

2015

ANNUAL REPORT

THE FIRST EQUATOR BANK IN CHINA



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Chairman's Statement

The year 2015 witnessed the successful completion of this round of the five-year development plan. Over the past five years, facing the challenges including the slowdown in macro-economic growth, accelerated interest rate liberalization, cross-border competition format and intensified financial market fluctuation, the Company actively adapted to the new normal of economic development, and implemented forward-looking strategic deployment, flexibly grasped market opportunities and deepened reform and transformation by leveraging its market-oriented systems and mechanisms and team culture. Therefore, the Company achieved fruitful operating results.

Over the past five years, the industry position further improved with the key performance indicators doubled. As at the end of 2015, the Company's total assets, balance of deposits, balance of loans, equity interest attributable to the ordinary shareholders of the parent company amounted to RMB5.30 trillion, RMB2.48 trillion, RMB1.78 trillion, and RMB287.743 billion respectively, being 2.86 times, 2.19 times, 2.08 times, and 3.13 times of those of the end of 2010 respectively, enabling it to rank the top 10 Domestic Banks, Top 50 Global Banks, Top 500 World Enterprises, and take the 6th place in all Asian banks with regard to competitiveness of Asian banks. The Bank actively and fully disclosed risks. The balance of NPLs written off and transferred during the past five years accumulated to approximately RMB80 billion, and the NPL ratio at the end of 2015 was 1.46%. The assets quality was overall controllable. On that basis, net profit attributable to the shareholders of the parent company accumulated to approximately RMB200 billion, cash dividends distributed were over RMB40 billion, average rate of return on total assets was 1.17%, and average rate of return on net assets was 22.72% during the past five years. The Bank maintained a stable and sound financial position and won the award of the "Asian Bank Offering the Greatest Return to Shareholders".

Over the past five years, the position as a main banking group was established with the smooth progress of comprehensive operating layout. Following the establishment of Industrial Bank Financial Leasing Co., Ltd. in 2010, the Company merged Union Trust Limited and renamed it as China Industrial International Trust Limited in 2011, established CIB Fund Management Co., Ltd. in 2013, and Industrial Consumer Finance Co., Ltd. in 2014, and purchased Ningbo Shanli Futures Broker Co., Ltd. and renamed it as CIB Futures Co., Ltd. in 2014, established China Industry Digital Financial Service (Shanghai) Co., Ltd. and Industrial Economic Research and Consulting Co., Ltd. in 2015. Meanwhile, the Company constantly expanded its business scope via reinvestment of subsidiaries, and the Company has become one of the few domestic bank holding groups that possess full financial licenses. The Bank insisted on giving full play to the advantage of multi-license operation, and continued to expand the scope of the collaboration and linkage between parent company and subsidiaries and between subsidiaries, while enabling the the Group to improve its overall competition capability, customer service ability and business comprehensive revenue. Meanwhile, the Group won the "Annual Financial Holding Group Award 2015".

Over the past five years, the effectiveness of operational transformation gradually revealed with the consensus reached on capital saving concept. Adhering to the capital supplementation principle of "giving priority to internal accumulation with external sources as the supplement", the Company supplemented core tier one capital of over RMB150 billion by profit retention during the past five years. The Company further optimized shareholder structure and raised core tier one capital of RMB23.532 billion through private placement to shareholders including PICC and China National Tobacco Corporation. The Company actively carried out capital instrument innovation, became the first batch of preferred share pilot banks, raised tier one capital of RMB25.905 billion, and completed two supplementation of tier two capital of RMB30 billion in total, thereby promoting the sustainable and healthy development of its various businesses. At the end of 2015, the Company's net capital reached RMB383.504 billion, being 3.43 times of that of the end of 2010, with capital adequacy ratio of 11.19% and adequacy ratio of core tier one capital of 8.43%. The Company established the all-round and active capital management concept, promoted transformation of operation mode and cultivation of strategic key business through capital management, built characterized operation and differentiated competition advantages. Currently, the Company has become a mainstream competitor in the domestic urbanization finance, a pioneer in the green finance, a forerunner in the interbank business finance and an advocator of pension finance. Moreover, the Company took the lead in positioning itself for multiple markets, such as money market, capital market, precious metals market, foreign exchange market, and derivatives market, etc., thereby enjoying first-mover advantages.

Over the past five years, the reform of business governance system constantly deepened with the stable operation of corporate governance. The Company smoothly completed the work handover of the president and two terms of chairmen of the board of supervisors, appointed four new vice presidents, thereby realizing a stable transition of the senior management team while following its operation strategies. The Company successfully completed the changes of the 8th session of the board of directors and resign and addition of part of directors during such session, continued to strengthen the construction of professional ability and decision transmission mechanism of the board of directors, thereby enhancing the strategy management and control ability as well as strategy implementation ability. The Company was consecutively granted the "Award of the Board of Directors" by Shanghai Stock Exchange in 2011 and 2012. Based on the development trend of banking industry and actual conditions of the Company, the Company successfully implemented the professional reforms on corporate finance and financial market, further deepened the reform of retail finance and supporting reforms including the reform on risk management system, enabling the Bank at all levels to experience significant changes in the organization system and promotion mode of the operational management and further improve the professional operation ability, internal growth impetus and refined management level. The Company adapted to the reform requirements by establishing Hong Kong Branch, which is one essential step to international development. Meanwhile, the Company advanced stock network transformation and community bank construction after basically completing the deployment of nationwide network, accelerated integrated innovation of traditional physical channels and Internet channels, thereby further enhancing its specialized services capability.

Looking ahead into the "13th Five-Year", the development environment at home and abroad will remain complicated, the world economy recovery will be a tortuous process in profound adjustment, the domestic economy will deepen reform to realize a shift from old development momentum into the new one and the industry transformation and upgrading. The Company will proactively serve national strategies, insist on the overall direction of marketization, integration and internationalization, adapt to the new normal economy, integrate itself into new financial pattern, further emphasize soundness, innovation, coordination, refinement and reforms of systems and mechanisms, consolidate and expand the position and advantages of traditional businesses, and cultivate and expand emerging strategic business boundary and space, aiming to further enhance the overall strength of the Group, and create greater value for relevant stakeholders including customers, employees and shareholders.

Chairman:





Chairman:
Gao Jianping

President's Report

In 2015, domestic macro economy continued to slide, financial market fluctuated intensively, commercial banks faced great challenges in its operation and management. Facing the complex and severe business environment, and centering on operation targets determined by the board of directors at the beginning of the year, the Company flexibly adjusted its operating strategy, profoundly promoted reform and transformation, vigorously consolidated the development foundation, successfully withstood various internal and external tests, achieving operating results which are generally better than expected and successfully concluding this round of Five-year Plan. As at the end of the reporting period, the total assets of the Company reached RMB5,298.880 billion, up 20.25% from the beginning of the reporting period. Net profit attributable to shareholders of the parent company for the year reached RMB50.207 billion, representing a year-on-year increase of 6.51%. Sticking to broaden sources of income and reduce expenditure while strengthening cost control and management, the Company maintained a cost-to-income ratio at 21.59%, remaining at a relatively lower level within the industry. Influenced by the downturn of macro economy and risk disclosure of certain industries and areas, the assets quality decreased slightly, with the ratio of NPLs at the end of the reporting period standing at 1.46%, representing an increase of 0.36 percentage point as compared with the beginning of the reporting period. However, the overall assets quality remained reasonable and controllable. The Company increased provision, with provision impairment losses of assets made during the reporting period of RMB45.260 billion, representing a year-on-year increase of 74.72%, while provision coverage was adequate overall, with provision coverage ratio at 210.08%, and provision-to-loan ratio at 3.07%.

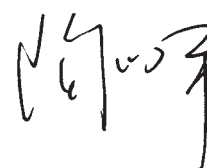
In 2015, the Company profoundly promoted group operations and further strengthened multi-market operation and comprehensive service capability. Industrial Economic Research and Consulting Co., Ltd. opened smoothly, CIB Digital Financial Service Co., Ltd. officially established, and the subsidiaries further diversified. The Company has become one of the domestic bank groups with most abundant financial license resources. Each subsidiary maintained a rapid business development, and the industrial position and profit contribution to the Group continued to increase. Supporting mechanisms such as examination and assessment further improved, and intra-group cooperation and linkage became smoother. Trans-department, trans-line, trans-institution, and trans-business segment cooperation and linkage have been more intimate and efficient, and cooperation and linkage between parent-subsidiary corporations and among subsidiaries continued to expand. The construction of core business cluster of the Group made significant achievement, and the business format of “sizeable investment, sizeable asset management and sizeable wealth management” further shaped.

In 2015, the Company persisted in promoting operational transformation and further optimized business development pattern. Basic services focusing on transaction banks achieved obvious progress. Cash management business basis was strengthened notably, cross-border settlement business recorded a stable growth, annual RMB and foreign currency cross-border settlement business volume reached a record high of USD122.394 billion. And The Company continued to develop and apply new type payment and settlement instruments including “Cloud Quick Pass”, inter-bank payroll service, online card settlement, electronic foreign exchange settlement and sale, thereby steadily promoting the competitiveness of its payment and settlement business. The Company vigorously developed direct banks, WeChat banks, and remote banks, and online and offline channel integration and linkage have been more efficient. Key businesses characterized by light capital and light assets maintained a good development momentum. The scale of the underwriting of debt issuing and financing instruments reached RMB384.245 billion, representing a year-on-year increase of 22.14%. Daily average stock balance of financial products reached RMB1,347.641 billion, representing a year-on-year increase of 60.27%. The scale of assets custody reached RMB7,213.948 billion, representing an increase of 52.64% as compared with the beginning of the reporting period. The volume of trade of futures exchanges was RMB1,912.499 billion, taking the lead in the market. The Company continued to explore and promote the innovative services taking the service of capital market as the primary orientation, and maintained a good development momentum in various businesses including industry funds, PPP business, perpetual capital securities, asset securitization, private placement of listed companies and financial consultancy.

In 2015, the Company steadily promoted various reforms, and further consolidated the foundation for development. The Company comprehensively deployed and deepened the reform of risk management systems and mechanisms, and orderly promoted the reform of the credit card operation and management systems and mechanisms, comprehensively optimized the labor organization mode of business halls, and further improved the reform of the franchised mechanism of the inter-bank business, thereby obviously enhancing the effectiveness of management. The Company spared no efforts to prevent and control non-performing assets, so as to achieve overall stable asset quality at all levels of the Bank. The Company continuously enhanced innovations in risk management mode and operation, and vigorously supported innovation business development. The Company solidly carried out the “two enhancements, two containment” and “looking back” special inspections, and profoundly carried out checking of employee behavior risk, thereby further improving the effectiveness of compliance internal control management. The Company continued to increase investment in information technology construction, explored the leading roles of applying science and technologies in the business development, and constantly improved the electronic, information and intelligent levels of the business operation.

Looking ahead into 2016, more uncertainties will continue to weigh on the world economy. Prominent contradictions and problems arising from the decline in domestic economic growth, industrial product price, entity enterprise profits, and fiscal revenue growth and increase of probability of occurrence of economic risk will continue, credit risk, exchange rate risk and interest rate risk faced by commercial banks will be likely to increase, and the operating pressure will further increase. Meanwhile, the advancement of structural reforms at the supply side, active capital market, development of new technologies and formats will also bring a lot of new structural opportunities, enabling commercial banks to have a large room to develop. Under the correct leadership of the board of directors and cares and support from all communities, the management of the Company will adhere to enhancing advantages while avoiding disadvantages, not only properly deal with impacts of a variety of risks, but also strive to grasp new market opportunities, aiming to achieve reasonable business growth, maintain overall stable asset quality and profitability in the new year, as well as create a good start for the new round of five-year development.

President:





President: Tao Yiping

IMPORTANT NOTICE

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

The Company's annual report 2015 and its abstract were reviewed and approved at the 18th meeting of the 8th session of the board of directors on April 27, 2016. 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. The monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's financial statements 2015 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 Tao Yiping and general manager of the financial department Li Jian hereby warrant that the financial statements in the annual report 2015 are true, accurate and complete.

The plan of dividends distribution for ordinary share for the reporting period considered by the board of directors: based on the total capital of 19,052,336,751 shares, cash dividend of RMB6.10 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: proposed dividends for preferred shares are RMB1.147 billion in total. Of which, the total nominal value of the preferred shares of "Industrial Bank P1" is RMB13 billion, the interest period was from January 1 to December 31, 2015, proposed dividends are RMB780 million with an annual dividend yield of 6%; the total nominal value of the preferred shares of "Industrial Bank P2" is RMB13 billion, the interest period was from June 24 to December 31, 2015, proposed dividends are RMB367 million with an annual dividend yield of 5.40%.

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

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

Honors and Awards 2015

According to the 2015 list of “Global 500 Companies” ranked by Fortune, a US magazine, the Company ranked No.271 in the list, moving up 67 positions over the last year. Meanwhile, the Company made its presence in the list of “Companies Moving Up Most Quickly”.



According to the list of “Top 1000 World Banks 2015” ranked by The Banker, a British magazine, the Company ranked No.36 in terms of Tier 1 capital and ranked No.3 of top 50 world banks in terms of “cost-to-income ratio” indicator.



According to the “List of Top 2000 World Enterprises 2015” ranked by Forbes, the US magazine, the Company ranked No.73.



According to the “List of Top 500 Banking Brands 2016” ranked by The Banker, a British magazine, the Company ranked No.36 with its brand value of USD6.455 billion, and ranked No.6 in the 2016 top 10 “Wholesale and Commercial Banking” in terms of brand value.



Mr. Gao Jianping, the Chairman of the Company, entered the list of “2015 China’s 50 Most Influential Business Leaders” of Fortune (Chinese version) again, becoming one of the youngest bankers selected for second consecutive year.



In the “2015 China Awards Programme” held by The Asian Banker, the Company won the “China’s Best Domestic Trade Finance Bank Award”, “China’s Best Retail Bank Outlets Innovation Award” and “Implementation Award of Anti-laundering Technology”.



In the “2015 Appraisal of Excellent Board of Directors in Chinese Listed Companies” organized by the 21st Century news groups, the Company won the “2015 Excellent Board of Directors in Chinese Listed Companies (Main Board)” award.



In the appraisal of “2014-2015 China Outstanding Finance Prize” sponsored by The Economic Observer, the Company was awarded “Annual Bank with Outstanding Cash Management”.



In the appraisal of the Listed Company Golden Bull Awards organized by China Securities Journal, the Company was among the “2014 Golden Bull Best Profitable Companies” and the “2014 Golden Bull Listed Company Top 100 List”.



In the “China Banking Development Forum 2015 and the Award Ceremony for the 3rd Comprehensive Appraisal of Banks” held by Sina Finance, the direct bank of the Company won the “Annual Best Direct Bank” Prize.



At the “2015 Annual (Seventh) Excellent Competitiveness Appraisal of Financial Institutions” organized by China Business Journal, the Bank won the “2015 Excellent Competitiveness of Supply Chain Financial Services Bank” award.



- In the “2015 Golden Tripod Award Appraisal” organized by National Business Daily, the “IB Dynamic” Credit Card won the “Best Financial Innovation” award.
- In the “2015 China Financial Institutions Gold Medal Standings·Golden Dragon Award” organized by Financial Times, the Bank won the “Annual Best Inclusive Finance Bank” award.
- In the “Ninth Annual Conference of Institutional Investors and Golden Cicada Award Appraisal” of China Times, the Company won the “2015 Annual Financial Holding Group” award.
- In the “Public Benefit Festival of Chinese Social Responsibility 2015” organized by the Xinhua.com, the Company won the “2015 China Green Social Responsibility Award”.
- In the “2015 First Financial Value List (CFV)” Appraisal organized by China Business News, the Bank won the “Annual Best Custodian Bank” award.
- According to the 2015 Asian Bank Competitiveness Ranking Report, among more than 130 banks in 10 countries and regions in Asia, the Company ranked sixth in terms of competitiveness, topping domestic joint-stock banks, and won the “Asia’s Bank Offering Best Returns to Shareholders” award consecutively.
- On the release of “2014 CSR Report for Chinese Banking Industry” and the Commendation Conference of Corporate Social Responsibility sponsored by the China Banking Association, the Company won “Annual Best Corporate Social Responsibility Institution Award”, “Annual Best Green Finance Award”, and “Annual Best Corporate Social Responsibility Manager Award”.
- In the appraisal of “2015 China Financial Innovation Prize”, co-sponsored by The Banker and Financial Products Center of Institute of Finance and Banking, CASS, the Company won the “Best Financial Brand Innovation Prize”, and the “QianDa Money Manager” won the “Best 10 Internet Financial Innovation Prize”.
- The “Qianda Money Manager” product won the prize of “China’s Most Popular Internet Financial Platform 2015” in the “Appraisal of Innovation in Internet Finance 2015” held by the Securities Times.
- In the “2015 Appraisal of Excellent Board of Directors in Chinese Listed Companies” organized by the 21st Century news groups, the Company won the “2015 Excellent Board of Directors in Chinese Listed Companies (Main Board)” award.
- In the “2015 Piloting China’s Financial Industry Annual Appraisal” organized by jrj.com, the Bank was awarded the “Outstanding Chinese-funded Bank”, “Outstanding Retail Bank”, “Outstanding Direct Bank” and “Outstanding Credit Card Brand”.



DEFINITIONS

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

Industrial Bank / the Company	Industrial Bank Co., Ltd.
Central Bank	The People's Bank of China
CSRC	China Securities Regulatory Commission
CSRC Fujian Bureau	Fujian Bureau under China Securities Regulatory Commission
CBRC	China Banking Regulatory Commission
CBRC Fujian Bureau	Fujian Bureau under China Banking Regulatory Commission
Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Industrial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
IERCC	Industrial Economic Research and Consulting Co., Ltd.
New capital requirements	being measured in accordance with the Capital Rules for Commercial Banks (Provisional) (Implemented from 2013) of CBRC
Yuan	RMB Yuan

CORPORATE PROFILE AND KEY FINANCIAL INDICATORS



I. Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

Legal representative: Gao Jianping

Secretary of the board of directors: Chen Xinjian

Representative of securities affairs: Chen Zhiwei

Address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Tel: (86) 591-87824863

Fax: (86) 591-87842633

Email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Office address: 154 Hudong Road, Fuzhou, PRC

Postcode: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure:

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

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

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

Company stock brief introduction:

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

Other related information:

Certified public accountants firm engaged by the Company: Deloitte Touche

Tohatsu Certified Public Accountants LLP

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

Names of the signing accountants: Shen Xiaohong, Zhang Hua

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

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

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

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

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

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

(1) Key accounting data and financial indicators

Unit: RMB million

Item	2015	2014	Increase/decrease in 2015 compared with 2014 (%)	2013
Operating income	154,348	124,898	23.58	109,287
Profit before tax	63,244	60,598	4.37	54,261
Net profit attributable to the shareholders of the parent company	50,207	47,138	6.51	41,211
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	49,493	46,660	6.07	40,998
Basic EPS (RMB)	2.63	2.47	6.48	2.16
Diluted EPS (RMB)	2.63	2.47	6.48	2.16
Basic EPS, after deduction of non-recurring gains and losses (RMB)	2.60	2.45	6.12	2.15
ROA (%)	1.04	1.18	Down 0.14 percentage point	1.20
Weighted average ROE (%)	18.89	21.21	Down 2.23 percentage points	22.39
Weighted average ROE, after deduction of non-recurring gains and losses (%)	18.63	21.00	Down 2.37 percentage points	22.27
Cost-to-income ratio (%)	21.59	23.78	Down 2.19 percentage points	26.71
Net cash flow from operating activities	818,693	682,060	20.03	209,119
Net cash flow per share from operating activities (RMB)	42.97	35.80	20.03	10.98
	December 31, 2015	December 31, 2014	Increase/decrease at the end of 2015 compared with the end of 2014 (%)	December 31, 2013
Total assets	5,298,880	4,406,399	20.25	3,678,304
Shareholders' equity attributable to the shareholders of the parent company	313,648	257,934	21.60	199,769
Shareholders' equity attributable to the ordinary shareholders of the parent company	287,743	244,976	17.46	199,769
Total number of ordinary shares at the end of 2015	19,052	19,052	-	19,052
Net assets per share attributable to the shareholders of the parent company (RMB)	15.10	12.86	17.46	10.49
NPL ratio (%)	1.46	1.10	Up 0.36 percentage point	0.76
Provision coverage ratio (%)	210.08	250.21	Down 40.13 percentage points	352.10
Provision-to-loan ratio (%)	3.07	2.76	Up 0.31 percentage point	2.68

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

2. As at the end of 2015, the Company issued an aggregate of RMB26 billion preferred shares (Industrial Bank P1 and Industrial Bank P2) with non-cumulative dividends. The dividends of the preferred shares for 2015 have not yet been distributed, which will be distributed after approval by the general meeting.

(2) 2015 quarterly financial data

Unit: RMB million

	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	34,207	38,051	40,096	41,994
Net profit attributable to the shareholders of the listed company	14,790	12,954	13,477	8,986
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	14,686	12,822	13,281	8,704
Net cash flow from operating activities	(53,728)	734,467	(73,713)	211,667

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

Unit: RMB million

Item	2015	2014	2013
Gains and losses on the disposal of non-current assets	9	83	(28)
Government grants recognized in profit or loss	334	379	162
Write-back of assets written-off in previous years	531	242	113
Net non-operating income and expense in addition to the above	91	(54)	49
Impact on income tax	(252)	(172)	(83)
Total	713	478	213
Non-recurring gains and losses attributable to the shareholders of the parent company	714	478	213
Non-recurring gains and losses attributable to minority shareholders	(1)	-	-

(4) Supplementary financial data

Unit: RMB million

Item	December 31, 2015	December 31, 2014	December 31, 2013
Total liabilities	4,981,503	4,145,303	3,477,133
Placements from banks and other financial institutions	103,672	81,080	78,272
Total deposits	2,483,923	2,267,780	2,170,345
Incl: Demand deposits	1,063,243	948,425	907,078
Time deposits	1,149,101	1,053,728	979,043
Other deposits	271,579	265,627	284,224
Total loans	1,779,408	1,593,148	1,357,057
Incl: Corporate loans	1,197,627	1,179,708	988,808
Individual loans	511,906	385,950	353,644
Discounted bills	69,875	27,490	14,605
Loan loss provisions	54,586	43,896	36,375

(5) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2015	December 31, 2014	December 31, 2013
Net capital	383,504	328,767	250,183
Incl: Core tier one capital	289,769	246,484	201,153
Other tier one capita	25,909	12,958	-
Tier two capital	69,420	69,933	50,663
Deductions	1,594	608	1,633
Total risk weighted assets	3,427,649	2,911,125	2,310,471
Capital adequacy ratio (%)	11.19	11.29	10.83
Tier one capital adequacy ratio (%)	9.19	8.89	8.68
Core tier one capital adequacy ratio (%)	8.43	8.45	8.68

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

(6) Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2015	December 31, 2014	December 31, 2013
Loan-to-deposit ratio (converted to RMB)	≤75	67.62	64.76	61.95
Liquidity ratio (converted to RMB)	≥25	56.80	41.59	35.79
Proportion of loans to the largest single borrower	≤10	2.11	8.26	7.06
Proportion of loans to the top ten borrowers	≤50	12.62	20.44	23.72
Migration ratio of pass loans	-	3.69	2.33	1.20
Migration ratio of special mention loans	-	52.96	42.16	30.48
Migration ratio of substandard loans	-	87.33	93.77	97.63
Migration ratio of doubtful loans	-	35.92	20.53	30.41

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

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

3. 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.

