,088,598**
Net position	**(1,444,505)**	**(172,919)**	**(167,504)**	**569,281**	**942,099**	**637,374**	**414,013**	**777,839**

UNIT: RMB Million

	The Bank							
	12/31/2013 (restated)							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with central bank	72,980	-	-	-	-	-	349,888	**422,868**
Due from banks and other financial institutions	11,530	14,660	7,350	19,013	11,529	-	21	**64,103**
Placements with banks and other financial institutions	-	17,642	24,600	44,716	1,985	-	68	**89,011**
Financial assets at fair value through profit or loss	-	1,187	9,366	14,415	21,536	1,034	-	**47,538**
Financial assets held under resale agreements	-	198,351	229,812	309,964	267,904	-	-	**1,006,031**
Loans and advances to customers	-	117,234	159,333	655,207	336,105	293,561	11,187	**1,572,627**
Available-for-sale financial assets	15	3,324	7,651	43,322	196,177	62,686	81	**313,256**
Debt securities classified as receivables	-	18,990	13,734	91,456	214,850	45,826	-	**384,856**
Held-to-maturity investments	-	230	5,434	4,665	42,201	130,178	122	**182,830**
Other non-derivative financial assets	1,040	696	567	1,110	189	33	4	**3,639**
Total non-derivative financial assets:	**85,565**	**372,314**	**457,847**	**1,183,868**	**1,092,476**	**533,318**	**361,371**	**4,086,759**
Non-derivative financial liabilities:								
Due to banks and other financial institutions	217,824	301,448	289,944	200,375	15,365	-	-	**1,024,956**
Placements with banks and other financial institutions	-	18,774	13,715	8,559	-	-	-	**41,048**
Financial liabilities at fair value through profit or loss	1,216	-	-	-	-	-	-	**1,216**
Financial assets sold under repurchase agreements	-	38,531	28,748	11,847	-	-	-	**79,126**
Due to customers	1,004,072	179,031	243,254	533,653	268,940	346	-	**2,229,296**
Debt securities issued	-	3,000	144	4,831	50,043	23,427	-	**81,445**
Other non-derivative financial liabilities	3,111	3,647	88	257	387	7	-	**7,497**
Total non-derivative financial liabilities	**1,226,223**	**544,431**	**575,893**	**759,522**	**334,735**	**23,780**	**-**	**3,464,584**
Net position	**(1,140,658)**	**(172,117)**	**(118,046)**	**424,346**	**757,741**	**509,538**	**361,371**	**622,175**

5.2 Liquidity risk analysis of derivative instruments

(i) Derivative settled on a net basis

Derivatives that will be settled on a net basis are mainly interest rate related and credit related. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	12/31/2014					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	10	(12)	15	55	-	68
Other derivatives	62	76	327	-	-	465
Total	**72**	**64**	**342**	**55**	**-**	**533**

UNIT: RMB Million

	The Group and the Bank					
	12/31/2013					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(12)	44	10	137	-	179
Other derivatives	(99)	-	34	-	-	(65)
Total	**(111)**	**44**	**44**	**137**	**-**	**114**

(ii) Derivatives settled on a gross basis

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

UNIT: RMB Million

	The Group and the Bank					
	12/31/2014					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	252,288	122,557	226,279	4,063	-	**605,187**
-Cash outflow	(252,347)	(122,619)	(225,938)	(4,079)	-	**(604,983)**
Other derivatives						
-Cash inflow	-	-	-	-	-	**-**
-Cash outflow	-	-	(703)	-	-	**(703)**
Total	**(59)**	**(62)**	**(362)**	**(16)**	**-**	**(499)**

UNIT: RMB Million

	The Group and the Bank					
	12/31/2013					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	255,110	107,253	128,201	12,588	-	**503,152**
-Cash outflow	(255,208)	(107,422)	(128,514)	(12,589)	-	**(503,733)**
Other derivatives						
-Cash inflow	-	-	-	-	-	**-**
-Cash outflow	-	-	(190)	-	-	**(190)**
Total	**(98)**	**(169)**	**(503)**	**(1)**	**-**	**(771)**