(7) 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	12,947	-	25,905
Capital reserve	50,861	-	-	50,861
Other comprehensive income	2,214	3,471	-	5,685
General reserve	43,418	17,247	-	60,665
Surplus reserve	9,824	-	-	9,824
Undistributed earnings	119,607	50,207	(28,158)	141,656
Shareholders' equity attributable to the shareholders of the parent company	257,934	83,872	(28,158)	313,648

(8) Items measured at fair value

Unit: RMB million

Item	December 31, 2014	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, 2015
Financial assets at fair value through profit or loss	44,435	(109)	-	-	128,685
Precious metals	7,456	(1,311)	-	-	41,964
Derivative financial assets	5,142	2,781	-	-	13,933
Derivative financial liabilities	4,498		-	-	10,563
Available-for-sale financial assets	407,752		7,699	1,095	426,304
Financial liabilities at fair value through profit or loss	1,903	17		-	1

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 increased, 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 at fair value in domestic precious metals spot trading at the end of the reporting period increased by RMB34.508 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 market movement and analysis of the inter-bank market liquidity.

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



I. Main Businesses and Operation Mode of the Company and Conditions of the Industry

(I) Main businesses and operation mode

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on Shanghai Stock Exchange, and has now developed into a national joint-stock commercial bank with sound governance, distinct characteristics and good service, ranking top 50 banks worldwide.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; inter-bank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other banking activities approved by the CBRC. The Company has established 119 branches and 1,787 outlets in major cities across the country and has established correspondent bank relationships with more than 1,500 banks worldwide. The Bank has established an online banking platform "Online IB", a telephone banking platform "95561", a mobile banking system "Wireless IB" and the Direct Banking platform. The Company constantly improves its service network combining virtuality and reality, covering China and connecting domestic and overseas market.

For over 20 years since its establishment, the Company has been advocating the business philosophy of "Growing Together with Sincere Service" and endeavoring to offer comprehensive, top-quality, and high-efficient financial services for customers. Its main businesses are divided into three segments, namely corporate finance, retail banking and financial market. Corporate finance business includes corporate deposit and loan business, investment banking, trade financing, cash management, environment finance, small enterprise business and institutional business, etc. Retail banking business includes retail banking business, credit card business and private banking business etc. Financial market business includes interbank business, treasury business, assets management and assets custody, etc.

The Company actively promotes business transformation, consolidates and strengthens basic business focusing on transaction banks. Adhering to the development direction of "sizeable investment, sizeable wealth management and sizeable asset management" and accelerated the development of key businesses featuring light asset and light capital and persistently explored innovative business with serving the capital market as the main direction. The Company constantly deepens reform on risk management systems and mechanisms, improves the effectiveness of compliance, internal control and operational risk management and strives to maintain the overall steadiness of the quality of assets, and provides strong support for innovation in business development. The Company continues to work hard on establishing a group, constantly enhances the group-oriented layout, and improves market-oriented operation and comprehensive service capability, enabling it to become one of the bank groups with the most abundant financial licenses resource in China.

(II) Conditions of the industry and development trend

Under the new normal of domestic economy, the development of banking industry in China is entering a new stage. Specifically speaking, the impetus of economic growth is changing, economic growth is slowing down, and the operation performance of commercial banks has switched from high-speed growth to low and medium speed growth.

Adjustment of economic structure continues, exposure of credit risk intensifies and quality of assets of commercial banks continues to drop. Financial disintermediation is becoming increasingly fierce with the basic completion of the reform of interest rate liberation, cross-boundary competition is turning intensified with the opening of industry access, and pressures on bank operation is increasing. Faced with the changes of situation, commercial banks accelerated operation transformation and accelerated providing better service to the general public of traditional business and made efforts to promote such emerging businesses as investment bank, asset management, wealth management, custody and fortune management. Steady progress has been made in integration, group-oriented layout and internationalization of finance, and main commercial banks formed different types of financial holding groups. In the future, it will be the theme for commercial banks to strengthen risk disposal, implement innovation and deepen transformation for a certain period of time. The Company will change in accordance with the situation, make the best use of its advantages and bypass the disadvantages, study and learn from the advanced experience of market and plan in advance to circumvent the main risks, and it will take the development opportunity to explore and stick to the sustainable development path with its own characteristics.

II. Explanation on Major Changes of Main Assets during the Reporting Period

As at the end of the reporting period, the total assets of the Company stood at RMB5,298.880 billion, up 20.25% from the figure at the beginning of the period, of which loans increased by 11.69% from the figure at the beginning of the period; financial assets held under resale agreements decreased by 68.30% compared with the figure at the beginning of the period; and various net investments were up by 91.04% compared with the figure at the beginning of the period. Refer to “Analysis of Balance Sheets” as discussed and analyzed in Chapter IV Management Discussion and Analysis.

III. Analysis of Core Competitiveness

By actively implementing the macroeconomic policies and financial regulation requirements, the Company has been persisting in giving development as its priority, taking transformation as the core line and reform as the fundamental impetus, and building itself into a “mainstream banking group with sound foundation, coordinated structure, prominent professionalism, vivid distinctiveness, solid strength, and full accountability”, thereby constantly improving its competitiveness.

Promoting standardized operation of the Company by improving governing structure. Since its establishment, the Company has been constantly improving its system and mechanism structure in accordance with market-oriented operation mechanism, improving the internal operation efficiency by standardized operation and scientific management, thereby forming a standardized company structure with efficient management and differentiated specialties. On the basis of giving full play to the system advantage of head office, branches and sub-branches while adhering to being customer-oriented, the Company has gradually established various business handling centers or management centers by promoting its operation management to be close to the market and to the customers, according to the principle of layering, professionalization and centralization as well as separation of front-, middle- and back-office. The Company has also established a matrix management mode by promoting dual-line operation according to the direction of gradually forming business departments by business lines. Based on the existing management of assets and liabilities, comprehensive operation plan, risks and internal control of modern commercial banks, the Company has reorganized its flow process and restructured its systems, constantly deepened reform on operation management systems and mechanisms and accelerated operation transformation to hold a high ground in modern bank competition and constantly stimulate vigorous operation energy.

Creating brand products and holding an advantageous position in the industry by business innovation. The Company has been engaged in financial market for many years and has been well-known for its prominent innovation capability and accurate forward-looking judgment. The Company has taken a leading position in innovation in many segmented

business areas and opens its own “blue ocean”, with distinct operation characteristics. The Company has built the entire Industrial Bank brand by business innovation and established a well-recognized product and service brand system. A bath of products and service brands including “Natural Life”, “Enjoyable Life”, “Universal Life”, “IB Business Express”, “IB Fortune Star”, “Industrial Bank Sesame Blooming”, “Green Finance”, “the Equator Principles”, “Bank-to-Bank Platform”, “E-banking”, “Hotline IB”, “QianDa Money Manager” and “Direct Banking” are widely recognized in the domestic financial market. The Company followed the market development trend, made great efforts in creating “one body and two wings” specialized service system, centralized the resource advantages of the group and focusing on urbanization financial business, environment finance business, pension finance business, comprehensive services business for small and medium banking institutions and non-bank financial institutions, direct financing business in capital market, investment and custody business of assets management and transaction banking business, it created a financial product system with clear positioning, distinct characteristics, outstanding advantages and complete functions, forming advantageous brand and product cluster with the characteristics of the group.

Promoting business transformation by comprehensive operation. The Company has been persisting in the multi-market, multi-product and comprehensive development path and actively creating its capability of financial services for multi-market. It has formed a relatively complete business system covering interbank business, capital trading, assets management and assets custody, and has taken the lead in planning its business in the monetary market, capital market, bond market, inter-bank market, non-bank financial institution market, precious metals, foreign exchange and derivative products trading. Through the comprehensive layout of recent years, the Company has been transformed from a single bank to “a modern comprehensive financial service group with banking business as the core, covering business areas including trust, leasing, funds, futures, asset management, internet finance and research and consultation”. The Hong Kong branch was officially opened in 2014, marking a key step for the internationalization strategies of the Company. Relying on linkage between investment and loan, linkage between business in and outside the statements, linkage between parent company and subsidiaries, the Company has met the diversified financial service demand of customers, and the business coordination and linkage development capability between branches and subsidiaries both at home and abroad has been constantly improved.

Promoting continuous improvement of operation supporting capability by science and technology. “Building the Bank through Science and Technology” is listed as one of the key strategies for the banking operation. The Company valued tracing and grasped the development trend of modern financial technology. It increased investment in science and technology to promote innovation in financial technologies and constantly improve the technological content of financial service. The Company is among the first batch of banks building modern management systems in accordance with the process bank concept, and its centralized back office operation system holds a leading position in the industry. The core production system construction of the Company 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 center, 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, such as key information system availability and gold card system transaction success rate, have been among the best in the industry over the years.

Creating soft competitive power by the pragmatic and dedicated corporate culture. To fulfill the enterprise mission of “Sincere Win-Win Service”, adhering to the core value of “Ration, Innovation, People First and Sharing” and the operation policy of “operating in accordance with law, steady operation and civilized operation”, the Company implements the strategy of strict banking operation, banking operation by experts, developing bank by science and technology and banking establishment by service, upholds the corporate spirits of “Pragmatism, Professional Dedication, Entrepreneurship and Teamwork”, gradually builds a simple and harmonious “home culture”, a prudent and sound “risk culture”, a hard-working “diligence culture” and a sincere win-win “service culture”, thereby forming strong soft competitive power and improving internal management level in all aspects, effectively improving core competitiveness and promoting the healthy development of all undertakings.



From left to right:

Vice president: Xue Hefeng

Director and vice president: Chen Xinjian

President: Tao Yiping

Vice president: Li Weimin

Vice president: Chen Jinguang



I. Situation of major operations during the reporting period

(I) Overview

1. Overall operations

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

(1) The scale of business steadily and healthily increased. As at the end of the reporting period, the total assets of the Company reached RMB5,298.880 billion, representing an increase of 20.25% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency deposit was RMB2,483.923 billion, representing an increase of 9.53% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency loan reached RMB1,779.408 billion, representing an increase of 11.69% from the figure at the beginning of the reporting period.

(2) Profitability capability maintained relatively good status. During the reporting period, the realized operating income was RMB154.348 billion, up 23.58% year-on-year, of which fee and commission income reached RMB33.592 billion, up 18.23% year-on-year. Net profit attributable to the shareholders of the parent company for the whole year reached RMB50.207 billion, representing a year-on-year increase of 6.51%. During the reporting period, weighted average net assets returns ratio were 18.89%, representing a year-on-year decrease of 2.32 percentage points, total return on assets reached 1.04%, representing a year-on-year decrease of 0.14 percentage point.

(3) The quality of assets was controllable overall. As at the end of the reporting period, the balance of non-performing loans of the Company was RMB25.983 billion, up RMB8.439 billion; the ratio of non-performing loans standing at 1.46%, representing an increase of 0.36 percentage point from the figure at the beginning of the reporting period. During the reporting period, the provision-to-loan ratio was 3.07% at the end of the reporting period, and the provision coverage ratio was 210.08%.

(4) Market status and brand image were continuously enhanced. The Company continued to be among the top 50 world banks, global 500 companies, and top 150 listed world enterprises with rankings steadily climbing. Over the past year, the Company won honors including the “Annual Financial Holding Group Award 2015”, “The Most Influential National Bank”, “Asian Bank Offering the Greatest Return to Shareholders”, “The Best Green Bank Award” in a series of appraisal activities of authorities both at home and abroad.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB154.348 billion, and its operating profit was RMB62.810 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	55,861	95.92	31,871	87.04
Fujian	16,229	1.30	1,988	(72.92)
Beijing	7,465	(2.82)	2,781	(45.52)
Shanghai	8,226	5.66	5,658	24.98
Guangdong	9,184	(4.18)	(540)	(117.87)
Zhejiang	5,811	9.72	1,259	418.11
Jiangsu	6,930	18.81	3,258	14.96
Northeast and other regions	15,017	3.20	5,672	(20.03)
Western China	15,146	3.72	5,931	(26.89)
Central China	14,479	(3.66)	4,932	1.17
Total	154,348	23.58	62,810	4.35

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

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	101,750	34.86	8.95
Interest income from placements	2,095	0.72	(54.90)
Interest income from amount due from the Central Bank	6,497	2.23	4.71
Interest income from amount due from banks and other financial institutions	3,894	1.33	(18.57)
Interest income from financial assets held under resale agreements	27,382	9.38	(51.39)
Gain and loss, and interest income from investment	111,501	38.20	124.27
Fee and commission income	33,592	11.51	18.23
Interest income from financing lease	5,367	1.84	33.14
Other income	(190)	(0.07)	(107.30)
Total	291,888	100	16.70

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2015	December 31, 2014	Increase/decrease over previous year-end (%)	Brief description
Total assets	5,298,880	4,406,399	20.25	Steady and healthy growth of various asset businesses
Total liabilities	4,981,503	4,145,303	20.17	Steady and healthy growth of various liability businesses
Shareholders' equity attributable to the shareholders of the parent company	313,648	257,934	21.60	Transfer of the net profit earned in the current period and issuance of preferred shares
Item	2015	2014	Increase/decrease over previous year-end (%)	Brief description
Net profit attributable to the shareholders of the parent company	50,207	47,138	6.51	Stable interest margin, growth in daily average interest-bearing assets; growth in fee and commission income and cost-to-income ratio maintained at a low level
Weighted average ROE (%)	18.89	21.21	Down 2.32 percentage points	Due to the retained profits and increased change in fair value of available-for-sale financial assets, the growth in net profit was slower than the growth in weighted net assets
Net cash flow from operating activities	818,693	682,060	20.03	Optimize business structure, leading to healthy and steady growth in various businesses and increase in investment allocation by sizing market opportunity

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

Unit: RMB million

Main accounting item	December 31, 2015	December 31, 2014	Increase/decrease over previous year- end (%)	Brief description
Amount due from banks and other financial institutions	42,347	100,816	(58.00)	Adjustment to assets allocation, leading to decrease in the balance of amount due from banks and other financial institutions
Precious metals	42,010	7,543	456.94	Increased position of precious metals
Financial assets at fair value through profit or loss	128,685	44,435	189.60	Increased monetary fund investment
Financial assets held under resale agreements	225,924	712,761	(68.30)	Decreased bills under repurchase agreements, trusts and other beneficial interests
Investment in accounts receivable	1,834,906	708,446	159.00	Increased various receivable wealth management products, trusts and other beneficial interests
Other assets	47,351	18,648	153.92	Increased pending settlement payments and prepaid payment for financial leasing assets of Industrial Bank Financial Leasing, a subsidiary of the Company
Borrowings from the Central Bank	67,700	30,000	125.67	Increased borrowings from the Central Bank
Due to banks and other financial institutions	1,765,713	1,268,148	39.24	Increased deposits at non-banking financial institutions
Financial assets sold under repurchase agreements	48,016	98,571	(51.29)	Decreased bonds and bills sold under repurchase agreements
Debt securities issued	414,834	185,787	123.28	Issuance of capital bonds and deposit receipt from banks
Other liabilities	28,574	151,028	(81.08)	Decreased pending settlement payments
Preferred shares	25,905	12,958	99.92	Issuance of the second tranche of preferred shares
Other comprehensive income	5,685	2,214	156.78	Increased the balance of available-for-sale fair value included in capital reserve
General and regulatory reserve	60,665	43,418	39.72	Appropriations to general and regulatory reserve

Main accounting item	2015	2014	Increase/decrease over previous year (%)	Brief description
Investment (losses) gains	3,482	(96)	Negative in the same period of last year	Being highly interrelated, the overall gains of these three items after consolidation amounted to RMB2.010 billion, down by 9.74%
Gains (losses) from change in fair value	1,378	1,631	(15.51)	
Foreign exchange gains	(2,850)	692	(511.85)	
Business tax and surcharges	12,955	9,105	42.28	Business growth, the business tax and additional increases accordingly
Impairment losses of assets	45,260	25,904	74.72	Increased provision being made and growth in impairment losses of loans and investments
Other comprehensive income	3,466	6,859	(49.47)	The gains from the changing of available-for-sale fair value reduced during the reporting period

(II) Analysis of the balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Company stood at RMB5,298.880 billion, up 20.25% from the figure at the beginning of the period, of which loans increased by RMB186.260 billion or 11.69% from the figure at the beginning of the period; financial assets held under resale agreements decreased by RMB486.837 billion or 68.30% compared with the figure at the beginning of the period; and various net investments increased by RMB1,238.504 billion or 91.04% compared with the figure at the beginning of the period. The composition of the total assets of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2015		December 31, 2014	
	Balance	Percentage(%)	Balance	Percentage(%)
Net loans and advances to customers	1,724,822	32.55	1,549,252	35.16
Investment ^{note (1)}	2,598,945	49.05	1,360,441	30.87
Financial assets held under resale agreements	225,924	4.26	712,761	16.18
Finance lease receivables	74,146	1.40	58,254	1.32
Due from banks	42,347	0.80	100,816	2.29
Placements with banks and other financial institutions	56,336	1.06	51,149	1.16
Cash and balances with central bank	417,911	7.89	491,169	11.15
Other ^{note (2)}	158,449	2.99	82,557	1.87
Total	5,298,880	100	4,406,399	100

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

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

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2015	December 31, 2014
Corporate loans	1,197,627	1,179,708
Personal loans	511,906	385,950
Discounted bills	69,875	27,490
Total	1,779,408	1,593,148

As at the end of the reporting period, the proportion of corporate loans was 67.30%, down 6.74 percentage points from the figure at the beginning of the period. The proportion of personal loans increased by 4.54 percentage points to 28.77%, and the proportion of discounted bills increased by 2.20 percentage points to 3.93%, compared with that at the beginning of the period. The Company proactively dealt with the new normal economy and new financial pattern, adhered to the main principles of stabilizing development, ensuring safety, and promoting transformation” in its work, rationally coordinated the goals in relation to “scale, quality and efficiency” , flexibly adjusted the business strategy, further deepened reform and transformation, vigorously developed and consolidated the foundation for development, rationally determined the direction and tempo for credit grant, so as to maintain a steady and balanced development of 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 water conservation, environment and public facility administration. The details on distribution by industry are set out as follows:

Unit: RMB million

Industry	December 31, 2015			December 31, 2014		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	6,407	0.36	2.09	5,751	0.36	0.00
Mining	66,930	3.76	1.68	53,743	3.37	0.93
Manufacturing	295,358	16.60	2.95	293,739	18.44	2.29
Production and supply of power, heat, gas and water	53,808	3.02	0.02	47,638	2.99	0.01
Construction	73,226	4.12	1.10	80,352	5.04	0.28
Transportation, logistics and postal service	60,575	3.40	0.64	56,777	3.56	0.02
Information transmission, software and IT service	8,782	0.49	0.83	8,172	0.51	1.03
Wholesale and retail	205,299	11.54	4.63	239,606	15.04	2.63
Accommodation and catering	5,572	0.31	1.90	5,586	0.35	0.69
Finance	7,058	0.40	0.56	3,808	0.24	0.01
Real estate	201,366	11.32	0.02	189,843	11.92	0.00
Leasing and commercial services	90,505	5.09	0.42	88,290	5.54	0.40
Scientific research and technical service	4,735	0.27	5.26	4,633	0.29	4.24
Water conservation, environment and public facility administration	92,518	5.20	0.00	79,168	4.97	0.06
Residential services, repair and other related services	1,511	0.08	0.75	2,173	0.13	0.04
Education	2,788	0.16	0.07	2,178	0.14	0.09
Sanitation and social services	9,517	0.53	0.11	5,535	0.35	0.00
Culture, sporting and entertainment	5,730	0.32	0.00	4,072	0.26	0.00
Public administration, social security and social organizations	5,942	0.33	0.00	8,644	0.54	0.00
Personal loans	511,906	28.77	0.86	385,950	24.23	0.79
Discounted bills	69,875	3.93	0.00	27,490	1.73	0.00
Total	1,779,408	100	1.46	1,593,148	100	1.10

Following the principle of “risk controllable, resource conservation and sustainable development”, the Company promoted the reasonable arrangement and balanced development of credit resources in the industry, customers, products, etc., continuously executed the “protected, controlled and stressful” difference loan policy, speeded up the development of small and medium-sized, micro and retail businesses under the premise of meeting access conditions and effectively controlling risks, fully uncovered business opportunities in free trade zones, industrial parks, reform test areas and other areas with special support policies granted by the country, increased support for environmental protection, medical care, education, tourism, communications and other weak periodic and green finance, and people’s livelihood consumption industries, effectively compressed and withdrew backward productivity projects, and continuously adjusted and optimized the credit asset structure.

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 macroeconomic growth, the adjustment of industrial structure and the decrease in market demand. Certain enterprises suffered from operation difficulty and decrease of repayment ability, 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, 2015		December 31, 2014	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	90,589	5.09	81,928	5.14
Fujian	251,630	14.14	235,059	14.75
Guangdong	174,734	9.82	163,696	10.28
Jiangsu	133,444	7.50	107,073	6.72
Zhejiang	122,778	6.90	118,680	7.45
Shanghai	99,581	5.60	99,549	6.25
Beijing	95,586	5.37	97,591	6.13
Northeast and other regions	237,929	13.37	197,426	12.38
Western China	277,343	15.59	235,395	14.78
Central China	295,794	16.62	256,751	16.12
Total	1,779,408	100	1,593,148	100

The Company’s loan distribution by geographical region remained stable. The Company encouraged each branch combining the national regional development strategy by executing the regional differential policy of “help and control”, gave full play to the regional comparative advantage, formulated credit policy with regional characteristics, adjusted and optimized regional credit structure under the unified credit policy of head office, according to comprehensive factors including the characters of region, industry ecology, industrial structure and credit environment.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2015		December 31, 2014	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	309,261	17.38	281,107	17.65
Guaranteed loans	401,035	22.54	382,267	23.99
Secured by mortgage	826,016	46.42	712,332	44.71
Secured by collateral	173,221	9.73	189,952	11.92
Discounted bills	69,875	3.93	27,490	1.73
Total	1,779,408	100	1,593,148	100

As at the end of the reporting period, the proportion of the Company's unsecured loans decreased by 0.27 percentage point as compared with the figure at the beginning of the period; the proportion of guaranteed loans decreased by 1.45 percentage points as compared with that at the beginning of the period; the proportion of loans secured by mortgage and collateral decreased by 0.48 percentage point as compared with the figure at the beginning of the period, while the proportion of loans secured by discounted bills increased by 2.20 percentage points as compared with the figure at the beginning of the period.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2015	Percentage in total loans (%)
Customer A	7,600	0.43
Customer B	5,285	0.30
Customer C	4,932	0.28
Customer D	4,594	0.26
Customer E	4,426	0.25
Customer F	4,236	0.24
Customer G	4,000	0.22
Customer H	3,529	0.20
Customer I	3,500	0.20
Customer J	3,410	0.19
Total	45,512	2.56

As at the end of the reporting period, the loan balance of the Company's largest single borrower was RMB7,600 million, accounting for 2.11% 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, 2015			December 31, 2014		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	298,309	58.27	0.34	198,769	51.50	0.32
Personal business loans	67,216	13.13	2.17	72,879	18.88	1.61
Credit cards	77,960	15.23	1.53	66,364	17.20	1.59
Others	68,421	13.37	1.08	47,938	12.42	0.41
Total	511,906	100	0.86	385,950	100	0.79

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

The Company continued to strengthen risk prevention and control of personal loan business. Firstly, the Company strengthened pre-control and post-evaluation, risk monitoring and warning of personal loan business. Secondly, the Company strengthened risk control for the key personal loan varieties, and carried out strict management of customer access and duration. Thirdly, the Company continued to carry out risk screening, and accelerated risk mitigation and disposal.

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 RMB2,598.945 billion, up RMB1,238.504 billion or 91.04% from the figure at the beginning of the period. The specific composition of investment is set out as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Financial assets at fair value through profit or loss	128,685	4.95	44,435	3.27
Available-for-sale	426,634	16.42	408,066	30.00
Receivable	1,834,906	70.60	708,446	52.07
Held-to-maturity	206,802	7.96	197,790	14.54
Long-term equity investments	1,918	0.07	1,704	0.12
Total	2,598,945	100	1,360,441	100

During the reporting period, the Company increased the investment scale, particularly investments that had relatively high absolute yields and controllable risks. At the end of the reporting period, the receivables substantially increased mainly due to the investment of wealth management products, the trust beneficiary right and asset management plan.

② Classification based on issuer

Unit: RMB million

Type	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	421,475	16.22	268,683	19.75
Central bank bills and financial bonds	60,343	2.32	63,898	4.70
Corporate bonds	170,508	6.56	179,731	13.21
Other investments	1,944,701	74.83	846,425	62.22
Long-term equity investments	1,918	0.07	1,704	0.12
Total	2,598,945	100	1,360,441	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 RMB1.918 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 RMB1.720 billion.
- ② Industrial Trust held 19.00% equity interest in Chongqing Machinery and Electronics Holding Group Finance Company Limited with a book value of RMB147 million.
- ③ CIB Guoxin Asset Management Co., Ltd. held the book value of other long-term equity investment of RMB51million in total at the end of the reporting period.

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

As at the end of the reporting period, the Company had a balance of RMB42.638 billion in deposits with banks and other financial institutions, decreased RMB58.469 billion or 57.98% from the figure at the beginning of the period. The main reason is that the company adjusted the asset allocation and reduced deposits with banks.

Unit: RMB million

Type	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	28,082	66.28	89,212	88.47
Deposits with other domestic financial institutions	1,187	2.80	715	0.71
Deposits with foreign banks	13,099	30.92	10,910	10.82
Total	42,368	100	100,837	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 RMB225.924 billion in financial assets held under resale agreements, representing a decrease of RMB486.837 billion or 68.30% from the figure 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

Type	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	51,550	22.82	25,077	3.52
Bills	97,839	43.31	364,923	51.20
Trusts and other beneficial interests	76,535	33.87	322,359	45.23
Credit assets	-	-	300	0.04
Financial lease receivables	-	-	102	0.01
Total	225,924	100	712,761	100

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB4,981,503 million, representing an increase of RMB836, 200 million or 20.17% from the figure at the beginning of the period. The composition of the total liabilities of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Due to banks and other financial institutions	1,765,713	35.45	1,268,148	30.59
Placements from banks and other financial institutions	103,672	2.08	81,080	1.96
Financial assets sold under repurchase agreements	48,016	0.96	98,571	2.38
Due to customers	2,483,923	49.86	2,267,780	54.71
Debt securities issued	414,834	8.33	185,787	4.48
Other liabilities ^{note}	165,345	3.32	243,937	5.88
Total	4,981,503	100	4,145,303	100

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

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

The company's customer deposits grew steadily, the balance of customer deposits was RMB2,483,923 million, an increase of RMB216,143 million or 9.53% compared with the figure at the beginning of the period.

Unit: RMB million

Item	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	1,063,243	42.80	948,425	41.82
Incl: Corporate	868,426	34.96	786,745	34.69
Personal	194,817	7.84	161,680	7.13
Time deposits	1,149,101	46.27	1,053,728	46.47
Incl: Corporate	973,107	39.18	847,319	37.36
Personal	175,994	7.09	206,409	9.11
Other deposits	271,579	10.93	265,627	11.71
Total	2,483,923	100	2,267,780	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 RMB1,765,713 million in deposits from banks and other financial institutions, an increase of RMB497,565 million or 39.24% from the figure at the beginning of the period. The main reason for the increase was the Company organized multi-channel liability sources, reinforced the expansion of liabilities of non-deposit financial institutions so as to mitigate volatility of market liquidity.

Unit: RMB million

Transaction counterpart	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	547,734	31.02	550,267	43.39
Deposits from other financial institutions	1,217,979	68.98	717,881	56.61
Total	1,765,713	100	1,268,148	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 RMB48,016 million in financial assets sold under repurchase agreements, representing a decrease of RMB50,555 million or 51.29% from the figure at the beginning of the period, mainly due to the company adjusted liabilities allocation and reduced selling repurchase assets.

Unit: RMB million

Type	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	39,980	83.26	78,188	79.32
Bills	8,036	16.74	19,864	20.15
Others	-	-	519	0.53
Total	48,016	100	98,571	100

(III) Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in 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 RMB50,207 million, up 6.51% year-on-year.

Unit: RMB million

Item	2015	2014	Increase / Decrease YoY (%)
Operating income	154,348	124,898	23.58
Net interest income	119,834	95,560	25.40
Net non-interest income	34,514	29,338	17.64
Business tax and surcharges	(12,955)	(9,105)	42.28
Operating and administrative expense	(32,849)	(29,451)	11.54
Impairment loss of assets	(45,260)	(25,904)	74.72
Other operating costs	(474)	(248)	91.13
Net non-operating income and expense	434	408	6.37
Profit before tax	63,244	60,598	4.37
Income tax	(12,594)	(13,068)	(3.63)
Net profit	50,650	47,530	6.56
Profit and loss of minority shareholders	443	392	13.01
Net profit attributable to the shareholders of the parent company	50,207	47,138	6.51

1. Net interest income

During the reporting period, the net interest income of the Company was RMB119,834 million, up RMB 24,274 million or 25.40% year-on-year, mainly because interest-bearing assets growth. On one hand, the interest margin of the Company decreased slightly, the net interest margin down by 0.03 percentage point to 2.45%. On the other hand, the business maintained a steady and rapid growth, daily average scale of interest-bearing assets up 26.71% year-on-year.

The interest income increased RMB36,558 million or 16.66% year-on-year. The investment interest income increased by RMB58,205 million or 116.84% year-on-year, mainly due to the investment daily average scale up 135.90% year-on-year and holding resale interest income decreased by RMB28,953 million or 51.39% year-on-year, mainly because daily average scale under repurchase agreements down 43.43% year-on-year.

The interest expenses increased RMB12,284 million or 9.92% year-on-year. Among them, the bond interest spending was up RMB7.537 billion or 146.75% year-on-year, mainly due to issuing deposit receipt and financial bonds, issuing bonds daily scale rose 173.59% year-on-year. Deposit interest expenses increased by RMB5.143 billion or 9.84% year-on-year, mainly because of the size of the deposits daily average rose by 13.03% year-on-year and 10 BPs drop in interest rates.

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

Unit: RMB million

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	99,797	38.99	91,411	41.66
Interest income from discounted bills	1,953	0.76	1,982	0.90
Interest income from investments	108,019	42.20	49,814	22.70
Interest income from the amount due from the Central Bank	6,497	2.54	6,205	2.83
Interest income from placements with banks and other financial institutions	2,095	0.82	4,645	2.12
Interest income from resale agreements	27,382	10.70	56,335	25.68
Interest income from deposits in banks and other financial institutions	3,894	1.52	4,782	2.18
Interest income from financial leasing	5,367	2.10	4,031	1.84
Other interest income	968	0.38	209	0.09
Subtotal of interest income	255,972	100	219,414	100
Interest expense				
Interest expense on loans from the Central Bank	1,801	1.32	210	0.17
Interest expense on deposits	57,422	42.18	52,279	42.21
Interest expense on bonds issuance	12,673	9.31	5,136	4.15
Interest expense on deposits from banks and other financial institutions	57,897	42.53	57,565	46.48
Interest expense on placements from banks and other financial institutions	3,785	2.78	3,546	2.86
Interest expense on repurchase agreements	2,427	1.78	4,969	4.01
Other interest expenses	133	0.10	149	0.12
Subtotal of interest expense	136,138	100	123,854	100
Net interest income	119,834		95,560	

Unit: RMB million

Item	2015		2014	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	1,710,902	6.00	1,432,788	6.52
Based on loan type:				
Corporate loans	1,349,597	5.97	1,133,841	6.50
Personal loans	361,305	6.11	298,947	6.59
Based on loan term:				
General short-term loans	835,668	5.87	778,948	6.51
Medium and long-term loans	828,768	6.23	623,019	6.53
Discounted bills	46,466	4.20	30,821	6.43
Investments	1,957,950	5.52	829,982	6.01
Deposits in the Central Bank	429,324	1.51	414,041	1.50
Deposits in and placements with banks and other financial institutions (including financial assets held under resale agreements)	697,977	4.81	1,120,909	6.10
Financial leasing	92,771	5.79	60,657	6.65
Total	4,888,924	5.24	3,858,377	5.69
Item	2015		2014	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Deposit taking	2,423,159	2.33	2,143,895	2.43
Corporate deposits	2,047,405	2.37	1,799,477	2.49
Demand deposits	686,645	0.67	711,260	0.64
Time deposits	1,360,760	3.22	1,088,217	3.69
Personal deposits	375,754	2.14	344,418	2.15
Demand deposits	169,573	0.36	150,624	0.40
Time deposits	206,181	3.59	193,794	3.50
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	1,804,817	3.61	1,324,701	5.00
Borrowings from the Central Bank	52,088	3.46	6,000	3.50
Bonds payable	299,328	4.23	109,408	4.69
Total	4,579,392	2.97	3,584,004	3.45
Net interest spread	-	2.26	-	2.23
Net interest margin	-	2.45	-	2.48

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB34,514 million, accounting for 22.36% of the operating income, representing an increase of RMB5,176 million or 17.64% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2015	2014
Net fee and commission income	32,190	27,041
Gain and loss from investment	3,482	(96)
Gain and loss from changes in fair value	1,378	1,631
Gain and loss from exchange	(2,850)	692
Income from other businesses	314	70
Total	34,514	29,338

During the reporting period, the Company realized fee and commission income of RMB32,190 million, up RMB5,149 million or 19.04% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value and gain and loss from exchange were highly interrelated. After the reclassification based on their business nature, the gain recognized reached RMB2,010 million, down RMB217 million year-on-year.

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

Unit: RMB million

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	658	1.96	743	2.62
Fee income from bank cards	6,376	18.98	5,653	19.90
Fee income from agency business	3,394	10.10	2,789	9.82
Fee income from guarantee commitment	1,787	5.32	1,794	6.31
Fee income from trading business	198	0.59	133	0.47
Fee income from custody business	4,316	12.85	4,211	14.82
Fee income from consulting service	13,242	39.42	10,512	37.00
Fee income from trust business	1,631	4.86	1,376	4.84
Fee income from lease business	931	2.77	534	1.88
Other fee income	1,059	3.15	667	2.34
Sub-total	33,592	100	28,412	100
Fee and commission expense	1,402		1,371	
Net fee and commission income	32,190		27,041	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB 32.849 billion, up RMB 3.398 billion or 11.54% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	19,784	60.23	17,369	58.98
Depreciation and amortization	1,937	5.90	1,684	5.72
Lease expense	2,608	7.94	2,387	8.10
Other general and administrative expenses	8,520	25.93	8,011	27.20
Total	32,849	100	29,451	100

During the reporting period, to meet the needs of the business development and institutional expansion, operating expenses increased correspondingly. Operating income rose 23.58% year-on-year during this period, the cost-to-income ratio fell 2.19% year-on-year, maintaining at a low level of 21.59%, with expenses maintaining at a reasonable level.

4. Impairment loss of assets

During the reporting period, the Company's impairment loss of assets was RMB45,260 million, up RMB19,356 million or 74.72% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	37,093	81.96	19,651	75.86
Impairment loss on investment in accounts receivable	5,039	11.13	4,151	16.02
Impairment loss on available-for-sale financial assets	1,095	2.42	1,228	4.74
Impairment loss on financial leasing receivable	425	0.94	358	1.38
Impairment loss on other assets	1,608	3.55	516	2.00
Total	45,260	100	25,904	100

During the reporting period, the Company accrued a loan impairment loss of RMB37,093 million, up RMB17,442 million year-on-year, mainly because of the increase in scale of loans. The Company made provision for impairment based on the predicted present value of discounted future cash flows determined as per the original effective interest rates of the loans, pursuant to the relevant requirements of the Accounting Standards for Business Enterprises with industry risks taken into account.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 19.91%. 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	2015
Profit before tax	63,244
Statutory tax rate (%)	25
Income tax calculated at statutory tax rate	15,811
Effect on tax due to adjustment on the following items:	
Tax-exempt income	(3,549)
Non-deductible items	226
Adjustment on the tax of previous years	106
Income tax expense	12,594

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2015	2014
Cash flows from operating activities	818,693	682,060
Cash flows from investing activities	(1,078,507)	(566,235)
Cash flows from financing activities	213,791	114,322

During the reporting period, the total of cash inflows from operating activities was RMB818.693 billion, representing an increase of RMB136.633 billion as compared with last year, mainly due to the increase in customer deposits and the net growth of deposits from banks and other financial institutions.

Total cash outflows from investing activities was RMB1,078.507 billion, representing an increase of RMB512.272 billion as compared with previous year, mainly due to the business development of the Company, the expansion of investment scale, increased investment products allocation including bonds, wealth management products, trusts and other beneficial right.

The total of cash inflows from financing activities was RMB213.791 billion, representing an increase of RMB 99.469 billion year-on-year, mainly due to the substantial increase in cash inflows from deposit receipt from banks .

(V) Capital management

1. Capital management overview

Adhering to the five-year planning strategic objective, the Company further strengthened the management concept of constraints on capital, and earnestly implemented various capital management policies according to the regulations of the Capital Rules for Commercial Banks (Provisional) of CBRC. Started from the management strategy, risk conditions and regulatory requirements, according to changes in external macroeconomic environment, and combined with the “Industrial Bank Medium-term Capital Management Planning (2014-2016)”, the Company formulated capital management plan of 2015. On the basis of balancing assets growth, capital demand and capital supply channels, the Company fully proved the necessity and feasibility of capital supplement, ascertained the capital adequacy ratio management goal, so as to realize a healthy, sustainable and steady development.

In June 2015, the Company successfully issued the second tranche preferred shares of RMB13 billion, proceeds from which were used for supplementing tier one capital, thereby further optimizing its capital structure, effectively improving risk prevention capacity and enhancing the capacity to serve the real economy.

In 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. The Company further unleashed the advantage of group-oriented and integrated management, strengthened the management of capital of subsidiaries, and gradually established the investment allocation policy and process which are in favor of fund-raising and allocation, operation management, performance appraisal, and investment allocation, so as to meet the demand of collectivization and the integrated management for capital management. According to related guidelines of the Capital Rules for Commercial Banks (Provisional) of CBRC and provisions of other documents, the Group monitors its capital adequacy and capital application in real time.

2. Implementation of the new capital accord

The Company always attaches great importance to the implementation of the new capital accord, and proactively promotes the work under the new capital accord by stage and with emphasis according to relevant regulatory requirements of CBRC. The Company constructed basically complete working system of the first pillar of the new capital accord, making great achievements in construction of the new capital accord.

In respect of system building and work guarantee, the Company basically set up a system framework for the implementation of the new capital accord, covering capital adequacy ratio management, internal rating process and framework construction, model validation, internal rating application management, stress testing, and data management and so on, carried out complete bank-wide training and banking industry research for many times every year, and promoted the application of the new capital accord system idea in the whole bank. In respect of project construction, non-retail internal rating, retail internal rating, credit risk weighted asset (RWA), the market risk management system, the operational risk management system and the model laboratory were applied. In 2015, the Company carried out the Self-assessment on Compliance of Advanced Capital Measurement Methods for the First Pillar, the Audit Project of Advanced Capital Measurement Methods, the Credit Risk Internal Rating System Project and the Verification Project of Market Risk Internal Model System for the first time. In respect of measurement instrument application, the Company gradually expanded the breadth and depth of application of the internal rating system, which was mainly used for authorization management, industry limit management, customer limit, provision assessment, comprehensive appraisal and capital allocation management and so on.

The application of new capital accord project of the Company paid more attention to the further application of project results in business management and risk management based on the actual needs to perfect risk management, effectively improved the standardization and refined levels of risk management, and meanwhile sped up implementation of the new capital accord of the Company relying on the first pillar compliance.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2015	December 31, 2014
Total capital	385,098	329,375
1. Core Tier 1 capital	289,769	246,484
2. Other Tier 1 capital	25,909	12,958
3. Tier 2 capital	69,420	69,933
Capital deductions	1,594	608
1. Amount of deduction from core Tier 1 capital	734	608
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	860	-
6. The part of net deferred tax assets exceeding 10% of the core Tier 1 net capital based on the future profit of commercial banks that was deducted from core Tier 1 capital	-	-
7. The part of the total of large amount minority capital investment of financial institutions and corresponding net deferred tax assets exceeding 15% of the core Tier 1 net capital that was not deducted from core Tier 1 capital	-	-
Net capital	383,504	328,767
Minimum capital requirement	274,212	232,890
Reserve capital and counter-cyclical capital requirement	85,691	72,778
Additional capital requirement	-	-
Core Tier 1 capital adequacy ratio (before consolidation) (%)	8.20	8.05
Tier 1 capital adequacy ratio (before consolidation) (%)	9.00	8.51
Capital adequacy ratio (before consolidation) (%)	11.04	10.95
Core Tier 1 capital adequacy ratio (after consolidation) (%)	8.43	8.45
Tier 1 capital adequacy ratio (after consolidation) (%)	9.19	8.89
Capital adequacy ratio (after consolidation) (%)	11.19	11.29

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

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

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

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

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

(2) The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of CBRC, the Company recorded total consolidated overdue loans of RMB48.947 billion and total NPLs of RMB26.828 billion, the balance of actual accrued provision for loan impairment was RMB57.338 billion, the book value of long-term equity-interest investment was RMB1.918 billion, the total credit risk exposure was RMB5,887.529 billion, and the credit risk weighted assets reached RMB3,154.394 billion, up 17.24% year-on-year, among which the balance of securitized assets was RMB68.743 billion, the credit risk exposure was RMB68.682 billion and the credit risk weighted assets reached RMB15.404 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 RMB32.883 billion, which was 12.5 times of the total market risk capital requirement of RMB2.631 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 RMB240.373 billion, which was 12.5 times of the total operating risk capital requirement of RMB19.230 billion.

(3) As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks of CBRC, the balance of on-balance sheet assets after adjustment was RMB5,234.134 billion, the balance of off-balance sheet assets after adjustment was RMB723.076 billion, the balance of derivatives assets was RMB15.889 billion and the balance of securities financing transaction assets was RMB52.186 billion as at the end of the reporting period. The total balance of on- and off-balance sheet assets after adjustment was RMB6,025.285 billion, and the leverage ratio was 5.23%. The formula for the leverage ratio of commercial banks is as follows:

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

(4) As at the end of the reporting period, under the off-site regulation reporting system of CBRC, the Company's total consolidated liquidity coverage value was 90.35%, the qualified high quality liquid assets was RMB671.014 billion, the net cash outflow was RMB742.680 billion in the next 30 days.

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

II. Discussion and analysis on future development

(I) Industrial competition landscape and development trends

Overall, commercial banks will face serious challenges in operation in 2016. From the perspective of international situation, world economy will face more uncertainties and instability, the possibility of occurrence of emergencies will be high. From the perspective of domestic situation, the prominent contradictions and problems of the “four declines and one increase”, namely decline in economic growth, industrial product price, entity enterprise profits, and fiscal revenue growth, and increase in the economic risk possibility, will continue to exist. National policies will focus on the supply side, speeding up the reforms of economy, finance, tax and social insurance, etc., promoting economic structural adjustment, and improving supply quality. In the medium and long term, with the deepening of reform and its gradual results, macro economy will gradually bottom out and be stable, and realize the transformation of old momentum to new one. However, in the short term, the deepening of the reform will weigh heavily on bank operation, especially asset quality.

Specifically, there are several aspects of risks to pay special attention to in 2016. Firstly, given the impact by factors including economic structural adjustment, de-capacity, de-stocking, de-leveraging, cleaning up the “zombie companies”, as well as the economic globalization and RMB exchange rate liberalization, there will be a great exposure of credit; secondly, RMB exchange rate fluctuation will increase, which will bring corresponding exchange rate risks to the Bank itself, and customers and counterparties; thirdly, the Bank's interest spread and interest margin of assets and liabilities will further narrow, which will bring repricing risk to all kinds of assets and liabilities. Beside challenges, there will be many new structural opportunities: for example, the development of emerging trades and industries will bring new incremental business opportunities; there will be a growing number of mergers and reorganization of enterprises; development of new technologies and new formats will provide more technologies and mode selections and so on for financial enterprises to reduce costs and improve services. As long as commercial banks grasp these opportunities, they can still attain great achievement despite the overall increasingly complex and severe environment.

(II) Development strategy of the Company

Overall operational strategies of the Company in 2016 are: adhering to the overall direction of being market-oriented, being group-oriented, integration, and internationalization, the Company will be deeply aware of the changes in economic and financial environment, strictly follow the basic rules for development of commercial banks, further emancipate the mind, further implement reforms and transformation, further consolidate foundation, further enhance capability, and not only properly deal with all kinds of risks, but also strive to grasp the new market opportunities, and strive to achieve overall stable reasonable business growth, asset quality and profitability, so as to create a good start for the new round of the five-year development.