5.3 Off-balance sheet items

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

UNIT: RMB Million

	The Group and the Bank							
	12/31/2014				12/31/2013			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**60,712**	**-**	**-**	**60,712**	41,341	-	-	**41,341**
Letter of credit	**160,024**	**118**	**-**	**160,142**	129,150	233	-	**129,383**
Letter of guarantee	**39,164**	**28,931**	**50,065**	**118,160**	19,011	10,403	23,738	**53,152**
Bank acceptances	**450,914**	**-**	**-**	**450,914**	452,710	-	-	**452,710**
Total	**710,814**	**29,049**	**50,065**	**789,928**	**642,212**	**10,636**	**23,738**	**676,586**

6. Capital management

During the year, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking Regulatory Commission "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)". As per "2011-2015 Development Strategy Plan" and "2013-2018 Capital Adequacy Standards Planning of Transition Period", from the perspective of business strategy, risk conditions and regulatory requirements, the Group will achieve healthy, sustainable and rapid development in order to ensure capital adequacy ratio and the overall strategic development match with risk preference and risk management capabilities.

According to the principle that total amount of available capital matches the Group's current and future business development plans, the Group will issue no more than CNY20 billion write-downs tier 2 bonds in domestic and foreign markets based on regulatory policies and market conditions, which has been reviewed and approved in the board of directors and the shareholders' meeting and currently is waiting for regulatory authorities to approve.

The Group strengthened capital allocation in the internal management, orienting towards to the target risk assets ratio, co-ordinate the arrangements for the various operating divisions, business lines of the size of the risk-weighted assets, to promote the optimal allocation of capital, in order to maximize shareholders' risk-adjusted return.

According to related guidelines of CBRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group monitors its capital adequacy and capital application in real time.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair value are measured through appropriate method and parameters, and regularly reviewed by related department to keep its applicability.

When recognizing the fair value of the financial instrument, to those financial instruments which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognizes the fair value and classifies it to level 1.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. The Group uses internal or external professionals to estimate the value with techniques aimed at the model and Black-Scholes non-derivative financial instrument and part of the derivative financial instrument which cannot obtain prices in the active market. The main parameters used in the discounted cash flow model include the recent trading price, the relevant yield curve, exchange rates, prepayment rates and counterparty credit spreads, the main parameters of Black-Scholes option pricing model used include relevant yield curve, exchange rates, fluctuations level, and counterparty credit spreads, etc.

To loans and advances, part of debt securities classified as receivables and available-for-sale financial assets, their fair value is based on cash flow discount model, and confirmed by unobservable discount rate which reflect credit risk. Such financial instruments are classified to level 3.

To unlisted equity (private equity) owned by the Group, the measure of fair value may adopt the unobservable input parameters which has significant influence over the estimation. Therefore, such financial instruments are classified to level 3. The management estimates the financial instruments fair value of level 3 by a series of method, including unobservable parameters such as discount rate which lacks market liquidity. If one or more unobservable parameters change based on reasonably possible alternative hypothesis, the fair value of such financial instruments will changed accordingly. The Group has established related internal control process in order to supervise the exposure of the financial instrument.

7.2 Financial assets and financial liabilities continued at fair value

Financial assets and financial liabilities continued at fair value, their three levels of fair value measurement is analyzed as follows:

UNIT: RMB Million

	The Group							
	12/31/2014				12/31/2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Financial assets at fair value through profit or loss	**4,512**	**39,923**	**-**	**44,435**	28	42,267	-	**42,295**
Derivative financial assets	**-**	**5,142**	**-**	**5,142**	-	6,414	-	**6,414**
Available-for-sale financial assets	**586**	**260,987**	**146,179**	**407,752**	214	184,658	78,809	**263,681**
Total	**5,098**	**306,052**	**146,179**	**457,329**	**242**	**233,339**	**78,809**	**312,390**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	**-**	**1,903**	**-**	**1,903**	-	1,216	-	**1,216**
Derivative financial liabilities	**-**	**4,498**	**-**	**4,498**	-	6,864	-	**6,864**
Total	**-**	**6,401**	**-**	**6,401**	**-**	**8,080**	**-**	**8,080**