Firstly, laying more emphasis on steadiness. The Company will put the quality and efficiency of business development in a more important place, fully estimate the impacts likely caused by economic structural adjustment and the reform

of the supply side, and increase the intensity of prospective adjustment, so as to ensure overall stable quality of the Bank's assets.

Secondly, laying more emphasis on innovation. The Company will further increase the innovation intensity of business products and business modes, pay more attention to the innovation and development of the Off-Balance Sheet Activities (OBS), and develop new channels of businesses and profit growth. The Company will further accelerate innovation of thoughts, methods, means and tools for risk management, and effectively grasp the material risks, so as to promote the implementation of new businesses.

Thirdly, laying more emphasis on linkage. The Company will unswervingly deepen group-oriented and comprehensive operations, and continuously enlarge cooperation and linkage among lines, agencies, and segments, so as to improve the efficiency and ability for obtaining customers, and further explore the customers' value. The Company will continue to integrate business resources including commercial banks, investment banks, capital management and wealth management, improve the service chain, and increase comprehensive income.

Fourthly, laying more emphasis on refinement. Adhering to the perspective of the entire Group, the Company will make overall planning and promote the construction of refined management tools including the internal transfer pricing, management accounting, resources and profit distribution, evaluation management, so as to provide a powerful basic means support for internal business linkage of the Group. The Company will enrich digital and intelligent building of the business operation and management, and play the role of boosting and even driving and leading of science and technology to business development. The Company will profoundly promote the application of mobile internet, big data, cloud computing, artificial intelligence and other advanced technologies, transform businesses and promote innovation with science and technology, and continuously improve the digital and intelligent levels of business operations.

Fifthly, laying more emphasis on the reform of systems and mechanisms. The Bank continued to push forward reform and innovation in systems and mechanisms, especially in the management systems and the incentive and restraint mechanisms of enterprises, and maintain and strengthen soft competitive strength of the bank group.

(III) Business objectives for 2016

1. The total assets to reach approximately RMB5,758.6 billion.
2. The balance of customer deposits to increase by approximately RMB250 billion.
3. The balance of loans to increase by approximately RMB220 billion.
4. The net profit attributable to the shareholders of the parent company to increase by approximately 2% year-on-year.

III. Business overview of the Company

(I) Business institutions

1. Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	-	4,015	2,615,256
Financial Markets	168 Jiangning Road, Shanghai	-	101	445,734
Credit Card Center	500 Lai' an Road, Pudong New District, Shanghai	-	830	74,513
Beijing Branch	20 Chaoyangmen Beidajie, Chaoyang District, Beijing	64	1,908	373,423
Tianjin Branch	219 Yong' an Blvd., Hexi District, Tianjin	66	1,277	120,893
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	58	1,493	76,313
Taiyuan Branch	209 Fudong Street, Taiyuan	66	1,272	74,730
Hohhot Branch	5 Xing' an South Road, Xincheng District, Hohhot	35	1,035	53,038
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	31	1,041	67,310
Dalian Branch	85A Yidejie, Zhongshan District, Dalian	21	653	48,844
Changchun Branch	309 Changchun Avenue, Changchun	22	692	58,220
Harbin Branch	88 Huanghe Road, Nan' gang District, Harbin	26	820	70,007
Shanghai Branch	168 Jiangning Road, Shanghai	76	2,119	397,770
Nanjing Branch	2 Changjiang Road, Nanjing	96	2,630	281,158
Suzhou Branch	18 Wangdun Road, Suzhou Industrial Park, Suzhou	15	471	38,319
Hangzhou Branch	40 Qingchun Road, Hangzhou	111	2,466	201,288
Ningbo Branch	905 Baizhang East Road, Ningbo	17	636	42,615
Hefei Branch	99 Fuyang Road, Hefei	35	1,002	52,128
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	57	1,453	143,465
Xiamen Branch	78 Hubin North Road, Xiamen	27	1,010	76,710
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	9	297	30,675
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	14	394	10,987
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	47	1,536	65,282
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	20	545	27,981
Nanping Branch	399 Binjiang Middle Road, Nanping	15	354	16,831
Longyan Branch	46 Jiuyi South Road, Longyan	13	387	18,738
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	11	336	15,175
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	42	815	36,754
Ji' nan Branch	86 Jingqi Road, Ji' nan	101	2,330	162,392
Qingdao Branch	7A Shangdong Road, Shinan District, Qingdao	25	668	70,454
Zhengzhou Branch	288 Jinshui Road, Zhengzhou	49	1,196	65,775

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	69	1,221	97,930
Changsha Branch	192 Shaoshan North Road, Changsha	44	1,175	146,896
Guangzhou Branch	101 Tianhe Road, Guangzhou	104	3,051	244,278
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	45	1,415	261,759
Nanning Branch	115 Minzu Boulevard., Nanning	31	864	65,958
Haikou Branch	19 Jinlong Road, Longhua District, Haikou	2	196	18,066
Chongqing Branch	1 Honghuang Road, Hongqihegou Jiangbei District, Chongqing	66	1,377	124,461
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	114	1,769	156,250
Guiyang Branch	45 Zhonghua South Road, Guiyang	9	372	59,930
Kunming Branch	138 Tuodong Road, Kunming	27	801	43,430
Xi'an Branch	1 Tangyan Road, Xi'an	56	1,069	146,940
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	14	448	38,655
Xining Branch	54 Wusi West Road, Xining	1	137	12,553
Urumqi Branch	37 Renmin Road, Urumqi	35	690	56,369
Hong Kong Branch	3 Garden Road, Central, Hong Kong	1	105	51,221
Netting and summation adjustment within the system				(2,172,040)
Total		1,787	50,472	5,185,434

Note: Data in the table above do not include subsidiaries. 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 major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating Income	Operating Profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	5,000	110,445	9,061	2,654	1,320	1,186
China Industrial International Trust Limited	5,000	16,035	12,426	2,944	2,124	1,611
CIB Fund Management Co., Ltd.	500	1,783	1,039	728	310	244
Industrial Consumer Finance Co., Ltd.	300	4,113	251	152	(63)	(49)
Industrial Economic Research and Consulting Co., Ltd.	60	68.70	59.76	15.74	(0.08)	(0.24)

(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. Grasping development opportunity, cultivating business characteristics, strengthening risk management, expanding financing channels and enhancing operational support, Industrial Leasing realized rapid increase of assets scale and constant expanding of customer group, improved specialization development capability, assets management capability and market competitive advantages and maintained sound performance targets. As at the end of the reporting period, the total assets of Industrial Leasing reached

RMB110.445 billion, an increase of RMB35.952 billion from the beginning of the period, of which the volume of financing leasing assets was RMB105.099 billion, an increase of RMB 32.894 billion from the figure at the beginning of the period. Total liability was RMB101.384 billion, an increase of RMB34.755 billion from the beginning of the period, and owners' equity was RMB9.061 billion, up RMB1.198 billion from the beginning of the period. During the reporting period, the realized net operating income was RMB2.654 billion, the profit before tax was RMB1.584 billion, the net profit after tax was RMB1.186 billion, ROE was 14.02%. The accumulated provision for impairment of leasing was RMB949 million, the NPL ratio was 0.8% at the end of the period, the balance of provision for leasing loss was RMB2.752 billion, provision coverage ratio was 325.41%, and capital adequacy ratio was 9.47%.

Industrial Leasing strived to build a green leasing market brand, carried out the green financial strategy of the Group, vigorously developed green leasing businesses to enhance professional competence and build a leading brand. The accumulated green leasing project capital reached RMB54.37 billion, and balance of assets reached RMB34.68 billion, basically acquiring strong professional operational ability and brand market status. It established eight categories of green leasing products such as industrial emission reduction, green travel, energy intension, clean energy, water management, soil management, solid waste treatment and biomass energy centering on atmosphere, soil and water management, as well as resources recycling, establishing a relatively perfect leasing product system. It proactively expanded fields of green travel. For instance, it established cooperation with the Asian Development Bank to promote clean energy bus leasing project. As at the end of the reporting period, there were altogether 18 green travel projects (incl. rail transit and urban public transportation), with total investment of RMB 8.73 billion.

Strengthening business innovation and promoting transformation of aircraft leasing business. Industrial Leasing established the joint lease transactional structure in the residual value guarantee credit addition method with Comsys Leasing and Shandong Airlines, cooperated with Dongjiang Free Trade Port Zone of Tianjin to innovate the business mode of aircraft leasing asset business, and successfully completed overall equity and asset acquisition of the aircraft project company (SPV) through the Dongjiang leasing asset transaction platform. The company promoted transformation of aircraft leasing business from mainly business aircraft leasing business to mainly commercial aircraft leasing business supplemented by business aircraft leasing business, strengthened the airport business, won the bid for financial leasing business of four aircrafts of China Southern Airlines, and launched business of the Fujian Jinjiang Airport. Transformation of aircraft leasing business achieved preliminary success.

Industrial Leasing continued to promote innovations in financing business, and successfully issued two tranches of financial bonds of RMB5 billion in total. The company continued to promote cross-border financing business, and completed two cross-border RMB loan businesses in the QianHai Shenzhen-Hong Kong Cross Border Cooperation Zone. The company obtained the qualifications for carrying out leasing asset securitization business, further enriched the financing tools, and improved asset management capabilities.



(2) China Industrial International Trust Limited

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

During the reporting period, closely adopting the strategic target of cultivating itself into a "comprehensive, diversified, and featured top national trust company" and sticking to the development direction of "stabilizing scale, adjusting structure, preventing risks, enhancing efficiency and emphasizing innovation", Industrial Trust actively pushed forward business transformation and structural adjustment, comprehensively strengthened risk management and internal control, continuously improved comprehensive operational strategies, realized rapid development of all businesses, made its major operation targets rank the first tier of national trust industry and maintained sound assets quality. As at the end of the reporting period, Industrial Trust's own assets amounted to RMB16.035 billion, up 29.49% from the beginning of the period, owners' equity was RMB12.426 billion, up 11.97% from the beginning of the period, and the asset under management increased 49.02% to RMB1,046.027 billion, which was the first time to exceed one trillion. During the reporting period, the realized revenue was RMB2.944 billion, of which the trust business income was RMB1.632 billion, fixed business income and other businesses income totaled RMB1.312 billion, the realized total profit was RMB2.122 billion, the net profit was RMB1.611 billion, up 14.62% year-on-year. ROE was 13.74%, and cost-to-income ratio was 22.75%. As at the end of the reporting period, the business size of subsisting trust of Industrial Trust was RMB908.482 billion, up 40.92% from the figure at the beginning of the period.

Industrial Trust continuously promoted the business transformation and structural adjustment, so as to further improve the proactive management and business innovation capabilities. As at the end of the reporting period, collection trust business scale of Industrial Trust reached RMB229,663 million, representing an increase of RMB81,347 million compared to the figure at the beginning of the period; property right trust business scale reached RMB107,072 million, representing an increase of RMB78,970 million. The trust business structure continued to be improved. International business made breakthroughs, asset securitization business was rapidly promoted, the first active management industrial fund was established, and the first accumulation fund and personal loan asset securitization product was issued. Industrial Trust smoothly obtained the qualification for foreign exchange trust business, registered by the private equity fund managers of the Asset Management Association of China, and steadily promoted businesses including family trust, pension trust, public trust, consumer trust, mixed ownership reform and so on.

Industrial Trust strictly implemented national macro policies and financial regulatory requirements, adhered to sound compliance management idea, and strengthened comprehensive risk management and internal control, so as to maintain good asset quality and make all the main indexes conform to regulatory requirements. As at the end of the reporting period, Industrial Trust had no survival or new non-performing assets, all trust plans with liquidation were timely paid in a safe manner, and survival trust property operation was in normal condition. It also increased investment in foreign financial equities, and made new breakthroughs in



comprehensive operation.

Comprehensive management layout has been involved in asset management, futures services, securities services, financial researches, enterprise group financial management, and other fields. Comprehensive financial service capability has been further improved. Industrial Trust wholly owns CIB Guoxin Asset Management Co., Ltd. It is the controlling shareholder of CIB Futures Co., Ltd. It invests Industrial Economic Research and Consulting Co., Ltd., Zijin Mining Group Finance Co., Ltd., Huafu Securities Co., Ltd., and Chongqing Machinery and Electronics Holding Group Finance Co., Ltd., realized profits during the reporting period of each equity investment project, and gained good equity investment income.

(3) CIB Fund Management Co., Ltd.

The registered capital of CIB Fund Management Co., Ltd. was RMB500 million and the Company held 90% of its total capital. As of yet, CIB Fund Management has set up ten branches in China, including Shanghai, Beijing and Shenzhen and wholly owned the fund subsidiary company-CIB Wealth Management Co., Ltd. During the reporting period, CIB Wealth Management Co., Ltd. invested equity and established China Industry Digital Financial Service (Shanghai) Co., Ltd. and held 51% of its total capital. The registered address was at China (Shanghai) Pilot Free Trade Zone and the registration with Industrial and Commercial Authority was completed in November 2015.

CIB Fund has followed the business philosophy of “Within the Law, Innovation, Plate Linkage and 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. It 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 rapid and steady development in all businesses. As at the end of the reporting period, CIB Fund had total assets of RMB1.783 billion, up 46.65% from the beginning of the period. Owners’ equity reached RMB1.039 billion, up 63.58% from the beginning of the period. During the reporting period, the realized operating income totaled RMB728 million and the net profit totaled RMB244 million, increased by 103.34% year-on-year. As at the end of the reporting period, the total assets management size reached RMB412.653 billion, increased by 111.86% from the beginning of the period, of which public offering of fund accounted for RMB73.481 billion, special account of the fund company was RMB36.865 billion, the special account of the subsidiary fund company accounted for RMB302.308 billion. In November 2015, CIB Fund was officially approved to be the Qualified Domestic Institutional Investors (QDII) by CSRC.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company with registered capital of RMB300 million and is held as to 66% by the Company. Industrial Consumer Finance has set up 12 business units in China including Quanzhou, Fuzhou, Guangzhou and Chongqing. Accumulative loans over the year amounted to RMB2.948 billion, of which offline business units issued loans of RMB2.646 billion while online business units issued RMB303 million. As at the end of the period, the balance of loans was RMB2.437 billion, with overdue loan ratio of 2.03% and NPL ratio of 1.00%. During the period, the realized net operating income was RMB152 million, accrued loan provision was RMB82 million, with the provision coverage ratio at 336%, and realized profit before deducting excess provision



for the first year.

Industrial Consumer Finance constantly promoted innovation of systems and mechanisms, established three lines of departments in accordance with the principle of layering and intensification, and clarified the operational mechanism of “reporting line + delegation” ; set up business department for network business, special business, E-business and securities trader in the incubator mode to promote the development of online business; proactively optimized the IT supporting platform based on mobile internet technology, independently researched and developed PAD mobile marketing system, and realized paperless operations from loan material submission to examination and approval; successfully launched online exhibition channels including empty-hand access to the website, WeChat client-side and mobile APP, and launched Famous Company Train and POS flow loan and other Internet products of many scenarios; successfully researched and developed self-service loan machines with independent intellectual property rights, planned to be arranged in 2016 in large quantities. Made efforts to improve and integrate the traditional risk control and the risk management mechanism based on the new risk control by the law of large numbers, established and improved the risk control mechanisms including the three-person loan review mechanism, the five-person group security mechanism, the risk fund mechanism, the multidimensional collection system and accountability system, paid attention to combining the third party credit information and big data management way to identify the customer risk, and continued to improve the risk identification capability and post-loan management capability.

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

Industrial Economic Research and Consulting Co., Ltd. was founded in June 2015 and is the first professional research institution operated in corporate form in the domestic banking industry. Industrial Research has preliminarily established research systems of such four fields as macro (incl. interest rates, exchange rates and commodities), industry and credit, financial engineering and products, and data mining. Since its establishment, Industrial Research released over 560 regular reports (daily, weekly, and monthly), fast assessment, and special reports and so on; held lectures, forums, business training, special conference, research, and the customer promotion conference and so on, over 90 in total; the service scope covered head office departments, branches and subsidiaries in the Group and agencies of the same trade and regulators, etc. outside the Group.

Industrial Research’s research results closely followed the trend of domestic and foreign financial markets, accurately forecasted the inflection point of interest rates in the currency market in middle 2015, and accurately predicted the trend of RMB exchange rates; industrial special researches were highly effective, credit researches tightly grasped the changes in credit risk, and bond default exceeded 70%. Industrial Research developed and started financial engineering quantitative products and strategies, and implemented investment advisory services. Each research result was fit for market development, followed the Group’s business needs, made important contributions to the operation of the Group’s businesses, enabling its research services to promote business growth.

(II) Analysis of business segments

I. Corporate finance segment

(1) Overview

Adhering to the operational strategy of “stabilizing development, ensuring security and promoting transformation” , the Company responded to the changes of situation, actively and properly handled risks and realized steady and healthy development of the corporate finance business through strengthening structural adjustment, speeding up transformation and upgrading and enhancing basis management.

Firstly, the asset-liability structure maintained balanced development and customer foundation continued to be strengthened. As at the end of the reporting period, the balance of corporate finance deposits in local and foreign currencies amounted to RMB2,109.799 billion, up RMB212.508 billion from the beginning of the period, daily balance

of corporate finance deposits in local and foreign currencies was RMB2,090.1 billion, up RMB359.6 billion from the beginning of the period, and the balance of corporate finance loans in local and foreign currencies was RMB1,267.502 billion, up RMB60.304 billion from the beginning of the period, and the total corporate finance customers were 469,520, of which 137,751 were basic customers. Secondly, the Company adapted to the type of operations to accelerate innovation, with outstanding features and obvious advantages. Complying with the national development strategy, based on the customer service requirement changes and the vigorous development of the Internet finance, the Company strived to promote innovation and upgrading of products, services and process, and made innovations and breakthroughs in the capital market, green finance, Internet finance and other fields. Underwriting scale of debt financing tools ranked No. 1 for four consecutive years among joint-stock banks; total scale of release of credit asset securitization products ranked No. 1 among joint-stock banks, and created such innovative cases as the first short-term securitization product in the market, the first domestic CLO product invested by QFII and the successful market of the first asset securitization product in the inter-bank bond market; financing balance of environmental financial business increased 40%, breaking through RMB300,000 million; deal sum of the “three Internet through trains” of receipt and payment, financing, and treasury reached RMB150,000 million. Thirdly, the Company highlighted comprehensive operation advantages by linkage within the Group. In cooperation with Industrial Trust, Industrial Leasing, Industrial Fund and other subsidiaries, the Company obtained material operational results in industry funds, asset securitization, bond underwriting and investment linkage, operation and lease integration, money management, futures, proprietary investment, warehouse warrant hedging financing in the operational period and other aspects, promoted formation of the cooperation mode of division of labor and orderly linkage within the group, and met the requirements for diversified financial services of enterprises while maximizing the interests of the Group.

(2) Investment banking business

Investment banking was based on the main line of national economic development, grasped the development opportunities of direct financing to proactively promote the enterprise merging and reorganization, private placement, mixed ownership reform, enterprise asset securitization, local government bond underwriting, and PPP and other innovation businesses while accelerating the development of non-financial corporate debt financing tools, corporate bonds, direct financing tools for money management and other businesses. Firstly, the Company accelerated the development of capital financing business. It grasped the trend of the coordinated development of the debt investment and capital investment by application of combinations of a number of investment banking products, and focused on solving the “pain points” and “difficult points” of improving the debt structure and reducing the financing cost by customers, so as to attract numerous large high-quality customers. Secondly, the Company sped up innovation and upgrading of investment banking services, and launched a series of innovative products of investment banks in the credit asset securitization business, corporate asset securitization business and innovative bond business and other aspects, obtaining good market response. It provided perpetual capital securities and other financial products for the high rating corporate customers to meet customers’ requirements for optimizing the structure of assets and liabilities and transforming to the light-asset operation. Thirdly, the Company built a completed investment banking system, and continuously expanded the sales channels of investment banks. As of yet, the Company has established favourable business cooperation relations with most domestic banks, and reached cooperation intentions with a number of non-banking financial institutions ranking in front in the market, realizing full coverage of main inter-bank market institutional investors.

During the reporting period, the Company served as the underwriter for debt financing instruments amounting to RMB384.245 billion, accumulatively underwrote four issues of credit-and-asset backed securities, whose underwriting amount totaling RMB23.2 billion, and won the tender of local government bonds totaling RMB192.3 billion.

(3) Trade financing business

Trade financial business followed the national development strategies including “One Belt One Road” and free trade zone construction. Firstly, the Company reconstructed the product system with the vision of “big trade finance” to form four categories of businesses including corporate multi-level financing, supply chain financing, cross-border finance and capital hedging appreciation, enriched the functions of customer services, and formed unique

trade financial business advantages. Secondly, the Company strengthened product innovation, and innovated a series of products in such aspects as commercial bill guarantee, foreign currency intelligent deposit, cross-border RMB transfer payment, and cross-border linkage business mode under the Quartet Agreement, further enhancing the customer service capabilities of segmentation business areas. Thirdly, the Company built the three-level trade finance marketing system of the head office, branches, and management teams to explore key customers of the head office and branches. Fourthly, the Company sped up the development of cross-border financial and free trade zone businesses. It built outlets and provided services for nationwide free trade zones, and set up free trade zone branches in Shanghai, Fuzhou, Tianjin and Xiamen to satisfy the demands of enterprises in import and export trade, transnational operation and overseas investment.

As at the end of the reporting period, the balance of trade financing business was RMB1,568.7 billion, the volume of cross-border settlement was USD122.4 billion, up USD5.4 billion year-on-year, of which the accumulated volume of cross-border RMB settlement was 212.9 billion, up 59.7 billion year-on-year.

(4) Cash management business

Cash management business was fit for the trend of interest rate liberalization and Internet finance, enriched cash management product line, and built new Internet finance state to strengthen the ability of precise marketing and differentiated services, thereby realizing the great increase of customers, and enlarging of customers' fund management scale in a leap type. As at the end of the reporting period, cash management customers reached 17,597, representing an increase of 5,616 compared to the figure at the beginning of the reporting period. Average daily outstanding of deposits of the cash management customers reached RMB835 billion, accounting for 40.3% in the average daily deposits of corporate finance, and total assets of average daily cash management reached RMB603.1 billion.

Firstly, the Company strived to build the pyramid-type product system surrounding the cash flow process of the corporate and cash management customers, based on the idea of combining services and technologies, and promote the “three Internet through trains” of receipt and payment, financing, and treasury. It continuously developed and upgraded targeted products from the perspective of featured settlement business to meet customers' practical needs, captured the potential needs of the customers, and promoted product construction from customers' needs. Secondly, the Company prepared corresponding standardized cash management service scheme based on the scale of all kinds of customers, launched service schemes of medicine, education and energy industries, and personalize the schemes combined with the needs of customers. Smart medical products have covered 49 regions in 27 branches, and serviced more than 300 hospitals. Thirdly, the Company built a complete business chain centering on capital collection, allocation, settlement, storage and application of corporate customers, and explored to provide cash management services of different categories and levels for different customers, applying cash management services in each professional field.