UNIT: RMB Million

	The Bank							
	12/31/2014				12/31/2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Financial assets at fair value through profit or loss	**4,339**	**38,725**	**-**	**43,064**	-	42,267	-	**42,267**
Derivative financial assets	**-**	**5,142**	**-**	**5,142**	-	6,414	-	**6,414**
Available-for-sale financial assets	**18**	**258,516**	**145,959**	**404,493**	15	182,565	78,524	**261,104**
Total	**4,357**	**302,383**	**145,959**	**452,699**	**15**	**231,246**	**78,524**	**309,785**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	**-**	**1,702**	**-**	**1,702**	-	1,216	-	**1,216**
Derivative financial liabilities	**-**	**4,498**	**-**	**4,498**	-	6,864	-	**6,864**
Total	**-**	**6,200**	**-**	**6,200**	**-**	**8,080**	**-**	**8,080**

There are no transfers from Level 1 and Level 2 to Level 3, and no transfers between Level 1 and Level 2 for the fair value measurements of the Group's financial instruments in 2014 and in 2013.

Information of Level 2:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2014	Fair value in 31/12/2013	Tech	Number
Financial assets:				
Debt instrument investment	**300,559**	226,879	Discount cash flow method	Yield rate of bonds
Equity instrument investment	**351**	46	Discount cash flow method	weighted average cost
Derivative financial instrument	**5,142**	6,414	Option Pricing Model	Credit premium, volatility
Total	**306,052**	**233,339**		
Financial liabilities:				
Debt instrument investment	**1,903**	1,216	Discount cash flow method	Yield rate of bonds
Derivative financial instrument	**4,498**	6,864	Option Pricing Model	Credit premium, volatility
Total	**6,401**	**8,080**		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2014	Fair value in 31/12/2013	Tech	Number
Financial assets:				
Debt instrument investment	**297,241**	224,832	Discount cash flow method	Yield rate of bonds
Derivative financial instrument	**5,142**	6,414	Option Pricing Model	Credit premium, volatility
Total	**302,383**	**231,246**		
Financial liabilities:				
Debt instrument investment	**1,702**	1,216	Discount cash flow method	Yield rate of bonds
Derivative financial instrument	**4,498**	6,864	Option Pricing Model	Credit premium, volatility
Total	**6,200**	**8,080**		

Information of Level 3:

UNIT: RMB Million

	The Group		
	Fair value in 31/12/2014	Fair value in 31/12/2013	Tech
Debt instrument investment	**146,179**	**78,809**	Discount cash flow method

UNIT: RMB Million

	The Bank		
	Fair value in 31/12/2014	Fair value in 31/12/2013	Tech
Debt instrument investment	**145,959**	**78,524**	Discount cash flow method

These debt instruments, using the discounted cash flow model for evaluating, the main significant unobservable inputs is the discount rate, the weighted average of 6.81%, and the significant unobservable inputs are inversely proportional to the fair value.

Adjustment of financial assets and liabilities in level 3 at fair value:

UNIT: RMB Million

Available-for-sale financial assets	The Group	
	12/31/2014	12/31/2013
Opening	**78,809**	55,933
Total profit and loss	**4,584**	5,588
Interest income	**4,584**	5,588
Bought	**90,578**	41,903
Settle	**(23,208)**	(19,027)
Closing	**146,179**	78,809
Unimplemented profit or loss	**-**	-

UNIT: RMB Million

Available-for-sale financial assets	The Bank	
	12/31/2014	12/31/2013
Opening	**78,524**	55,314
Total profit and loss	**4,507**	5,513
Interest income	**4,507**	5,513
Bought	**90,444**	42,237
Settle	**(23,009)**	(19,027)
Closing	**145,959**	78,524
Unimplemented profit or loss	**-**	-

7.3 Financial assets and liabilities measured not by fair value

The table below shows the carrying value of financial assets and financial liabilities at non-fair value and the corresponding fair value on the balance sheet date. The book value and the fair value of financial assets and financial liabilities , such as deposits with central banks, due from banks and other financial institutions, loans to other banks, financial assets purchased under resale agreements, to the Central Bank, borrowing money, sell back purchase money and other financial assets not included in the table below.

UNIT: RMB Million

	The Group			
	12/31/2014		12/31/2013	
	Book value	Fair value	Book value (restated)	Fair value (restated)
Financial assets:				
Loans and advances to customers	**1,549,252**	**1,549,578**	1,320,682	1,320,633
Held-to-maturity investments	**197,790**	**201,935**	117,655	109,470
Debt securities classified as receivables	**708,446**	**708,443**	329,497	328,982
Total	**2,455,488**	**2,459,956**	**1,767,834**	**1,759,085**
Financial liabilities:				
Due to customers	**2,267,780**	**2,273,859**	2,170,345	2,176,810
Bonds payable	**185,787**	**185,409**	67,901	62,004
Total	**2,453,567**	**2,459,268**	**2,238,246**	**2,238,814**

UNIT: RMB Million

	The Bank			
	12/31/2014		12/31/2013	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Loans and advances to customers	**1,549,353**	**1,549,697**	1,320,682	1,320,633
Held-to-maturity investments	**197,790**	**201,935**	117,655	109,470
Debt securities classified as receivables	**701,156**	**701,154**	326,963	326,483
Total	**2,448,299**	**2,452,768**	**1,765,300**	**1,756,586**
Financial liabilities:				
Due to customers	**2,267,780**	**2,273,859**	2,170,345	2,176,810
Bonds payable	**185,787**	**185,409**	67,901	62,004
Total	**2,453,567**	**2,459,268**	**2,238,246**	**2,238,814**

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

UNIT: RMB Million

	The Group			
	12/31/2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	**-**	**-**	**1,549,576**	**1,549,578**
Held-to-maturity investments	**-**	**201,935**	**-**	**201,935**
Debt securities classified as receivables	**-**	**28,664**	**679,779**	**708,443**
Total	**-**	**230,599**	**2,229,357**	**2,459,956**
Financial liabilities:				
Due to customers	**-**	**2,273,859**	**-**	**2,273,859**
Bonds payable	**-**	**185,409**	**-**	**185,409**
Total	**-**	**2,459,268**	**-**	**2,459,268**

UNIT: RMB Million

	The Group			
	12/31/2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	1,320,633	**1,320,633**
Held-to-maturity investments	-	109,470	-	**109,470**
Debt securities classified as receivables	-	24,544	304,438	**328,982**
Total	-	134,014	1,625,071	**1,759,085**
Financial liabilities:				
Due to customers	-	2,176,810	-	**2,176,810**
Bonds payable	-	62,004	-	**62,004**
Total	**-**	**2,238,814**	**-**	**2,238,814**

UNIT: RMB Million

	The Bank			
	12/31/2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	1,549,679	**1,549,679**
Held-to-maturity investments	-	201,935	-	**201,935**
Debt securities classified as receivables	-	27,676	673,478	**701,154**
Total	-	229,611	2,223,157	**2,452,768**
Financial liabilities:				
Due to customers	-	2,273,859	-	**2,273,859**
Bonds payable	-	185,409	-	**185,409**
Total	**-**	**2,459,268**	**-**	**2,459,268**

UNIT: RMB Million

	The Bank			
	12/31/2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	**-**	**-**	**1,320,633**	**1,320,633**
Held-to-maturity investments	**-**	**109,470**	**-**	**109,470**
Debt securities classified as receivables	**-**	**24,579**	**301,904**	**326,483**
Total	**-**	**134,049**	**1,622,537**	**1,756,586**
Financial liabilities:				
Due to customers	**-**	**2,176,810**	**-**	**2,176,810**
Bonds payable	**-**	**62,004**	**-**	**62,004**
Total	**-**	**2,238,814**	**-**	**2,238,814**

Quantitative information of level 2, 3 at fair value:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2014	Fair value in 31/12/2013	Tech	Number
Loans and advances to customers	**1,549,578**	1,320,633	Discount cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	**201,935**	109,470	Discount cash flow method	Yield rate of bonds
Debt securities classified as receivables	**708,443**	328,982	Discount cash flow method	Default rate, loss given default, discount rate
Due to customers	**2,273,859**	2,176,810	Discount cash flow method	Market deposit rate
Bond Payable	**185,409**	62,004	Discount cash flow method	Yield rate of bonds
Total	**4,919,224**	**3,997,899**		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2014	Fair value in 31/12/2013	Tech	Number
Loans and advances to customers	**1,549,679**	1,320,633	Discount cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	**201,935**	109,470	Discount cash flow method	Yield rate of bonds
Debt securities classified as receivables	**701,154**	326,483	Discount cash flow method	Default rate, loss given default; discount rate
Due to customers	**2,273,859**	2,176,810	Discount cash flow method	Market deposit rate
Bond Payable	**185,409**	62,004	Discount cash flow method	Yield rate of bonds
Total	**4,912,036**	**3,995,400**		