(5) Environment finance business

Regarding the construction of “Green China” as its own responsibility, environmental financial business covered numerous projects including improving energy efficiency, new energy and renewable energy development and utilization, carbon emission reduction, wastewater treatment and water area management, sulfur dioxide emission reduction, and solid waste recycling, becoming the most distinctive business area under differentiated operations. As



at the end of the reporting period, the Company accumulatively provided RMB804.6 billion of financing to no less than 6,000 enterprises and the balance of financing in green finance reached RMB394.2 billion.

Firstly, the Company listed the environmental financial business as the core business and one of the annual businesses with emphasis on development, and established the group linkage and coordination mechanism for environmental finance to transfer the “green bank” to the “green financial group”. Secondly, environmental protection benefits were more obvious. As at the end of the reporting period, annual saved standard coal of projects supported by the environment financial business reached about 25,538.6 thousand tonnes, annual carbon dioxide emission reductions reached 71,619.9 thousand tonnes, annual emission reductions of chemical oxygen demand (COD) reached 1,387.4 thousand tonnes, annual comprehensively used solid waste reached 17,290.4 thousand tonnes, and annual water-saving amount reached 285,650.6 thousand tonnes. Thirdly, the Company continued to promote environment finance innovation and exploration. With respect to the carbon finance, it established relationship with seven domestic carbon emission trading pilot provinces and cities, signed a cooperation agreement with six of them, and became the main clearing and service bank in most regions. With respect to emission right finance, it signed a cooperation agreement with 10 of the 11 domestic emission right trading pilot provinces and cities, and conducted business cooperation such as emission right mortgage loans, trading fund storage and settlement, and financial charging account opening. Fourthly, the Company continuously promoted market influence and public recognition. It won the fifth “Annual Best Green Finance Award” appraised by the China Banking Association, received the invitation to participate in “Energy Efficiency Credit Guide Training Seminar” of the CBRC, “Energy Efficiency Financing Innovation Mechanism Research Topic” of the World Bank, and project research on green financial reform and green transformation promotion of the China Council for International Co-operation on Environment and Development.

(6) Small enterprise business

Businesses of small enterprises kept providing better service to the general public of traditional business, continuously promoted the construction of “six special mechanisms” of small and micro businesses focusing on exclusive organization system, exclusive risk technology, exclusive business process, exclusive product series, exclusive incentive and constraint, and exclusive resource allocation based on the professional operations, and continuously improved the professional and refined management levels of small and micro financial services. As at the end of the reporting period, the number of customized small and micro enterprise of the Company totaled 372.2 thousand, and the balance of loans for small and micro businesses amounted to RMB104.212 billion.

The Company strived to strengthen the construction of small and micro enterprises’ exclusive products and feature cluster, created financial services and differentiated competitive advantages covering the whole life cycle of small and micro enterprises, with more distinct business characteristics. Firstly, based on regional characteristics, the Company achieved prominent cluster construction effects. As at the end of the reporting period, 729 small business industrial clusters of the Company were constructed, up 45.51% from the beginning of the reporting period, and the balance of loans of the clusters reached RMB 35.3 billion, up 79.37% from the beginning of the reporting period. Secondly, “The Three Loan Services” brand and scale effect for small and micro enterprises given priority to “Easy & Fast Loan”, followed by “Transaction Loan” and cooperated with “Consecutive Loan” was further highlighted. As at the end of the reporting period, loans amounted to RMB 24.88 billion, providing financing services for approximately



7,000 small and micro enterprise customers. Thirdly, small and micro Internet finance of “Internet + Bank + Platform” made breakthrough in development. As at the end of the reporting period, online financing customers reached 208, and the balance of loans reached RMB 474 million. Fourthly, the “Entrepreneurial Finance” service system integrating “debt financing, equity financing, settlement and money management, and advisory services was officially launched in the market, and “Entrepreneurial Loan”, “Three-Board Series Products” and “V Creation” small and micro enterprises’ special action plans were innovatively launched.

(7) Institutional business

In terms of institutional business, adhering to taking root in finance, social insurance, public utilities, health care, culture and education and other fields, the Company implemented “big infrastructure, health, and culture” development strategy, and strengthened industry service ability. As at the end of the reporting period, the Company obtained 423 central, provincial, municipal, and district-level agency qualifications, increasing by 83 from the beginning of the reporting period. Technological capabilities provided a strong support for institutional customers, “The central government non-tax revenue collection system of the Ministry of Finance” was passed by the entire acceptance group of the Ministry of Finance; after the cross-provincial traffic violation fine payment system of the Ministry of Public Security was launched, it was accepted and approved by the three ministries of the Ministry of Public Security, the Ministry of Finance and the Central Bank. With respect to the construction of the provincial treasury concentrated payment electronic business system, it was developed and integrated in Fujian, Hebei and Liaoning, and it was connected to nearly 400 budget units in Fujian.

As at the end of the reporting period, the number of institutional customers reached 21,627, up 1,481 from the beginning of the period; the balance of customer deposits was RMB552.989 billion, up RMB37.063 billion from the beginning of the period, and the daily balance of institutional deposits was RMB529.465 billion, up RMB63.504 billion year-on-year.

2. Retail finance business segment

(1) Overview

Under the circumstance of economic downturn, especially when China was promoting “de-capacity, de-stocking, de-leveraging” and the pressure of bank assets quality constantly increased, the Company implemented the “one body and two wings” specialized service system and the development concept of sizeable investment, sizeable asset management, and sizeable wealth management 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 the reform of the work mode of business halls and credit card system mechanism, speeded up the transformation of traditional branch network, enhanced the brand building of “Four Life”, thereby realizing the improvement of specialized business capability. As at the end of the reporting period, there were 36.505 million retail banking customers (including credit card customers), increased 4.977 million customers from the beginning of the period. The balance of comprehensive financial assets of retail customers was RMB1,209.4 billion, up RMB198.9 billion from the beginning of the period. During the reporting period, the realized



retail intermediary business income was RMB14.111 billion, up 21.14% year-on-year. The net income of retail banking business was RMB27.733 billion, up 15.32% 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. Secondly, the Company strengthened the transformation of branch network and 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 smaller, smarter, and more community-oriented development model. Thirdly, the Company implemented the development strategy of business brands, promoted the brand cultivation and construction of “Four Life”, continuing to develop the “Enjoyable Life” service brand in the pension finance field, promoted the marketing of “Dynamic Life” CIB Dynamic credit card and bracelets; centered on customers, “Wealthy Life” cultivated the trust of customers toward “Wealthy Life Brand”; 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 launched the reform of operating hall labor organization model, vigorously reinforced the reform and implementation of credit card system mechanism, promoted the plan of “one position with various capabilities” of operating hall staff, perfected and carried out separation model of high-low counter, so as to enhance capability increase and personnel transformation. Fifthly, the Company continued to enhance the implementation of basic work, promoted the construction of retail customers separation management system, perfected the mechanism of developing customer system, continuously optimized VIP value-added service solutions, strengthened the building of service standardization system, actively promoted the standardized management of branch network staff, improved the staff efficiency of retail lines across the Bank, strengthened cost control overall, actively organized the promoted construction of technology platform relating to mobile payment, promoted branch network transformation and capability lifting, and strengthened the internal development ability of retail businesses.

(2) Retail banking business

With respect to retail liabilities, the Company kept up with the trend of interest rate liberalization, and continuously strengthened the management of interest rates, guided and encouraged branches to enhance expansion intensity of current deposits and short-term fixed deposits through interest rate authorization management, window guidance, etc., achieving good results with the balance of individual deposits reaching RMB374,124 million at the end of the reporting period. The Company gradually divided the original structural deposits, and proactively reduced the cost of debt; innovated the large amount deposit certificates, with the balance of large amount individual deposit certificates at over RMB8 billion at the end of the reporting period, which made up for the shortcomings of the short-term fixed deposit product structure.

With respect to the retail credit business, the Company proactively responded to the call of the government, increased support for loans to owner-occupied properties, and promoted the development of housing mortgage loan business. Meanwhile, in order to adapt to the changes of the market conditions, the Company constantly improved and upgraded the retail credit product system, enriched and innovated retail credit products, accelerated the promotion of the “flourishing” characteristic industrial loans, strengthened the linkage marketing of retail products,



cultivated and accumulated high-quality retail customers, and raised the level of comprehensive income. The balance of personal loans (excluding credit card) was RMB433.946 billion, up 35.78% from the beginning of the period, the number of personal loan customers exceeded 700,000, and the accumulated personal loans of the year was RMB265.005 billion.

With respect to the retail wealth business, the Company continued to promote the transformation of the retail wealth business, and vigorously developed the agency business, thus forming the multi-category and multi-channel retail wealth product supply and sales system; carried out the retail wealth business mainly centering on the product structure change: firstly, the wealth management business emphasis was transferred to agency business, and the agency product sales grew 17% compared to the previous year; secondly, financing products were transferred to the open net value products, the closed-end product sales fell 30% from the previous year, and the open-end product sales grew 113%. The contribution of the agency business intermediary business income in the retail wealth intermediate business income broke through 20% for the first time, and the income structure tended to be more reasonable. Agency business of precious metals, insurance, etc. made breakthrough in development, and sales scale jumped to the front among similar joint-stock commercial banks. With respect to the retail wealth business, the sales volume (excluding private banking) of financial products in local and foreign currencies was RMB3,654.390 billion, increased by RMB1,418.705 billion year-on-year, of which the volume of open-end products stood at RMB3,110.976 billion and volume of closed-end products was RMB543.414 billion. Sales volume of agency products was RMB146.247 billion, up RMB21.203 billion year-on-year, of which sales volume of fund products (including securities companies), insurance products and trust products were RMB122.926 billion, RMB12.883 billion and RMB10.438 billion respectively. Accumulative transaction volume of trading business was RMB142.789 billion, of which the transaction volume of precious metals amounted to RMB136.190 billion and accumulated transaction volume of foreign currency was RMB6,599 million.

With respect to the retail channels, community banks were steadily developed, and the outlet transformation was fully implemented. As one of the banks which started to build community banks earlier, the Company proactively promoted the “intelligent and standardized” projects of community branches faced with the impact of interest rate liberalization and Internet finance, adhered to be customer-oriented to take the characteristic and differentiated operational path, established the overall development strategy of “promoting development with the system, and building brand with services”, and promoted the healthy and stable development of community banks from the perspectives of perfecting management mechanism, setting up the marketing platform, optimizing product allocation, and innovating service pattern and so on. As at the end of the reporting period, the licensed community branches amounted to 772, small and micro branches amounted to five, and more than two thirds community branches made profits.

The Company fully implemented outlet transformation, and gradually achieved the transformation of traditional outlets from the “transaction processing type” to the “efficiency-oriented service marketing type” in the “intelligent, small, community-based, and standardized” direction and centered on the three nodes of “burden reduction, high reduction and low reduction” with the aim to enhance operation, service and marketing efficiency,



making substantial progress. Firstly, counter burden reduction achievements were effective, counter business rapidly transferred to self-service machines, and integrated machine counter replacement rate reached 86.4%; intelligent construction of outlets was implemented, concentrated operation and remote authorization were promoted, the oral application and multi-transaction mode was popularized, and business processes were continuously optimized. Secondly, the Company promoted the transformation of operation class personnel to marketing personnel, reduced 2.1 tellers in average while added 1.3 marketing personnel in hall in each outlet. The operation class personnel fell by 11.4 percentage points, and labor efficiency was increased. Thirdly, the Company fully implemented low counter services, assigned personnel to provide services with each post given many responsibilities and flexible deployment, realized the “one-stop” services, and promoted the customer experience and outlet production capacity. Fourthly, traditional outlets were minimized and expanded with low cost, area of new outlets were strictly controlled, stock outlets were transformed, area of each outlet fell 16.5% from the previous year, and outlet area and rental cost continued to decline.

The Company continuously optimized and improved self-service equipment. The Company launched new hall intelligent queuing and marketing service system and re-established the process, greatly enhancing the hall services and marketing organization. The Company continuously improved and promoted intelligent counter terminal equipment, with distinct characteristics of “intelligent innovation, convenience and likability”. The Company continuously perfected financial IC card acceptance environment, and initiatively realized contact and non-contact all-service acceptance of financial IC cards inside and outside the bank of the ATM system. As at the end of the reporting period, online operated intelligent counter terminals amounted to 3,032 across the Bank, and ATM totaled 7,813.

(3) Credit card business

The credit card business focused on the frontier of industry development, grasped the opportunity of rapid development of internet finance and mobile payment, endeavored to push forward business transformation and upgrading, continuously provided safe, convenient and personalized consumption and finance service to credit card customers. As at the end of the reporting period, the Company issued credit cards amounting to 15.4952 million, of which 2.1831 million were newly issued cards during the period. During the reporting period, the accumulated transaction amount of credit card business totaled RMB451.975 billion, representing a year-on-year increase of 22.73%.

Grasping the development trend of the “movement” and “health” industries, the Company comprehensively promoted the construction of the core brand of “Dynamic Life” credit card to form differentiated competitive capabilities. The Company issued “CIB Dynamic” credit card, integrating the philosophy of “vitality, healthy and green” into the product design, combined financial payment products with the healthy life idea by the innovative method of exchanging credit card point with calorie burning by exercise. The synchronously launched mobile payment sports bracelet optional accessories were the first domestic wearable mobile payment equipment and were on the domestic leading position. Centering on the sports and health idea, the Company steadily promoted the expansion of preference merchants and construction of mobile payment acceptance environment, creating good environment for the cardholder to use the card.

(4) Private banking business

Centering on “consultation-driven” work in terms of the private banking business, the Company vigorously promoted business innovation and risk management and control, continuously enhanced capabilities of research and analysis and professional investment consulting services, improved the high-end service system, set up the overseas platform, and effectively enhanced market influence and scale merit. As at the end of the reporting period, the private banking customers totaled 18,381, up 24% from the beginning of the period, and the consolidated finance assets of private banking customers amounted to RMB263.9 billion, up 20% from the beginning of the period. The accumulated financial products issued by the Company over the whole year totaled RMB167 billion, representing a 13% year-on-year increase. During the reporting period, the Company held four quarterly strategic conferences on financial market analysis and allocation of general categories, and invited leading experts and customers to share their latest

views; launched exclusive service business with the most distinctive “consultation-driven” characteristics, including exclusive legal advice, tax planning, enterprise management, and global properties services of private banking customers; returned to the source of “entrusted asset management” of private banking, officially launched private banking exclusive services including family trust, Enjoyable Trust and discretionary trust.

3. Financial market segment

(1) Overview

The Company has constructed sound professional business management system and unified financial market service platform at the head quarters level. Under the headquarters market department, six first-class departments were set up, including the inter-bank business department, fund operation center, asset management department, asset custody department, bank cooperation center and financial market risk management department, all of which were with clear positions and duties, mutual cooperation, along with further enhancement of the construction of a professional talent team, so as to provide customers with more professional, comprehensive and efficient comprehensive financial products and services.

Actively pushing forward the development strategy of “sizeable investment, sizeable asset management and sizeable wealth management”, the Company took full advantage of its specialized talent team with financial market and comparatively full licenses to further strengthen its sharp market and innovation awareness, strengthen the linkages of the businesses among lines within the Group, actively respond to the changes and challenges from marketization, facilitate the steady development of various financial market businesses and enhance its market influence. The fund operation center accurately predicted the trend of market interest rate, adopted flexible transaction strategy of foreign exchange and derivative products, achieved remarkable self-operating economic results, and continued to maintain the market position of the most active market maker. Promoting the transformation and innovation of financial products, the Company’s scale of financial products continuously expended, making the daily average stock balance of financial products amount to RMB1,347.641 billion, up 60.27% year-on-year, accumulated financing fund totalled RMB11,690.862 billion, representing a year-on-year increase of 88.46%. While the industry competition was increasingly fierce, the scale of asset custody business realized substantial growth, with the closing balance of RMB7,213.948 billion, up 52.64% from the beginning of the period, thereby enabling the scale of custody business to rise to No.2 in the market. Characteristic inter-bank businesses including the Bank-to-Bank Platform, technological input continued to develop, functional system of “QianDa Money Manager” continuously improved, and financial cloud service platform began to construct.

(2) Inter-bank business

During the reporting period, the total number of online securities firms networked for third party depository service was 98, with the industry coverage ratio of 99% and the total number of online securities firms for margin trading, securities lending and depository services was 52. The end-user customers of third-party depository reached 3,644.2 thousand. The Company innovatively launched the transfer service of stock, futures and derivative bank products, with 22 security companies with transfer service of stock, futures and derivative bank products in operation. It collaborated with 67 trust companies with market coverage ratio of 98.5%. The accumulated number of direct online banking wealth management customers with finance companies was 121, with the industry coverage ratio of 56%. The Company established agent relationships with 1,509 institutions, covering over 100 countries and regions. During the reporting period, the Company became an affiliate member of the Insurance Asset Management Association of China; obtained the qualification for option fund settlement banks from the China Securities Depository and Clearing Co., Ltd.; obtained comprehensively qualified business authority of the participants of the inter-agency private market and the offer business system, qualification for fund settlement system of the offer system, and qualification for platform fund settlement business of the China Securities Jintong; became a member for comprehensive clearing of net bonds of the Shanghai Clearing House.

(3) Bank-to-bank cooperation

As the Company's first brand in China's bank-to-bank cooperation, the Bank-to-Bank Platform is an integrated service system of the Internet finance and offline finance, providing various collaborative banks with comprehensive financial service solutions covering wealth management, payment and settlement, technological output, training services, financing services, optimization of capital, asset-liability structure, etc. As at the end of the reporting period, the number of collaborated customers of Bank-to-Bank Platform was 653, of which 254 were wealth management gateway cooperation customers, with sold products totaling RMB2,163.370 billion, up 51.24% year-on-year. The accumulated total number of networked outlets for counter agency settlement exceeded 36.2 thousand. During the period, a total of 41,630.8 thousand accumulated settlement transactions were completed on the Bank-to-Bank Platform, representing a year-on-year increase of 56.77%. The accumulated settlement was RMB2,904.144 billion, up 42.22% year-on-year. The Bank-to-Bank Platform's single-year settlement transactions and settlement amount both hit a record high. The Company accumulatively cooperated with 270 commercial banks in terms of establishment of information systems, among which 146 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 continued to give priority to “QianDa Money Manager”, and continuously promoted development of the internet finance business, achieving fast growth in customer base and business scale. As at the end of the reporting period, individual customers of the QianDa Money Manager amounted to 3.4 million, up 215% from the beginning of the period; there were more product categories, forming a complete wealth products line covering bank financing, trust, securities, funds, insurance, precious metals, products of the asset exchange, etc. Sales of financial products of QianDa Money Manager to terminal customers reached RMB774 billion, up 42.43% year-on-year. “The Shopkeeper Wallet” continued to be developed with a good momentum with the product scale at the end of the period reaching RMB67.500 billion, and exceeding RMB one hundred billion in the mid-year, thereby retaining its position in the front in the money fund camp.

(4) Treasury business

During the reporting period, with further deepening of the financial system reform and acceleration of interest rate liberalization, RMB internationalization made key breakthrough, multi-level capital market achieved mutual development. With respect to the proprietary investment business, the Company continued to enhance the level of professional operation and management, accurately forecasted downward trend of center of interest rates, took advantage of business qualifications and investment channels, expanded the liability scale at the beginning of the reporting period through the multi channels, seized higher-yielding assets, and increased foreign currency asset allocation, and optimized the structure of the Company's assets. Meanwhile, the Company proactively strengthened internal linkage of institutions of the Company, proactively expanded agency service business, provided customers with tailor-made integrated service schemes, raised service level, and increased comprehensive management benefit. With respect to the foreign exchange market, the Company was still one of the most active market makers in the RMB foreign exchange at spot, forward, swap, option, interest rate swap and standard bond forward markets. In June 2015, the Company passed the acceptance of the Central Bank on the separate account accounting unit system of the Shanghai Free Trade Zone. Free trade zone business formally stepped in the test stage, and as of yet,

capital inter-bank lending, proprietary trading exchange rate transactions and other businesses were opened.

(5) Asset management

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, inter-bank 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.

Wealth management business continued to maintain a rapid growth, with the scale and income hitting the record high and growing speed exceeding that of last year. As at the end of the reporting period, the balance of the Company's wealth management products was RMB1,438.558 billion, up 72.26% year-on-year, of which the balance of open-end products and closed-end products was RMB668.286 billion and RMB770.272 billion respectively, taking up 46.46% and 53.54% respectively. The balance of principle-guaranteed product included and calculated in the form was RMB395.045 billion, taking up 27.46%, balance of remaining non-principle-guaranteed wealth management products issued and managed by the Company was RMB1,043.513 billion, taking up 72.54%. During the period, average daily balance of wealth management products was RMB1,347.641 billion, up 60.27% year-on-year, accumulated raised wealth management fund was RMB11,690.862 billion, up 88.46% year-on-year, and the intermediary income of wealth management business was RMB9.528 billion, up 22.37% year-on-year.

The Company continued to strengthen its financial innovation by successively introducing debt-equity mixed finance products with capital preservation strategy and "Wan Hui Tong-Kua Jing Tong" TRS overseas finance products, completing the pre-phase issuance preparation of QDII finance products and structured finance products. Product innovation facilitated the further perfection of categories of financial products and better met diversified investment needs of customers. Meanwhile, the Company progressively invested on graded fund arbitrage investment business and the new three board investment business, completed the plan design of quantitative investment business and OTC derivatives business of MOM model and the selection of cooperation mechanism. Asset innovation enriched the financial product varieties under financial items and laid a solid foundation for the subsequent transformation of wealth management business.

(6) Asset custody business

The Company carried out its asset custody business by effectively responding to the changes of capital market, further reinforced innovation, sped up optimization of product structure and realized sustainable development of the asset custody business. All business targets steadily rose, and the market position was further consolidated. As at the end of the reporting period, the number of online custody products of the Company was 18,799, with the scale of asset custody business totaling RMB7,213.948 billion, up RMB2,487.907 billion or 52.64% from the beginning of the period. While during the period, the realized total income of intermediary businesses of asset custody reached RMB4.316 billion, up RMB105 million or 2.49% year-on-year.

The Company proceeded to strengthen traditional custody business to ensure its dominant position within the industry. At the same time, in the wake of capital market hot spots, the Company focused on three major custody businesses including the bank financial products, securities investment fund and customer asset management products of fund companies, and it also cultivated new operation growth point. As at the end of the reporting period, the custody business of bank financial products was RMB1,463.563 billion, up RMB701.628 billion from the beginning of the period, the custody business of asset management products of fund firms was RMB769.099 billion, up RMB388.403 billion from the beginning of the period, the custody business of securities investment fund was RMB288.318 billion, up RMB159.025 billion from the beginning of the period, the custody business of trust asset management products was RMB1,804.582 billion, up RMB496.595 billion from the beginning of the period,

the custody business of asset management products of securities firms' customers was RMB1,566.627 billion, up RMB395.917 billion from the beginning of the period, the custody business of insurance asset management products was RMB638.298 billion, up RMB117.058 billion from the beginning of the period and the custody business of private asset management product was RMB213.698 billion, increased by RMB109.169 billion from the beginning of the period.

(7) Futures financial business

During the reporting period, the Company was designated by the Shanghai Futures Exchange as the depository bank for futures margin. Meanwhile, it served as the depository bank designated by China Financial Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange. The Company constantly improved futures margin custody business and technical systems management mechanism to ensure the compliance and stable operation of the business. On this basis, the Company actively carried out the cooperation with futures exchange and futures companies business and realized the stable growth of the business. As at the end of the reporting period, the Company's balance of deposits of futures firms and futures exchanges was RMB56.328 billion, up RMB3.984 billion or 7.61% from the beginning of the period. Among them, the balance of deposits of futures margins was RMB49.607 billion, up RMB4.243 billion from the beginning of the period. During the period, the Company's daily balance of deposits of futures funds was RMB55.6 billion, up 119.85% year-on-year. As at the end of the reporting period, there were 84 Internet futures firms of bank-futures transfer of the Company, 126 futures firms cooperating with the Company, up 14 firms from the beginning of the period. 228 futures guarantee accounts were opened for futures firms, of which 125 were earmarked fund accounts. During the period, there were 10,784 completed transactions with futures exchange settlement, with a total settlement amount of RMB1,912.499 billion. There were 232,903 completed bank-futures transfer transactions, with a total amount of RMB292.335 billion. The company continued to promote business cooperation with futures firms in various areas including pledge and credit of standard warehouse receipts, subordinated debt credit, asset management and asset custody. As at the end of the reporting period, there were 111 asset management products of futures firms under online custody of the Company, with total asset of RMB2.078 billion.



4. E-banking

Following the trend of “marketization, disintermediation, networking and customization” of finance, E-banking business focused on “opening, focusing, execution and customer experience” to speed up the pace of e-finance innovation. The Company strived to perform well in operation, service, innovation and development of online channels including direct banking, Internet banking (online banking, mobile banking, SMS bank and WeChat bank), remote bank (telephone banking 95561; VIP special line 4008895561). Besides, the Company integrated into the whole life cycle of customers of various ecological scenarios, formed a fully interacted business service closed-loop with offline outlets and community banks and fully excavated and promoted the innovation service value of network financial channels and improved the productivity and competitiveness along with the formation of new market breakthrough.

The Company developed mobile payment by launching Apple Pay and HCE cloud quick pass and promoting the construction of multiple Near Field Communication modes such as UnionPay business POS, bracelets mode and so on. It also developed O2O interactive service platform “reservations desk of service, providing mobile phone number reserving of bank business, and pre-filled sheet service of website (PC and Pad), mobile phone and WeChat bank. The Company developed remote bank, which supported multiple service interactive modes such as mobile phone, fax, SMS, WeChat, E-mail, weibo, video and online customer service, etc. Virtual Teller Machine (VTM) was also development, of which front ends were distributed in outlets and community banks while back ends were connected into customer service center. It realized the all-around teller services of “full entrust, full business and all day”, which reduced the pressure of retail tellers and provided technical and operation support for community banks. The Company established a call center cross sales based on IBM’s Watson system and an outbound marketing services platform, giving play to professional advantages of customer service center and actively carrying out the outbound marketing of group products and cross-selling concerning incoming calls.

The Company enriched the direct selling bank product line by adding “Xian Jin Bao” exclusive channel, Xingyebao-Huafu Monetary Fund and Xingyehong-Huafu Health Flexible Allocation Fund and promoting the innovation of “Xing Ye Tou” investment income product marked by city investment bonds. It developed and implemented the expansion project of payment channel, and broadened the inter-bank funding channels and limitation of direct selling banks. Grasping the development trend of social platform, it developed WeChat bank, offered transaction handling, consulting, notification and other services for various business products, accessed to mobile banking, direct selling bank and intelligent customer service, and built a new “self-help, intelligence, artificial” service mode. The remote account establishment of WeChat bank enabled new customers to submit materials to apply for new account through WeChat bank, where customer service personnel could identify the customer through WeChat video call and immediately open account for him or her. Combined with bank advantages, e-business was well developed with popular categories such as life services, enjoyable life, overseas online shopping, vehicle life, process characteristics, drinks and gold coins completed with fineness.

As at the end of the reporting period, the Company had 217.7 thousand active corporate and inter-bank online banking customers, up 8.74% from the beginning of the period; 9.1161 million active personal online banking customers, up 12.20% from the figure at the beginning of the period; 8.3224 million active mobile phone banking customers, up 57.58% from the figure at the beginning of the period; and 11.9567 million active messenger users, up 37.53% from the figure at the beginning of the period. During the reporting period, the number of corporate and inter-bank online banking transactions was 98.7899 million (transactions of capital movement, same hereinafter), up 38.14% year-on-year, while the transaction amount was RMB69,327.503 billion, up 40.02% year-on-year. The number of personal online banking transactions was 525.7154 million, up 112.04% year-on-year, while the transaction amount was RMB10,757.783 billion, up 44.85% year-on-year. The number of mobile phone banking transactions was 104.762 million, up 173.20% year-on-year, while the transaction amount was RMB1,929.652 billion, up 157.63% year-on-year. The replacement ratio of e-banking transactions across the Bank was 92.71%, up 7.15% year-on-year. The work of counter transaction was effectively lessened and counter channel productivity was released.



(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2015		December 31, 2014		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Pass	1,711,649	96.19	1,546,660	97.08	10.67
Special mention	41,776	2.35	28,944	1.82	44.33
Substandard	11,331	0.64	9,312	0.58	21.68
Doubtful	9,560	0.54	6,082	0.38	57.19
Loss	5,092	0.28	2,150	0.14	136.84
Total	1,779,408	100	1,593,148	100	11.69

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB25.983 billion, up RMB8.439 billion from the figure at the beginning of the period with NPL ratio of 1.46%, up 0.36% from the beginning of the period. The balance of special mention loans was RMB41.776 billion, up RMB12.832 billion from the beginning of the period. The proportion of the special mention loans in the total loans was 2.35%, up 0.53% from the beginning of the period. Main reasons for the increase in NPLs and special mention loans were that on one hand, China's economy was still experiencing the overlapping of domestic growth pattern transformation period, structural adjustment period and policy systemization period, coupled with continuing slowdown of economic growth, profound adjustment of economic structure, resolving of excess capacity, cultivation of new industry, which would be a long process, so that the chance for corporate risks disclosure became higher. On the other hand, the Company persisted in actively and truthfully disclosing risks, and further sped up solving and treating risky projects, which also took time. Therefore, various factors led to the increase of the Company's NPLs and special mention loans.

The Company continuously strengthened the control over asset quality by adhering to equal stress on "controlling the new ones" and "lowering the old ones", effectively conducting "controlling the new ones" and speeding up the "lowering the old ones". The asset quality continued to maintain the overall basic stability. In respect of "controlling the new ones", firstly, the Company strengthened the authenticity audit and enhanced the "three check" to carry out the specific requirements of authenticity; and its branches set up due diligence centers for further strengthening of authenticity verification before crediting; secondly, the Company strengthened the fulfillment of due diligence responsibilities, continued to increase the evaluation weights and frequencies of the risks and compliance of internal control of branches and, through regular assessment, timely report, supervision and rectification, etc., comprehensively enhanced the effectiveness of risk management at the basic level; thirdly, the Company strengthened risk screening and early warning, accelerated the construction of risk early warning system and fully improved the initiative, comprehensiveness and timeliness of early warning of risks. In respect of "lowering the old ones", firstly, the Company strengthened the customer exit mechanism and flexibly adopted measures aiming at risky customers to orderly exit; secondly, the Company enhanced the recovery of non-performing assets to improve the efficiency and benefit of non-performing assets; thirdly, the Company carried out comprehensive assessment of asset quality with non-performing, attention, overdue and other indexes included into the assessment of operating institutions at all levels and the risk management department.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	43,896
Provision during the reporting period (+)	37,093
Write-off and transfer-out during the reporting period (-)	26,028
Write-back during the reporting period of write-off in previous years (+)	511
Transfer-out due to the increase in discounted value of loan value (-)	907
Changes in exchange rates (+)	21
Closing balance	54,586

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

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2015		December 31, 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	21,822	44.72	19,510	54.45
91-360 days (inclusive) overdue	18,867	38.66	12,965	36.18
361 days - 3 years (inclusive) overdue	7,760	15.90	3,001	8.38
Over 3 years overdue	348	0.72	355	0.99
Total	48,797	100	35,831	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB48.797 billion, up RMB12.966 billion from the beginning of the period, of which overdue corporate loans and overdue personal loans increased by RMB10.604 billion and RMB2.072 billion respectively, and credit cards overdue increased by RMB290 million. The primary causes for the increase were that the pressure for economic downturn further increased, and the number of customers who repaid overdue due to capital turnover difficulties increased. In addition, it took time to settle the stock of overdue loans, which also constituted another major cause for the increase of overdue loans.

The Company adopted targeted regulatory measures for overdue loans: firstly, the Company continued to incorporate overdue loans into asset quality assessment of the bank; secondly, the Company prepared sound repayment arrangement in advance, reinforced risk investigation on due loans by carrying out research on due loans for the year, formulated repayment proposals and disposal measures one by one and further improved the prospective of management on overdue loans; thirdly, the Company strictly classified overdue loan risks to ensure full revealing of risks; fourthly, the Company completed the risk control of prospective of overdue loans and constantly reinforced the collection efforts of overdue loans.

4. Changes in restructures loans

Unit: RMB million

Item	December 31, 2015		December 31, 2014	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured loans	17,808	1.00	7,660	0.48

As at the end of the reporting period, the balance of the Company's restructured loans stood at RMB17.808 billion, up RMB10.148 billion from the beginning of the reporting period. The main reason for the great increase of the balance of restructured loans was that the Company further optimized the resolution for risk projects and disposal strategies. Under the premise of reinforced risk guarantee and controlled material risks, the Company helped sustainable-operating enterprises with temporary turnover difficulty to maintain normal operation and overcome all difficulties.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Item	December 31, 2015	December 31, 2014
Foreclosed assets	595	185
Incl: Buildings	298	124
Land use rights	73	60
Others	224	1
Less: Impairment provision	(9)	(37)
Net value of foreclosed assets	586	148

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB475 million (mainly including securities, land and buildings and transfer tax, etc.), and recovered RMB65 million from the disposal of foreclosed assets (including transferring property for owner use), thereby increasing the net book value of foreclosed assets by RMB410 million. As at the end of the period, the Company transferred out RMB28 million of impairment provision due to disposal of foreclosed assets, thus the balance of provision for impairment of foreclosed assets decreased by RMB280 million.

(V) Information of structure entities under control of the Company

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

(VI) Situation of financial bonds held

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

Unit: RMB million

Category	Par value
Bonds of policy banks	34,136
Bank bonds	7,197
Bonds of non-banking financial institutions	19,357
Total	59,974

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

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

Unit: RMB million

Name of bond	Par value	Annual interest rate (%)	Maturity date
07 CDB 08	4,720	2.85	2017-05-29
09 CDB 12	2,960	2.45	2019-09-23
12 CDB 24	2,670	2.97	2019-05-22
10 CDB 24	2,340	1.95	2020-08-26
09 CDB 21	2,250	2.07	2016-11-18
12 CDB 23	2,010	3.28	2017-05-03
13 PICC subordinated debt 01	1,600	4.95	2023-06-17
13 BOB debt 01	1,000	4.30	2018-03-04
13 BOC 01	1,000	4.37	2018-07-29
15 CGB 06	1,000	5.00	2018-06-08

(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	981,942	3,867	3,868
Exchange rate derivatives	917,675	7,381	6,352
Precious metals derivatives	56,816	2,626	308
Credit derivatives	7,970	59	35
Total	-	13,933	10,563

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

Unit: RMB million

Item	Opening balance	Gains and losses in the period from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment made in the period	Closing balance
Trading financial assets	400	(14)	-	-	4,149
Derivative financial assets	2,173	4,697	-	-	7,240
Derivative financial liabilities	1,195				1,565
Available-for-sale financial assets	2,849	-	(16)	-	20,696
Held-to-maturity investment	149	-	-	-	7,375

(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, 2014	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, 2015
Financial assets at fair value through profit or loss	44,435	(109)	-	-	128,685
Precious metals	7,456	(1,311)	-	-	41,964
Derivative financial assets	5,142	2,781	-	-	13,933
Derivative financial liabilities	4,498	-	-	-	10,563
Available-for-sale financial assets	407,752	-	7,699	1,095	426,304
Financial liabilities at fair value through profit or loss	1,903	17	-	-	1

(X) Situation of interest receivable

Unit: RMB million

Item	December 31, 2015	Increase in the reporting period	Recovery in the reporting period	December 31, 2014
Interest receivable	21,743	255,972	258,989	24,760

As at the end of the reporting period, the interest receivable decreased by RMB3.017 billion or 12.19% from the figure 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, 2015	December 31, 2014	Provision for impairment	Provision method
Other receivables	10,540	3,975	947	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis.

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

Unit: RMB million

Item	December 31, 2015	December 31, 2014
Letters of credit	111,547	160,142
Letters of guarantee	132,130	118,160
Bank acceptance	498,589	450,914
Unused credit cards commitments	92,357	60,712

(XIII) Risks and risk management during the reporting period

The Company took the initiative to implement the requirements of the country's macroeconomic policies and finance regulation, regarded "stabilizing development, ensuring safety and promoting transformation" as the basic work direction, grasped and adapted to the new normal state, continued to enhance the structural adjustment, transformation and upgrading of business, promoted the building of risk management system mechanisms across the Bank, perfected the implementation of supporting system, raised the effectiveness of risk management; promoted the fully-covered asset quality management, reinforced monitoring, early warning, troubleshooting and rectification of risks, so as to comprehensively reinforce asset quality control; innovated and optimized the management tools and application of the findings of internal assessment, strengthened unified credit granting, further optimized and perfected authorization and credit granting policies, reinforced management of limits and collateral, promoted the application of compliance standards under the New Capital Accord and project construction; and continued to raise the standards for specialized and refined risk management.

1. Further improved the construction of risk management institutional mechanism

Based on the achievements of risk management system reform in recent years, the Company adapted to the rapid and profound changes of internal and external operation environment, unified ideological understanding, rationally balanced the relationship between long-term development and short-term interest, relationship between business development and risk management and relationship between innovative implementation and observing the bottom line, further perfected the risk management organization system and supporting operation mechanism and reinforced the construction of "three lines of defence" for risk internal control across the Bank overall, mainly through measures including strengthening the building of risk management whole-process system and the reviewing and supervisory mechanism, and straightening out the relationship between responsibility, rights and interest in business development. Regarding the first line of defence, the Company set up professional due diligence center in branches, reinforcing post-loan authenticity investigation; established dedicated team on risk management in the specialized business departments to strengthen professional business risk management; the Company established and perfected operation responsibility mechanism, process evaluation and deferred payment system for risk fund and performance compensation so as to comprehensively strengthen the risk responsibility and risk awareness of staff at all levels of the first line of defence. The second line of defence was to reinforce construction of supervisory and reviewing system and to carry out centralized management of risk internal control and professional operation of non-performing assets. The third line of defence was to further increase the coverage frequency and coverage scope of auditing and raise the level of rectification and accountability for problems found during auditing.

2. Credit risk management

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

Facing the remarkable and profound changes of economy and finance environment, the Company took the initiative to grasp and adapt to the new normal state, firmly implemented the decision and arrangement of "Stabilizing development, ensuring safety and promoting transformation", adhered to stable and healthy operation, paid special attention to asset quality and future sustainable development, continued to further improve credit risk management system and to maintain basically stable asset quality. Firstly, the Company adjusted the authorization and granting policy of credit business, timely adjusting and optimizing authorization, promoting delicacy management and continuing to implement the differentiated granting policy of "assuring supply, control and stock compression", actively supporting real economy development, optimizing credit resources allocation, carried out area differentiated policy of "supporting certain areas and controlling others" and branches were allowed to formulate risk policy with area characteristics along with reality, enhanced post investigation and approval assessment, reinforced industry research and business analysis, further increased the relevance and perspectiveness. Secondly, the

Company reinforced management of credit asset quality, establishing fully-covered non-performing assets prevention and control management system, clarifying control target of non-performing assets and prevention and control responsibilities of non-performing assets at all levels of institutions, raising level of assessment to ensure the realization of prevention and control targets of non-performing assets. The Company perfected the disposal system and procedure model of non-performing assets, expanded disposal channels of non-performing assets, established and perfected centralized and professional business operation system of non-performing assets and effectively raised disposal efficiency of non-performing assets. Thirdly, the Company reinforced monitoring, advance warning and troubleshooting of risks. It implemented the building of risk advance warning management system, strengthened application of stage development achievements, while stressing collection of risk information and advance warning and establishing special monitoring asset pool of credit business. Adopting the effective advance warning, timely treatment and implementation provided judgment basis for pre-loan assessment, during-loan approval and decision-making and post-loan risk resolving so as to prevent risks from spreading. It also strengthened risk troubleshooting, enhanced both breadth and depth of risk troubleshooting, and timely researched, judged and responded to risk hotspots and key areas.

3. Liquidity risk management

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

During the reporting period, faced the complicated and serious macroeconomy, the Company actively implemented the requirements of the country's macroeconomic policies and finance supervisory management, and timely adjusted the management policies of asset liability and liquidity in accordance with internal and external changes. Firstly, the Company further perfected three lines of defence system of liquidity risk management. During the business operation, the Company reinforced the prospective judgment of market liquidity, timely adjusted business strategy and realized the pre-incident prevention, during-incident monitoring and post-incident control of liquidity risks. Secondly, the Company stuck to expand liability resource through multichannels and optimized liability structure. While continued to steadily expand its core liability, the Company grasped the market opportunity, intensified the issuance of standard proactive liability including NCD, certificate of deposit and financial bond, improved liability term structure and further optimized the Company's liability structure through multichannels of liability resource. Thirdly, the Company reinforced management of asset liability ratio, improved FTP management mechanism, effectively ensured the liquidity safety across the Bank, perfected the management mechanism of asset liability ratio at all levels, enhanced effective control of asset liability ratio indicators, ensured an overall balanced asset liability ratio, thereby maintaining overall sound liquidity situation of the Company and balanced and coordinated development of all asset liability businesses.

Unit: %

	Warning Value	Tolerance Value	Regulation Value	December 31, 2015	December 31, 2014
RMB excess reserve ratio	≥2	≥1	-	2.65	4.83
Liquidity ratio (RMB)	≥30	≥25	≥25	55.58	41.15
Loan-to-deposit ratio (local and foreign currencies)	≤75	-	-	67.62	64.76

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.

During the reporting period, the Company constantly improved the basic market risk management framework, and the management was enhanced in terms of organizational system, risk limit indicator system, and market risk management strategy. The Company effectively prevented interest rate risk and exchange rate risk through reinforcing investment decision-making management and interest-sensitive gap management. It strengthened the management and control of interest rate risks, controlled market risks within a reasonable range through effective market risk management and control measures, and realized the maximum benefits.

(1) Interest rate risk

The Company flexibly adjusted the interest rate risk management measures and ensured that the interest rate risks are controllable according to changes of the market situation. To effectively cope with the intensified market interest rate fluctuations due to the complicated and changeable economic situation at home and abroad, 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, reinforced management on the matching of inter-bank capital business and enhanced management on spread between the cost of capital source and gains from application of funds. Meanwhile, the Company made full use of interest rate hedge of different products in finance derivative product market to effectively control interest rate risk. It perfected pricing and valuation model, built standardized procedure for pricing and valuation management, enhanced dynamic valuation of investment products. The Company managed mainly through constant improvements on the market risk indicator limit system, set limits for the interest rate risk exposures limits and stop-loss limits respectively for different trading products to ensure the interest rate risk remain controllable.

(2) Exchange rate risk

The Company conducted 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 exchange risk 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, as well as the specific risk management strategy including daytime proprietary exposure limit and end-of-day exposure limit. The total exposure limit was relatively small compared to the size of the Company's absolute assets, and risk was controllable.

5. Operating risks management

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 defence" 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.

Complying with implementing the New Capital Accord and regulatory requirements, along with the business development and management reality, in accordance with the operational risk management strategy and Measures of the Industrial Bank for Operational Risk Management for the implementation, the Company formulated and issued a series of operational risk management systems including Measures of the Industrial Bank for Outsourcing Risk Management (amended in January 2015), Operational Rules of Industrial Bank for Operational Risk Regulatory

Capital , Operational Rules of Industrial Bank for Operation Risk Key Indicators Management , Operational Rules of Industrial Bank for Operation Risk, Control, Identification and Assessment, and Operational Rules of Industrial Bank for New Products (New Businesses) Operation Risk Assessment, further improved operational risk management system covering governance structure, organizational structure, management responsibilities, policies, regulations, procedures, tools, methods and systems, clearly specified the standardizing requirements covering division of responsibilities and rules, work procedures and steps, implementation scope and content, implementation method and standard, application and verification of findings during the implementation of various operational management instruments, improved various management procedures such as risk identification, assessment, monitoring, control/mitigation, measurement and reporting of operational risks, gradually switched the gateway to withstand risks from the capital management system forward to the risk management system and internal control management system 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 establishment and implementation of the risk management system mechanism, the Company continued to push forward the establishment and improvement of the operational risk management system, gradually enhanced the overall standard and quality of the Company's asset management ability, internal control and risk management.

Firstly, the Company completed the establishment, promotion and implementation of the operational risk management system project. It formulated and launched the Company's list of principal businesses and management procedures, orderly carried out promotion and implementation as well as implementation of results application of various management instruments ,including procedure analysis of major businesses and management procedures, sorting out information of internal control system, assessment of operational risks and control identification, setting and monitoring of key risk indicators, collection and analysis of risky events, rectification, management and improvement of problems, and established and improved the standardized and normalized work mechanisms. It regularly carried out calculation and analysis of operational risk capital at both Group level and legal person level, and adopted assets allocation and monitoring application at the level of business lines, branches and holding subsidiaries. The Company steadily implemented business impact analysis and risk assessment of various principal business with continuing business, 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 explore and 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 steady and healthy operation of all the businesses.

Secondly, the Company continuously optimized and perfected its operational risk management system platform. Together with the practical requirement of operational risk management work, it continued to optimize and perfect the compliance, internal control and operational risk management system, asset calculation system for operational risk, it provided unified system platform for operational risk management work covering the continuingly and effectively carrying out business and sorting of the analysis of management procedures, analysis and rectification of internal investigation problem, identification and assessment of risk and control, setting and monitoring of key risk indicators, analysis and rectification of internal control problems, business continuity key business impact analysis and risk assessment, asset calculation of operational risk, continued to enhance the quality and level of the Company's operational risk management.