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XV. NON-ADJUSTING EVENTS AFTER BALANCE SHEET

1. Hang Seng Bank Limited, one of the Bank's shareholder, transferred the Bank's tradable shares held by it through the Shanghai Stock Exchange block trading system on February 11\12, 2015, totaled 952,616,838 share, the transfer price is 13.36 RMB per share, representing 5.00% of the total number of ordinary shares of the Bank. After the changes in equity, Hang Seng Bank Limited held the Bank's tradable shares for 1,118,034,762 shares, representing 5.87% of the total number of ordinary shares of the Bank.

2. China Industrial International Trust Limited, one of the Group's subsidiaries, bought 40.3% stake of Industrial Futures Limited that held by Rong Shan Shanghai Industrial Co., Ltd. under China Securities Regulatory Commission's approval in February 2015, the transferring increased its stake to 70% and made it to be the controlling shareholder of Industrial Futures Limited, and the change of business registration is completed in Zhejiang Administration.

XVI. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 27 April 2015.

END OF FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

YEAR 2014

1. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of "Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 — Non-recurring Profit or Loss (2008)" (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

UNIT: RMB Million

	The Group	
	2014	2013
Gains and losses on the disposal of non-current assets	**83**	(28)
Government grants recognised in profit or loss	**379**	162
Recovery of assets written-off in previous years	**242**	113
Net non-operating income and expense in addition to the above	**(54)**	49
Subtotal	**650**	**296**
Impact on income tax expenses	**(172)**	(83)
Net earnings attributable to the parent company shareholders	**478**	213
Net earnings attributable to the parent company shareholders, after deduction of non-recurring gains and losses	**46,660**	40,998

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the company's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") does not include "investment income from financial assets designated as at fair value through profit or loss, financial liabilities designated as at fair value through profit or loss and available-for-sale financial assets" in non-recurring profit or loss.

2. Return on net assets and earnings per share ("EPS")

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

UNIT: RMB Million

	The Group	
	2014	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	**21.21**	2.47
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	**21.00**	2.45
	2013	
	Weighted average ROE (%)	Basic EPS (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	22.39	2.16
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	22.27	2.15

The Group has no diluted potential ordinary share.

3. Further Information of Changes in Accounting Policy

The Group changed the accounting policy and conducted retroactive restatement to the comparative financial statement based on Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments issued by the Ministry of Finance in 2014. The balance sheets of 01/01/2013 and 31/12/2013 after restatement are as follows:

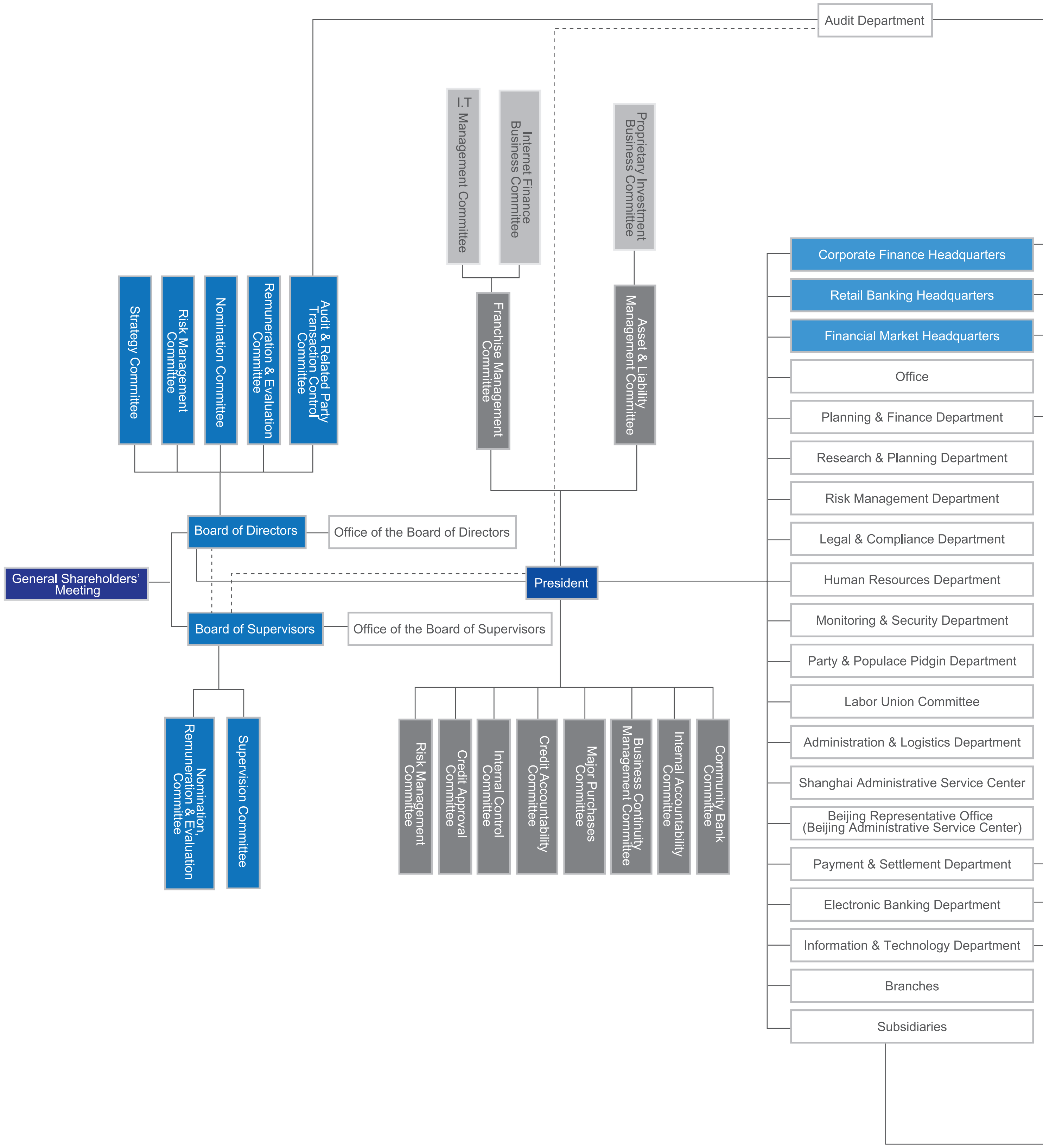
UNIT: RMB Million

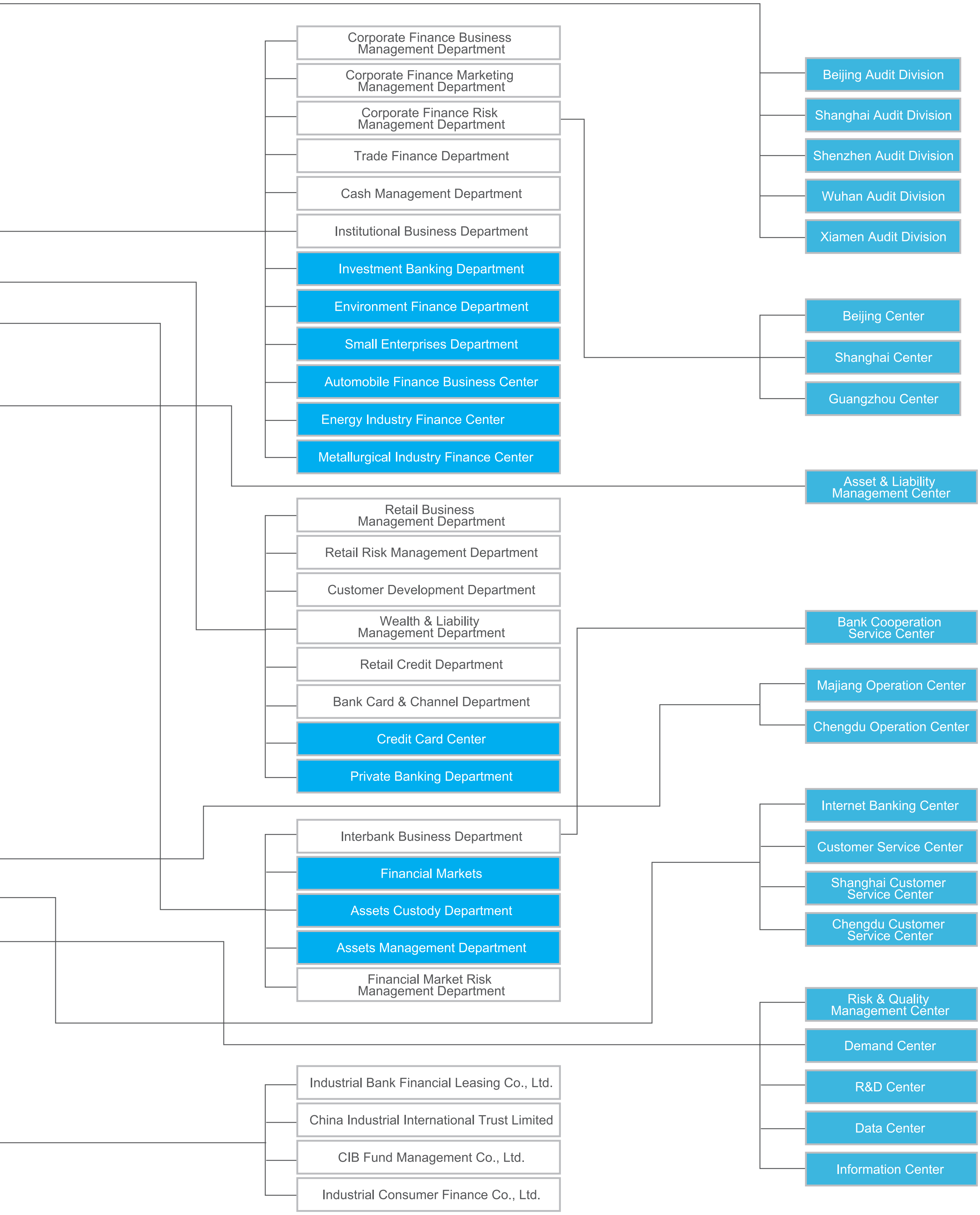
	The Group			The Bank		
	1/1/2013	12/31/2013	12/31/2014	1/1/2013	12/31/2013	12/31/2014
Assets						
Cash and balances with central bank	391,631	422,871	**491,169**	391,433	422,683	**491,047**
Due from banks and other financial institutions	164,642	62,845	**100,816**	164,633	62,313	**99,267**
Precious metals	4,976	276	**7,543**	4,976	276	**7,543**
Placements with banks and other financial institutions	214,812	87,091	**51,149**	214,812	87,177	**50,999**
Financial assets at fair value through profit or loss	21,540	42,295	**44,435**	21,540	42,267	**43,064**
Derivative financial assets	3,266	6,414	**5,142**	3,266	6,414	**5,142**
Financial assets held under resale agreements	792,797	921,090	**712,761**	792,797	921,090	**712,761**
Interest receivable	19,535	23,249	**24,760**	19,482	23,146	**24,601**
Loans and advances to customers	1,204,542	1,320,682	**1,549,252**	1,204,394	1,320,682	**1,549,353**
Available-for-sale financial assets	192,343	263,967	**408,066**	190,165	261,185	**404,574**
Held-to-maturity investments	69,199	117,655	**197,790**	69,199	117,655	**197,790**
Debt securities classified as receivables	111,360	329,497	**708,446**	110,178	326,963	**701,156**
Finance lease receivables	33,779	46,094	**58,254**	-	-	**-**
Long-term equity investments	1,208	1,396	**1,704**	7,451	9,581	**13,534**
Fixed assets	6,656	7,276	**9,916**	6,624	7,234	**9,866**
Construction in progress	2,731	3,481	**4,253**	2,731	3,476	**4,253**
Intangible assets	250	530	**492**	245	517	**480**
Goodwill	446	446	**446**	-	-	**-**
Deferred tax assets	4,936	10,107	**11,357**	4,796	9,830	**10,985**
Other assets	10,326	11,042	**18,648**	4,771	5,146	**5,507**
Total assets	**3,250,975**	**3,678,304**	**4,406,399**	**3,213,493**	**3,627,635**	**4,331,922**

UNIT: RMB Million

	The Group			The Bank		
	1/1/2013	12/31/2013	12/31/2014	1/1/2013	12/31/2013	12/31/2014
Liabilities						
Due to Central Bank	-	-	**30,000**	-	-	**30,000**
Due to banks and other financial institutions	894,436	1,007,544	**1,268,148**	895,490	1,009,420	**1,270,109**
Placements from banks and other financial institutions	88,389	78,272	**81,080**	57,679	40,627	**24,808**
Financial liabilities at fair value through profit or loss	-	1,216	**1,903**	-	1,216	**1,702**
Derivative financial liabilities	2,996	6,864	**4,498**	2,996	6,864	**4,498**
Financial assets sold under repurchase agreements	161,862	81,781	**98,571**	161,862	78,656	**98,052**
Due to customers	1,813,266	2,170,345	**2,267,780**	1,813,266	2,170,345	**2,267,780**
Employee benefits payable	7,435	9,213	**9,925**	7,243	8,862	**9,410**
Tax payable	9,556	12,103	**10,873**	9,309	11,753	**10,439**
Interest payable	18,895	26,317	**35,710**	18,629	26,098	**35,364**
Debt securities issued	68,969	67,901	**185,787**	68,969	67,901	**185,787**
Other liabilities	14,536	15,577	**151,028**	9,885	9,215	**141,175**
Total liabilities	**3,080,340**	**3,477,133**	**4,145,303**	**3,045,328**	**3,430,957**	**4,079,124**
Shareholders' equity						
Share capital	12,702	19,052	**19,052**	12,702	19,052	**19,052**
Other equity instruments	-	-	**12,958**	-	-	**12,958**
Including: preferred stock	-	-	**12,958**	-	-	**12,958**
Capital reserve	50,861	50,861	**50,861**	51,081	51,081	**51,081**
Other comprehensive income	(840)	(4,619)	**2,214**	(837)	(4,603)	**2,157**
Surplus reserve	6,648	9,824	**9,824**	6,648	9,824	**9,824**
General and regulatory reserve	29,623	32,283	**43,418**	28,923	31,325	**42,043**
Retained earnings	70,583	92,368	**119,607**	69,648	89,999	**115,683**
Equity attributable to equity holders of the Bank	169,577	199,769	**257,934**	168,165	196,678	**252,798**
Minority interests	1,058	1,402	**3,162**	-	-	**-**
Total shareholders' equity	**170,635**	**201,171**	**261,096**	**168,165**	**196,678**	**252,798**
Total liabilities and shareholders' equity	**3,250,975**	**3,678,304**	**4,406,399**	**3,213,493**	**3,627,635**	**4,331,922**

THE COMPANY'S ORGANIZATIONAL STRUCTURE




Corporate Finance Business Management Department
Corporate Finance Marketing Management Department
Corporate Finance Risk Management Department
Trade Finance Department
Cash Management Department
Institutional Business Department
Investment Banking Department
Environment Finance Department
Small Enterprises Department
Automobile Finance Business Center
Energy Industry Finance Center
Metallurgical Industry Finance Center
Retail Business Management Department
Retail Risk Management Department
Customer Development Department
Wealth & Liability Management Department
Retail Credit Department
Bank Card & Channel Department
Credit Card Center
Private Banking Department
Interbank Business Department
Financial Markets
Assets Custody Department
Assets Management Department
Financial Market Risk Management Department
Industrial Bank Financial Leasing Co., Ltd.
China Industrial International Trust Limited
CIB Fund Management Co., Ltd.
Industrial Consumer Finance Co., Ltd.
Beijing Audit Division
Shanghai Audit Division
Shenzhen Audit Division
Wuhan Audit Division
Xiamen Audit Division
Beijing Center
Shanghai Center
Guangzhou Center
Asset & Liability Management Center
Bank Cooperation Service Center
Majiang Operation Center
Chengdu Operation Center
Internet Banking Center
Customer Service Center
Shanghai Customer Service Center
Chengdu Customer Service Center
Risk & Quality Management Center
Demand Center
R&D Center
Data Center
Information Center

This annual report is printed on PEFC certified paper.

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

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