Thirdly, the Company enhanced the implementation of operational risk management systems during operational business management. It formulated and issued Manual of Compliance Internal Control and Operational Risk of Industrial Bank. The Company implemented the identification and assessment instrument of risk and control , key risk indicators instrument and other relevant work results to business lines including corporate finance, retail banking, financial markets, and business scopes including business continuity key business analysis and assessment, risk management of information technology, identification and assessment of money-laundering risk, evaluation of internal control. The company also implemented the implementation achievements of various management instruments to perfect the Company's relevant policies, procedures and management processes, to push forward the normalized

operation of internal control investigation management and management mechanism for employee compliance record, to directly carry out internal control investigation of business institutions at all levels. Concentrating on the high-risk areas and weak points in identification and assessment of risk and control, risk abnormal situation noticed through key indication monitoring, collected internal and external risky events, risk hidden danger and internal control defects found by internal control investigation to analyze and locate major risks in all principal businesses and management fields, mainly control high-risk areas and manage weak points, and take measures to enhance the rectification of problems and improvement of management, to effectively reinforce the basis for compliance internal control and operational risks management, to further enhance the level of refinement and specification standards of the Company's operational risk management, and effectively increased the relevance, sensitivity and effectiveness of compliance, internal control and operational risk management.

Fourthly, the Company carried out ongoing case prevention and control. It actively responded to severe circumstance and challenges of external case prevention, further enhanced special treatment of case prevention and control, constructed case prevention constraint mechanisms charged by "the head" of all-level institutions, and "top-down" transmission mechanism for case prevention and compliance culture, specially carried out sorting of key points for treatment of case risky events, established case prompt response and linkage treatment mechanism, deeply implemented the risk investigation of various cases, continued to enhance the control and monitoring of employees' abnormal behavior. Through refining the investigation content, specifying the responsibilities and roles, enhancing cooperation and collaboration, the Company timely excluded the hidden risks and effectively assured the healthy development of all businesses.

6. Compliance risk management

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

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; continuing to facilitate the mutual integration and promotion 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.

Secondly, the Company established a sound internal oversight mechanism to strengthen the awareness of compliance operation. The Company further regulated the internal control investigation process, strengthened the long-acting mechanism for internal control inspection and management, the internal control supervisory system and the compliance troubleshooting, established a daily management system for the inspection of data, compiled entries of irregularity, and reinforced the application of achievements. It pushed forward the employee compliance file and accumulative points management, constructed the "account page" for employee compliance. The company improved the compliance management mechanism and framework of branches, improved the long-acting mechanism for regulating the extraordinary transaction activities of employees by means of compliance risk alert, compliance and internal control evaluation, special troubleshooting and strengthened accountability of employees for irregularities.

Thirdly, the Company grasped the regulatory focus and made innovative management tools to enhance the overall quality and efficiency of anti-money laundering. With its ongoing commitment to the "risk-based" and "corporate

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

Fourthly, the Company continued to prefect systems across the Bank and contract management system to further enhance the sensitivity and effectiveness of management. Collecting the branches’ feedback for regulation implementation, the Company organized and carried out rearrangement and post evaluation of regulations, timely discovered and rectified the wrongdoing in implementation of business and regulations, effectively increased the regulation execution achievements, so as to provide clear, legitimate and effective regulation guarantee for Company’s operation management. In accordance with the updated external laws and regulations and internal systems, the Company continued to carry out contract sorting and post evaluation, so as to enhance the level of the use specification and refinement of contract texts.

Fifthly, the Company continued to optimize the methods and means of legal and compliance management, pushed forward the continued development of all businesses, continuously enhanced the standardization and specialization of legal and compliance service, constructively participated in innovative business and product development, engaged in demonstration, design and marketing of major innovative products in advance, timely provided legal consultancy and constructive guiding opinions for all businesses and management, made full use of the supporting and ensuring effect of legitimate compliance management to the Company’s business innovation and management. Meanwhile, the Company enhanced the risk monitoring of external laws and regulations as well as law and compliance of typical case inter-bank, timely summarized and revealed the law and compliance risks in daily operation management, continued to optimize methods and means of law and compliance management, comprehensively improved the ability of law and compliance service.

7. IT risk management

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

The Company vigorously perfected the IT risk institutional frame, formed three lines of defence of IT risk management comprised of IT department, law and compliance department, audit department and other relevant department and made full use of IT risk management instruments, reinforced IT risk management through adopting various measures simultaneously. Firstly, the company opened the IT risk management system platform, making management functions electronic including IT risk, control, identification and assessment, IT key indicators monitoring, collecting of IT risk incidents, reviewing and management of all kinds of IT risks. Secondly, the Company perfected assessment system of IT risks. At the level of Head Office, the company expanded the coverage scope of IT risk assessment and expanded the scope of IT risk assessment to IT relating department. At the level of branches, the Company implemented risk, control, identification and assessment of IT risk key procedure in all branches, and carried out the work on a regular basis as a normalized work of branches, and established IT risk assessment system across the Bank. Thirdly, the Company attached importance to outsourcing risk management, enhanced uniform management of outsourced projects, carried out project risk assessment and provider assessment of the outsourced projects, paid special attention to situation including self-control capability of IT technology during outsourcing and outsourcing

provider risk, and timely rectified problems.

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. The Company continuously perfected the operational procedures in terms of news public opinion, information disclosure and customer complaint management, raised the level of comprehensive management of coping with adverse public opinion and capacity of contingency treatment, enhanced public opinion troubleshooting and established the regulation of daily reporting of risk information, to effectively prevent, immediately control and properly cope with adverse public opinion and prevent and control reputation risks. The Company fulfilled its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company. The Company also incorporated reputation risk management into the comprehensive appraisal of branches, 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 policies for 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. 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; clearly defining responsibilities and roles of business units and functional departments at all levels in the Head Office and branches; as well as monitoring firmly implementation of country risk management responsibilities of business units and functional departments at all levels . Business units and functional departments at all levels were responsible for country risk management with their own jurisdiction, carrying out identification, assessment, monitoring and control of the country risk with their own jurisdiction and reporting as required.

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



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

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

The Company considered and passed the amendments to the Articles of Association at the first extraordinary general meeting in 2012, which stated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general 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.

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 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.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the annual profit distribution plan 2014 in May 2015, based on the total share capital of 19,052,336,751 shares, the Company distributed cash dividend of RMB5.7 for every 10 shares (tax included), issued RMB10,859,831,948 cash dividends as a whole, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year. The formulation and implementation procedure of the Company's cash dividend policy was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The board of directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

(II) Profit distribution plan 2015

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 RMB17,172,892,671.91 to general reserve. The dividend of preferred shares is RMB1,147,347,945.21. The Company also planned to distribute cash dividend of RMB6.10 for every 10 ordinary shares (tax included), amounting to RMB11.622 billion, 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 2015.

(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 (%)
2015	-	6.10	-	11,622	50,207	23.15
2014	-	5.70	-	10,860	47,138	23.04
2013	-	4.60	-	8,764	41,211	21.27

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

II. Performance of undertakings

(I) The first extraordinary general meeting 2012 of the Company considered and approved 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 (2014-2016), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash would not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares 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, the trading moratorium of relevant shares has been expired on January 6, 2016, and these shares have been listed and tradable on the market since January 7, 2016.

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

(V) The Company received a notice from Finance Bureau of Fujian Province, the largest shareholder on July 9, 2015, which read, considering the abnormal fluctuation in China's securities market recently, in order to support the sustainable, steady and sound development of the capital market and protect the lawful rights of various investors of the Company, Finance Bureau of Fujian Province would actively perform its responsibilities as a shareholder and committed not to sell the shares of the Company that it holds during the period of abnormal fluctuation in stock market. Finance Bureau of Fujian Province performed its duties strictly and didn't sell the shares from the date of undertaking to the disclosure of the report.

(VI) All senior executives of the Company promised on July 10, 2015 that, based on the confidence in the sustainable and stable development of the Company in the future, they would, on the principle of being lawful and compliant and bearing risks on their own, purchased shares of the Company voluntarily with their own funds, and committed to lock the shares purchased for a whole year from the conclusion of such purchase. The above share purchase plan would be implemented via legal channels in appropriate ways. Senior executives of the Company had begun to purchase shares of the Company by using their own funds.

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

III. Situation of capital being occupied and used during the reporting period

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

IV. Appointment of accounting firms

Upon approval of the 2014 annual general meeting, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the annual report 2015, review the semi-annual report 2015 and provide internal control and audit services with the total audit fee amounting to RMB8.98 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 five consecutive years.

V. Material lawsuits and arbitrations

(I) Settlement of outstanding issue regarding the equity of Mr. Chen Wen-Te, A Taiwanese Shareholder by way of

litigation: Mr. Chen Wen-Te, a Taiwanese, filed a claim in Fujian Provincial High People's Court and insisted that he had purchased 550,000 ordinary shares issued by the Company in 1988, then lost contact with the Company and lost the subscription payment certificate. After a number of changes including bonus issue and capitalization, the number of such shares has increased to 3.0888 million, which are now held by Xingyin Property under the entrustment of the Company, and the dividends over those years are managed by the Company. It is requested to confirm that the 3.0888 million shares held by Xingyin Property and the dividends managed by the Company are owned by the plaintiff, and to rule that such shares and dividends should be returned to the plaintiff. Please refer to the Announcement on Settlement of Outstanding Issue Regarding the Equity of Mr. Chen Wen-Te, A Taiwanese Shareholder by Way of Litigation published by the Company dated August 27, 2015.

The Company received the first instance civil judgment served by Fujian Provincial High People's Court in December 2015, in which the judgment confirmed that the 3.0888 million shares of Industrial Bank Co., Ltd. under the name of "Chen Wen-Te" held by Xingyin Property belong to the plaintiff Chen Wen-Te, for details please refer to the announcement published by the Company dated December 26, 2015. This judgment has come into effect and each party of the litigation is now performing the judgment. This litigation is helpful to settle relevant outstanding equity issue in a proper manner, and will have no impact on the profits and losses of the Company in or after the current period.

(II) During the reporting period, there was no other material lawsuit or arbitration against the Company that was required to be disclosed.

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

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

VII. Integrity of the largest shareholder

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

VIII. Material related party transactions

(I) The 6th meeting of the 8th session of the board of directors of the Company considered and approved the Proposal concerning Extension of a Related Party Transaction Line to Hang Seng Bank (including Hang Seng Bank (China) Limited), agreeing to extend an internal basic credit line of RMB3 billion to Hang Seng Bank (including Hang Seng Bank (China) Limited), with the types of business under the credit extension consisting of credit business for which the Company assumed the credit risks of the credit receiver (excluding buy-back credit asset transfer business). It was also agreed to extend a non-credit related party transaction line with an annual transaction amount of not exceeding RMB5 billion for non-credit business, including asset transfer business such as bond transactions as well as service provision business for a term of 2 years. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favourable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions

complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the Company's announcement dated June 7, 2014.

(II) The 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 RMB457 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) 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 inter-bank 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.

(V) During the reporting period, the Company had no new resolutions on credit of material related party transactions.

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 RMB12 million.

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

IX. Material contracts and performance thereof

(I) Material custody, lease and undertaking issues

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

(II) Guarantees issues

In accordance with the relevant provisions of CSRC, the Company carefully verified its guarantee to external parties in 2015. 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 RMB132.13 billion. The company made no advances on the guarantee business and 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.

The Company had no other material guarantees requiring disclosure.

(III) Other material contracts

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

X. Description of other major issues

(I) Issuance of preferred shares: The Company issued the second tranche 130 million preferred shares with a par value of RMB100 per share and 5.4% coupon in the first interest cycle through non-public offering in June 2015. After deducting the offering expenses, the net proceeds reached RMB12,947 million, all of which were used for supplementing Tier 1 capital. Upon the completion of issuance of the second tranche of preferred shares, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since July 17, 2015.

(II) China Industrial Trust Limited becoming the controlling shareholder of CIB Futures Co., Ltd.: With the approval and consent of the CSRC, Industrial Trust held 70% of shares of CIB Futures Co., Ltd. after receiving the 40.3% of shares of Industrial Futures held by Shanghai Shanrong Industry Limited and CIB Futures Co., Ltd. had completed the procedures for changes in industrial and commercial registration in March 2015. The control of CIB Futures Co., Ltd. by Industrial Trust by increasing shares is helpful to boost the linked coordination between trust, futures and assets management, improve the integrated business advantages and provide better services to the real economy.

(III) Establishment of Industrial Economic Research and Consulting Co., Ltd. and changes in scope of the consolidated statements: Industrial Economic Research and Consulting Co., Ltd. was established in Shanghai in June 2015, the registered capital is RMB60 million, in which CIB Guoxin Asset Management Co., Ltd., the subsidiary of Industrial Trust and CIB Wealth Management Co., Ltd., the subsidiary of Industrial Fund contributed RMB20 million respectively, and was incorporated into the consolidated scope.

(IV) Establishment of China Industry Digital Financial Service (Shanghai) Co., Ltd.: Under the approval of the Board of the Company, the Company invested in and established China Industry Digital Financial Service (Shanghai) Co., Ltd., 51% shares of which is held by CIB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Company's holding subsidiary Industrial Fund. Its registered capital is RMB500 million, its registered place is China (Shanghai) Pilot Free Trade Zone and it had completed the procedures for changes in industrial and commercial registration in November 2015. Its business scope mainly includes dealing with financial data, economic information consultant service, development and operation of App, system integration service, equity investment, venture capital investment, assets management, investment management and investment consultant, etc. China Industry Digital Financial Service (Shanghai) Co., Ltd. is incorporated into the consolidated scope of the Company's holding subsidiary Industrial Fund.

XI. Performance of social responsibilities

The Company has disclosed the Sustainable Development Report 2015, for details please refer to the website of Shanghai Stock Exchange.

SHARE CAPITAL CHANGES AND SHAREHOLDERS OF ORDINARY SHARES



I. Changes in shares during the reporting period

(I) Changes in shares

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 during the period.

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

II. Issuance and listing of securities

(I) Issuance of securities during the reporting period

Except for the issuance of the second tranche RMB13 billion preferred shares, the Company didn't issue any additional ordinary shares and other securities during the reporting period.

(II) The Company had no employee stocks

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 258,931 shareholder accounts, and 247,147 shareholders accounts at the end of the month prior to the release of this annual report.

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

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Number of restricted shares	Pledged or frozen shares	Type of shareholders
Finance Bureau of Fujian Province	0	3,402,173,769	17.86	0	None	State authority
PICC Property and Casualty Company Limited-traditional-common insurance product	0	948,000,000	4.98	948,000,000	None	State-owned legal person
PICC Life Insurance Company Limited participating-personal insurance (participating)	327,639,977	801,639,977	4.21	474,000,000	None	State-owned legal person
Buttonwood Investment Platform LLC.	671,012,396	671,012,396	3.52	0	None	State-owned legal person
China National Tobacco Corporation	0	613,537,500	3.22	613,537,500	None	State-owned legal person
China Securities Finance Corporation Limited	546,880,092	546,880,092	2.87	0	None	State-owned legal person
PICC Life Insurance Company Limited-universal-personal insurance (universal)	0	474,000,000	2.49	474,000,000	None	State-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	0	441,504,000	2.32	0	None	State-owned legal person
Tianan Property Insurance Co., Ltd-guaranteed win No. 1	323,410,360	326,560,360	1.71	0	None	Domestic non-state-owned legal person
China Huijin Investment LLC.	295,068,900	295,068,900	1.55	0	None	State-owned legal person

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. 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
Buttonwood Investment Platform co., LLC.	671,012,396	3.52	RMB ordinary shares
China Securities Finance Corporation Limited	546,880,092	2.87	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.32	RMB ordinary shares
PICC Life Insurance Company Limited participating-personal insurance (participating)	327,639,977	1.72	RMB ordinary shares
Tianan Property Insurance Co., Ltd-guaranteed win No. 1	326,560,360	1.71	RMB ordinary shares
China Huijin Investment LLC.	295,068,900	1.55	RMB ordinary shares
PICC Property and Casualty Company Limited-traditional-income portfolio	280,738,112	1.47	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	217,836,350	1.14	RMB ordinary shares

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

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

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

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

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

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

MATTERS REGARDING PREFERRED SHARES



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

Unit: share

Stock Code	Stock Name	Date of Issuance	Issuing price (Yuan/share)	Dividend Rate (%)	Issuance Size	Date of Listing	No. of shares approved for listing	Last date of Trade
360005	Industrial P1	December 3, 2014	100	6.00	130,000,000	December 19, 2014	130,000,000	N/A
360012	Industrial P2	June 17, 2015	100	5.40	130,000,000	July 17, 2015	130,000,000	N/A

Notes: 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 through non-public offering in December 2014. After deducting the offering expenses, the net proceeds reached RMB12.958 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of the issuance of the first tranche of preferred shares, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since December 19, 2014.

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

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

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

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

Unit: share

Name of shareholders	Changes of number of shares during the period	Number of shares held at the end of the period	Percentage in total share capital (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China-participating-personal insurance (participating)	39,860,000	44,114,000	16.97	Preferred shares	None	Others
Finance Bureau of Fujian Province	0	25,000,000	9.62	Preferred shares	None	State authority
Ping An Property & Casualty Insurance Company of China, Ltd. -traditional-general insurance products	17,000,000	21,254,000	8.17	Preferred shares	None	Others
Ping An Life Insurance Company of China-universal-individual insurance (universal)	17,000,000	21,254,000	8.17	Preferred shares	None	Others
Bank of Communications Schroders Funds	9,220,000	13,474,000	5.18	Preferred shares	None	Others
Guangdong Finance Trust Co., Ltd.	7,944,000	12,198,000	4.69	Preferred shares	None	Others
PICC Life Insurance Company Limited-participating-personal insurance (participating)	11,450,000	11,450,000	4.40	Preferred shares	None	Others
BOCI Securities Limited	4,790,000	9,044,000	3.48	Preferred shares	None	Others
Bosera Funds	3,690,000	7,944,000	3.06	Preferred shares	None	Others
Zhonghai Trust Co., Ltd.	3,690,000	7,944,000	3.06	Preferred shares	None	Others

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

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

3. As at the end of the period, the Finance Bureau of Fujian Province held 3,402,173,769 ordinary shares of the Company.

III. Profit distribution of preferred shares

(I) Profit distribution

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

The aggregate par value of the preferred shares “Industrial P1” is 13 billion, the interest period of preferred shares was from 1 January, 2015 to 31 December, 2015, and the proposed dividends are RMB780 million with an annual dividend yield of 6%.

The aggregate par value of the preferred shares “Industrial P2” is 13 billion and the initial date of the dividend calculation of year 2015 is the cut-off date for payment for this issuance of preferred shares, which means the interest period of preferred shares was from June 24, 2015 to December 31, 2015, and the proposed dividends are RMB367 million with an annual dividend yield of 5.40%.

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

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

Unit: RMB million

Year	Amount	Ratio
2015	1,147	100%
2014	51	100%
2013	-	-

Notes: Distribution ratio = announced distribution amount / agreed distribution amount for the year * 100%

IV. 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.

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

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

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

other financial assets.

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

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

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

The Company shall, subject to the approval of CBRC, fully convert its existing preferred shares under this issuance into its ordinary shares, in the event of the following trigger conditions of the mandatory conversion: (1) when the core Tier 1 capital adequacy ratio falls to 5.125% (or below), the preferred shares under this issuance, subject to the decision of the CBRC, shall be fully converted into the ordinary A shares of the Company based on the mandatory conversion price. After the conversion, those ordinary A shares will not be converted back into preferred shares under any circumstances; (2) When triggered event of the secondary capital instruments issued by the Company occurs, the preferred shares of this issue will be examined and decided by the CBRC, and shall be fully converted into ordinary A shares of the Company in accordance with the full mandatory conversion price. After the conversion, those ordinary A shares will no longer be restored to preferred stock under any conditions. Among them, the secondary capital instruments triggering event is the earlier of the following two situations: ① CBRC identifies if it was not conversion or written down, the Company will be unable to survive; ② Relevant departments identify if the public sectors don't inject or offer the same effect support, the Company will not survive.

The initial conversion price of the preferred shares under the issuance shall be the average trading price (that is RMB9.86/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved.

Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), 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 the CSRC's Official Reply of Approval on the Non-public Offering of Preferred Shares by Industrial Bank Co., Ltd (ZJXK [2014] No.1231), the proceeds from the offering of preferred shares shall be used to replenish the other Tier 1 capital of the Company. In the event of liquidation, shareholders of preferred shares shall have priority over shareholders of ordinary shares in receiving the par value as the settlement amount. If the residual property of the Company is insufficient, the payment shall be settled on a pro rata basis based on the shareholdings of shareholders of preferred shares. The preferred shares under this issuance shall be recognized as other equity instruments based on the contractual terms and the economic environment.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

I. Directors, supervisors and senior management members

(I) General information

Unit: Share

Name	Title	Gender	Date of Birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Variation of shares during the year	Reasons for variation	Total remuneration from the Company during the reporting period (before tax) (in RMB ten thousand)	Whether received remuneration from related party
Gao Jianping	Chairman of the board of directors	Male	July 1959	September 11, 2000	October 14, 2016	0	0	0	-	93.6	No
Chen Yichao	Director	Male	November 1950	July 1, 2015	October 14, 2016	0	0	0	-	0	Yes
Andrew Fung Hau Chung	Director	Male	July 1957	January 13, 2010	October 14, 2016	0	0	0	-	0	Yes
Li Liangwen	Director	Male	October 1951	December 24, 2013	April 27, 2016 ^{Note4}	0	0	0	-	0	Yes
Zhang Yuxia	Director	Female	June 1955	December 24, 2013	October 14, 2016	0	0	0	-	0	Yes
Li Renjie	Director and president	Male	March 1955	June 26, 2002	February 29, 2016 ^{Note5}	0	0	0	-	93.6	No
Li Ruoshan	Independent director	Male	February 1949	December 6, 2010	October 14, 2016	0	0	0	-	30	No
Paul M. Theil	Independent director	Male	May 1953	December 24, 2013	October 14, 2016	0	0	0	-	28.5	No
Zhu Qing	Independent director	Male	May 1957	August 26, 2014	October 14, 2016	0	0	0	-	30	No
Liu Shiping	Independent director	Male	April 1962	August 26, 2014	October 14, 2016	0	0	0	-	29	No
Lin Hua	Independent director	Male	September 1975	July 1, 2015	October 14, 2016	0	0	0	-	16.34	No

Name	Title	Gender	Date of Birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Variation of shares during the year	Reasons for variation	Total remuneration from the Company during the reporting period (before tax) (in RMB ten thousand)	Whether received remuneration from related party
Xu Chiyun	Supervisor	Female	August 1968	October 15, 2013	October 14, 2016	0	0	0	-	0	No
Yan Jie	Supervisor	Male	June 1980	October 15, 2013	October 14, 2016	0	0	0	-	0	No
Li Li	Supervisor	Female	February 1969	October 15, 2013	October 14, 2016	0	0	0	-	0	No
Li Jian	Supervisor	Male	September 1956	October 15, 2013	October 14, 2016	10,000	35,500	25,500	Secondary market purchase	339.8	No
Lai Furong	Supervisor	Male	October 1968	October 19, 2007	October 14, 2016	0	0	0	-	311.9	No
Zhang Xin	External Supervisor	Male	December 1951	June 27, 2014	October 14, 2016	0	0	0	-	24	No
Chen Jinguang	Vice president	Male	November 1961	February 4, 2013	October 14, 2016	0	0	0	-	84.24	No
Xue Hefeng	Vice president	Male	March 1969	December 27, 2012	October 14, 2016	0	20,000	20,000	Secondary market purchase	84.24	No
Li Weimin	Vice president	Male	November 1967	December 27, 2012	October 14, 2016	0	50,000	50,000	Secondary market purchase	84.24	No
Chen Xinjian	Vice president Secretary of the board of directors	Male	October 1967	July 10, 2014 November 26, 2015	October 14, 2016 October 14, 2016	0	116,800	116,800	Secondary market purchase	84.24	No
Liao Shizhong	Director	Male	October 1962	June 28, 2004	April 27, 2015	0	0	0	-	0	Yes
Cai Peixi	Director	Male	September 1953	June 28, 2004	April 27, 2015	0	0	0	-	0	No
Lin Zhangyi	Director Vice President	Male	September 1971	December 24, 2013 March 15, 2010	September 17, 2015 September 17, 2015	0	90,000	90,000	Secondary market purchase	63.18	No

Name	Title	Gender	Date of Birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Variation of shares during the year	Reasons for variation	Total remuneration from the Company during the reporting period (before tax) (in RMB ten thousand)	Whether received remuneration from related party
	Director			April 16, 2010	August 31, 2015						
Tang Bin	Secretary of the board of directors	Male	February 1957	June 28, 2004	August 31, 2015	0	0	0	-	170	No
Zhou Qinye	Independent director	Male	January 1952	June 13, 2012	June 30, 2015	0	0	0	-	12.5	No
Wang Guogang	External supervisor	Male	November 1955	October 28, 2010	October 27, 2015	0	0	0	-	19.33	No
Wang Shuguang	External supervisor	Male	September 1971	June 27, 2014	December 28, 2015	0	0	0	-	22	No
Chen Dekang	Vice president	Male	September 1954	March 20, 2005	March 1, 2015	0	0	0	-	21.06	No

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

During the reporting period, the total actual remuneration paid for all directors, supervisors and senior management members amounted to RMB17.2601 million.

- 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 be 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.
- The directors, supervisors, senior management personnel of the Company haven't received any punishment from the securities regulatory commission in recent three years.
- On April 27, 2016, Mr. Li Liangwen tendered his resignation in writing to the board of directors due to the arrangement of the shareholder company and resigned from the position of director of the Company, the resignation take effect when it is tendered to the board of directors.

5. On February 29, 2016, Mr. Li Renjie tendered his resignation in writing to the board of directors due to official age and resigned from the position of director and president of the Company, the resignation take effect when it is tendered to the board of directors. On the same day, the Company's 11th meeting of the 8th session of the board of directors considered and approved to appoint Mr. Tao Yiping as president of the Company.

(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 Yu Xia	State Tobacco Monopoly Bureau/China National Tobacco Corporation	Chief accountant
Xu Chi Yun	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 member of the National Committee of CPPCC, secretary of communist party committee and chairman of Industrial Bank and manage the general work of communist party committee and activities of the board of directors.	Member of the 12th National Committee of the Chinese People's Political Consultative Conference
Chen Yichao	Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the integrated service department, executive deputy director of the office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.	None
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; currently, he serves as the executive director and head of global banking and 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
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, deputy chairman and president of PICC Life Insurance Company Limited. Currently, he has retired.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
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
Li Renjie	Bachelor degree, senior economist. He previously served as director of planning division of Fujian branch of The People's Bank of China, 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, director and president of Industrial Bank.	None
Li Ruoshan	PhD, professor, non-practicing certified accountant. He previously served as deputy dean of the accounting department and vice president of the school of economics, Xiamen University, dean of the accounting department and the finance department, and vice president of the school of management of Fudan University; he is currently serving as MPACC academic dean, professor, PhD tutor at the school of management of Fudan University.	MPACC academic dean, professor and PhD tutor of the school of management at Fudan University, independent director of China Eastern Airlines, Xi'an Shangu Power Co., Ltd. and Zhangjiang High-technology Company
Paul M. Theil	PhD. He served previously as first secretary, commercial counsellor 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
Lin Hua	Master degree. He previously served as general manager of Jinyuan Capital Management (Xiamen) Co., Ltd., general manager of Xiamen Venture Capital Co., Ltd. (Xiamen Municipal Government Parent Fund), director of operations of the Investment Department of China Guangdong Nuclear Power Group (CGNPC), structural department high-level model engineer and project manager of KPMG in the United States. He currently serves as the part-time professor of Nankai University and Southwestern University of Finance and Economics, and the guest professor of Xiamen National Accounting Institute.	Part-time professor of Nankai University and Southwestern University of Finance and Economics, and the guest professor of Xiamen National Accounting Institute

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. He is currently serving as investment market director of Zheng Yuan Investment Co., Ltd.	Investment market director 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 Finance Bureau of Fujian Province. 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& finance department of Industrial Bank. He is currently serving as general manager of audit department of Industrial Bank.	None
Zhang Xin	PhD and professor. He previously served as teaching assistant lecturer and associate professor of the School of Economics of 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 of the School of Economics, Xiamen University
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, manages headquarters of retail bank, e-banking department and information technology department etc.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xue Hefeng	Bachelor degree. He previously served as deputy manager of operation department of Fuzhou branch, deputy head of Majiang office of Fuzhou branch, general manager of credit management department of Beijing branch and head of Chaowai sub-branch, general manager of risk management department of Beijing branch, president assistant and 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, he is mainly in charge of the headquarter of corporate finance.	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, he is mainly in charge of the risk management department, law and compliance department and payment&settlement department etc.	None
Chen Xinjian	University graduate, master degree. He previously served as director of the financial division and director of external debt division at the Finance Bureau of Fujian Province, vice president of Shanghai branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen branch, president of Nanjing branch, president of Beijing branch of Industrial Bank. He is currently serving as party committee member, vice president of Industrial Bank, and secretary of the board, he is mainly in charge of the planning&accounting department, headquarter of financial markets and office of the board of directors etc.	None

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

1. On March 1, 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.
2. On April 27, 2015, Mr. Liao Shizhong and Mr. Cai Peixi tendered their resignation in writing to the board of directors and resigned from the position of directors of the Company.
3. The Company's 11th meeting of the 8th session of the board of directors resolved to appoint Mr. Chen Yichao and Mr. Lin Hua as candidates for directors of the Company, their appointment qualifications were voted and approved by the Annual General Meeting of year 2014 on 18 May, 2015. Their appointment qualifications were approved by the CBRC on July 1, 2015.
4. On October 23, 2014, Mr. Zhou Qinye tendered his resignation in writing to the board of directors and the resignation take effect since June 30, 2015.

5. On August 31, 2015, Mr. Tang Bin tendered his resignation in writing to the board of directors and resigned from the position of director and secretary of the board of the Company.
6. On September 17, 2015, Mr. Lin Zhangyi tendered his resignation in writing to the board of directors and resigned from the position of directors and vice president of the Company.
7. On October 16, 2015, Mr.Wang Guogang tendered his resignation in writing to the board of directors and resigned from the position of external supervisor of the Company, his term ended on October 27, 2015.
8. On December 28, 2015, Mr.Wang Shuguang tendered his resignation in writing to the board of directors and resigned from the position of external supervisor of the Company.
9. On September 23, 2015, the Company's 14th meeting of the 8th session of the board of directors resolved to appoint Mr. Chen Xinjian as secretary of the board of directors of the Company, his appointment qualifications was approved by the CBRC on October 28, 2015, and performed his duty formally since acquiring training qualification of secretary of the board of directors of the SSE on November 26, 2015.

II. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	50,472 (incl. 10,490 dispatched employees)
Number of the incumbent staff of main subsidiaries	1,544 (incl. 200 dispatched employees)
Total number of the incumbent staff	52,016
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	402
Education level	
Types of education	Number
Master and above	7,514
Bachelor	37,755
College	5,802
Secondary technical school and below	945
Total	52,016
Professional occupation	
Types of professional occupation	Number
Management	3,289
Business	41,847
Support	6,880
Total	52,016

(II) Employee remuneration policies

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

1. Remuneration structure

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

2. Remuneration policies

Performance bonus of employees is linked with the comprehensive performance of the Company, the institutions (departments) and individuals. In terms of the scope of assessment indicators, several key indicators are selected for performance assessment, including the rate of return on capital, rate of return on risk assets, non-performing loans ratio, compliance operations and evaluation on internal control. The indicators are applied to the institutions and employees, and the overall appraisal results will be linked to the bonus of employees to reflect the correlation between the remuneration and various types of risks. In order to improve the incentive and restraint mechanism, and ensure the remuneration policies are in line with the present and future risks, the payment of a certain proportion of the performance bonus to the senior management members, senior management cadres, and key business staff and employees holding key positions in the 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

According to the requirements of the New Training System Planning (2012-2015), through working tightly around the transformation of the business and development situation of the Bank, the Company continued to consolidate the foundation, improve work system, focus on key talents, create quality projects, work hard on promoting the training value, pay attention to the innovation of course development, lecturer construction, effect of project implementation and shaping of learning biological circle, and actively promote the business development and organizational performance through training.



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 decision-making decisions and supervisory policies by fully performing their functions in making strategic decisions and supervision. They also set the 2015 operational plans in a scientific way, completed the issuance of the second tranche of preferred shares of RMB13 billion, continued to deepen the group-oriented operations, pragmatically promoted the reforms towards professionalism and committed to fulfill social responsibilities. Meanwhile, they organized directors and supervisors to conduct research and special inspections on corporate finance+Internet finance, environment finance, asset management, five year development planning, asset quality control, internal control of the Bank at all levels, thereby gaining an all-round understanding of the business operation and management of the Company, and further improving the directors' and supervisors' capability and professionalism in fulfilling their duties in compliance with the law. 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 holds 17.86% shares of 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

As at the end of reporting period, the board of directors of the Company consisted of 12 directors. By categories, it includes 9 non-executive directors (including 5 independent non-executive directors) and 3 executive directors. By geographical segments, there are 9 domestic directors and 3 overseas directors. There are 5 committees under the board of directors, namely, the strategy committee, the risk management committee, the audit 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, 6 meetings of the board of directors were convened and 18 meetings were convened by various committees of the board of directors, of which 162 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

As at the end of reporting period, the board of supervisors had 6 supervisors, including 3 shareholder representatives, 2 employee representatives and 1 external supervisor. 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. During the reporting period, the Company held 5 meetings of the board of supervisors (including 2 teleconferences), in which 27 proposals were considered and received. The committees under the board of supervisors convened 2 meetings and considered and approved 5 proposals.

(IV) Senior management

As at the end of the reporting period, the 6 senior management members of the Company consisted of 1 president and 5 vice presidents. With the authorization by laws and regulations, the Articles of Association and the board of directors, the president 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 major purchases committee, the business continuity management committee, the internal accountability committee and the community bank committee.

(V) Related party transactions

The Company enhanced the management of related party transactions. In light of regulatory provisions of the Ministry of Finance, CBRC, CSRC and Shanghai Stock Exchange, in couple with the Articles of Association, the 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. During 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 “2015 Appraisal of Excellent Board of Directors in Chinese Listed Companies” organized by the 21st Century news groups, the Company won the “2015 Excellent Board of Directors in Chinese Listed Companies (Main Board)” award. In the “Appraisal of Investors’ Mostly Respected Listing Companies” organized together by Association of Chinese Listed Companies, China Securities Investor Protection Fund Ltd. and various industrial institutions, the Company won the “2014 One Hundred Investor’s Mostly Respected Listing Companies” award consecutively. In the Appraisal of Golden Bull Awards held by China Securities Journal, the Company won “2014 Golden Bull Best Profitable Company” and the “2014 Golden Bull Listed Company Top 100 List” awards consecutively; On the conference of releasing the 2015 Asian Bank Competitiveness Ranking Report, the Company won the “Asia’s Bank Offering Best Returns to Shareholders” award consecutively.

II. Brief introduction of general meetings

Session of the meeting	Date of convening	Reference of appointed websites for disclosure of resolutions	Disclosure date of the publish of resolutions
2014 Annual General Meeting	May18, 2015	SSE Website (www.sse.com.cn) and Company Website (www.cib.com.cn)	May 19, 2015
2015 First Extraordinary General Meeting	October 13, 2015	SSE Website (www.sse.com.cn) and Company Website (www.cib.com.cn)	October 14, 2015

III. The directors' performance of their duties

(I) The attendance of directors in board of directors and shareholder's meeting

During the reporting period, the Company convened 6 meetings of the board of directors, including 4 on-site meetings and 2 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	2
Chen Yichao	No	5	4	0	1	0	No	1
Andrew H C Fung	No	6	4	0	2	0	No	0
Li Liangwen	No	6	5	0	0	1	No	0
Zhang Yuxia	No	6	6	0	0	0	No	2
Li Renjie	No	6	6	0	0	0	No	2
Li Ruoshan	Yes	6	4	0	2	0	No	0
Paul M. Theil	Yes	6	3	0	3	0	No	0
Zhu Qing	Yes	6	6	0	0	0	No	0
Liu Shiping	Yes	6	6	0	0	0	No	0
Lin Hua	Yes	5	5	0	0	0	No	0
Liao Shizhong	No	1	1	0	0	0	No	0
Cai Peixi	No	1	1	0	0	0	No	0
Lin Zhangyi	No	3	3	0	0	0	No	1
Tang Bin	No	3	3	0	0	0	No	1
Zhou Qinye	Yes	1	1	0	0	0	No	0

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

(II) Situation of objections to the issues of the Company raised by independent directors

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

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

(I) The strategy committee of the board of directors

Under the circumstances that the macro situation is complex and there are a lot of difficulties, the strategy committee accurately understood and actively grasped the new normal, actively helped the board of directors to research on and formulate strategic plan, adjust operation strategy and achieve a balanced development of the Company's overall scale, quality and efficiency. The strategy committee fully understood the key function of capital management and continued to complete the assessment system with the economic value added and rate of capital return after risk adjustment at core. The strategy committee completed the issuance of the second tranche of RMB13 billion preferred shares, actively promoted the issuance of write downs qualified secondary capital bonds and acquired the reply from CBRC and PBOC. The committee continued to explore comprehensive operation, established and opened China Industry Digital Financial Service (Shanghai) Co., Ltd. and Industrial Economic Research and Consulting Co., Ltd, thus the cooperative capacity among group members was further improved. The committee also regarded current economic situation and change in capital quality of banking industry practically and realistically and kept a firm grip on the management of asset quality. The committee explored more channels other than verification and assignment to clear and neutralize non-performing assets, thus maintained overall stable assets quality. The committee highly focused on the investigation of credit accountability, took measures to increase the costs of insider and client defaults and constructed sound compliance culture. The committee coordinated the institutional management function, further completed the service net, continued to strengthen the optimization, update, transform of current net and the construction of community banks, enforced the share of internal channels of the Group, promoted the integrated construction of online and offline channels. The committee enhanced the management of financial and business mandate, insisted compliant operation, and actively intensified internal verification and punishment, and required to systematically tease relevant laws and supervisory regulations at the same time, enforced the training of business skills and compliance concept of staff, thereby protecting lawful rights and interests of clients and financial consumers.

(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 paid special attention to and analyzed 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 capital quality management, the committee analyzed and compared differences of assets quality between state-owned large banks and joint-equity commercial banks and reasons for it, submitted to and suggested the management layer to slightly adjust the risk preference in accordance with macroeconomic situation; suggested to analyze cause for non-performing assets carefully, treat causes differently and carry out accountability, intensify the level of accountability for adverse incidents caused by subjective factors, sum up experience and lessons and improve system of assessment, marketing and risk management simultaneously, and further strengthen propagation and implementation of risk management sense and training on risk management skills. For liquidity risk management, the committee suggested to further enforce risk

management on maturity mismatch of wealth management business. For assets pricing, the committee suggested to give reasonable risk premium to high-risk business to the greatest extent within the permission of national policy, thus to ensure the risk can be covered by income as a whole. For risk management in the core business areas, the committee suggested to pay attention to credit situation of counterparty in time, enforce qualification inspection of counterparty and management of business concentrate degree when carrying out relevant business; make specified statistics on non-performing assets by distinguishing purposes of retail credit, made clear the true cause of increase of non-performing ratio and enforce business admittance control and risk management from the source. For compliance risk management, the committee suggested to pay attention to supervisory department's policy orientation on emerging business, and make sure the Company's compliant operation.

(III) The audit and related party transaction control committee

The audit and related party transaction control committee performed duties under the Articles of Association carefully, promoted the Company to continuously improve financial management, risk management and improve internal control, and played a proper role in helping the board of directors in efficient decision-making. The committee enhanced the communications with external auditors, and asked the auditors to explain true reasons behind the problems discovered in financial auditing, and engaged external auditors to make specific assessment on development situation of environmental financial business, and laid good foundation for the long-term sustainable development of the business. The committee asked the auditor to comprehensively tease the repeated emergence of some problems discovered in auditing and required them to cooperate with internal auditing department to find out the source of the problems and implement rectification measures. The auditor seriously audited the 2014 annual report, 2015 first quarterly report, interim report, 2015 third quarterly report and the financial budget plan, highly appreciated the business performance achieved by the Company, and required the Company to continue to comply with the steady and careful accounting standards, enhance balance sheet, and further complete the accounting information transmission mechanism, and make sure the unify statement of the financial statement of the whole Bank. The committee instructed to complete internal control, maintain the stability of assets quality, and required to further enforce management of IT risk and reputation risk arising thereof, the information safety should be raised to the strategy layer of the Bank, especially in the time of big data, cloud computing, platformization and mobile Internet; promoted the foresight of risk prevention, further complete the risk pre-warning mechanism, analyzed and identified risk by making efficient use of various kind of information, and decided business orientation and operation strategy accordingly; strictly controlled non-performing assets and regulated the verification and assignment, optimized the approval process of credit reviews, enforced accountability management and implementation of rectification; further completed normal audit opinion conduction and rectification feedback mechanism, and made good use of third-party auditing strength to regulate operation management practically.

(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. Chen Yichao and Mr. Lin Hua as directors to the board of directors for filling the vacancies, who were nominated by the board of directors. They were elected at and their appointments were approved by the general meeting. The 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 familiarity with the overall business of the Bank, experience on different positions, strong communication skills and high overall business quality could enable him to fulfill the duties of the secretary of the board, 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 2014 by strictly following the performance appraisal criteria and the assessment procedures, and formulated the 2014 Performance Salary Distribution Plan for Senior Management Members and the 2011 Proposal on Evaluation and Disbursement Regarding Risk Fund for Senior Management Members. Meanwhile, the committee made conclusion to the duty-fulfillment of each director, and completed the duty-fulfillment evaluation report of the directors.

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

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

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

The Finance Bureau of Fujian Province, which holds 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 during the reporting period

The senior management members of the Company were subject to the examination and assessment by the board of directors. The board of directors of the Company 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.

VIII. Assessment report on internal control

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

IX. Description of the internal control audit report

The Company has disclosed the internal control audit report. The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2015.

FINANCIAL STATEMENTS



The Company's financial statements 2015 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Shen Xiaohong and Zhang Hua, who have issued a standard and unqualified auditors' report. For full text of the financial statements, please refer to the appendix.

DOCUMENTS AVAILABLE FOR INSPECTION



- I. Financial statements bearing the signatures and seals of the Company's legal representative, president and financial department director.
- II. Original auditor's report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.
- III. All the original documents and announcements publicized by the Company during the reporting period.



Appendix: Auditors' Report and Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

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To the Shareholders of Industrial Bank Co., Ltd.

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the Bank's and consolidated balance sheets as at 31 December 2015, 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. Auditors' 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 requires 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 auditors' 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 2015, 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

Shanghai, China

Chinese Certified Public Accountant

Shen Xiaohong

Zhang Hua

27 April 2016

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 2015

UNIT: RMB MILLION

	The Group			The Bank	
	Note VIII	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Assets					
Cash and balances with Central Bank	1	417,911	491,169	417,854	491,047
Amount due from banks and other financial institutions	2	42,347	100,816	40,032	99,267
Precious metals		42,010	7,543	42,010	7,543
Placements with banks and other financial institutions	3	56,336	51,149	60,552	50,999
Financial assets at fair value through profit or loss	4	128,685	44,435	126,324	43,064
Derivative financial assets	5	13,933	5,142	13,933	5,142
Financial assets held under resale agreements	6	225,924	712,761	225,924	712,761
Interest receivable	7	21,743	24,760	21,430	24,601
Loans and advances to customers	8	1,724,822	1,549,252	1,722,667	1,549,353
Available-for-sale financial assets	9	426,634	408,066	419,582	404,574
Held-to-maturity investments	10	206,802	197,790	206,702	197,790
Debt securities classified as receivables	11	1,834,906	708,446	1,829,171	701,156
Finance lease receivables	12	74,146	58,254	-	-
Long-term equity investments	13	1,918	1,704	13,763	13,534
Fixed assets	14	11,368	9,916	10,701	9,866
Construction in progress	15	6,461	4,253	6,453	4,253
Intangible assets		519	492	499	480
Goodwill	16	532	446	-	-
Deferred tax assets	17	14,532	11,357	13,952	10,985
Other assets	18	47,351	18,648	13,885	5,507
Total assets		5,298,880	4,406,399	5,185,434	4,331,922

AT 31 DECEMBER 2015

UNIT: RMB MILLION

	Note VIII	The Group		The Bank	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
Liabilities					
Amount due to Central Bank		67,700	30,000	67,700	30,000
Amount due to banks and other financial institutions	20	1,765,713	1,268,148	1,768,591	1,270,109
Placements from banks and other financial institutions	21	103,672	81,080	20,268	24,808
Financial liabilities at fair value through profit or loss	22	1	1,903	-	1,702
Derivative financial liabilities	5	10,563	4,498	10,563	4,498
Financial assets sold under repurchase agreements	23	48,016	98,571	48,016	98,052
Amount due to customers	24	2,483,923	2,267,780	2,483,923	2,267,780
Employee benefits payable	25	11,262	9,925	10,484	9,410
Tax payable	26	10,802	10,873	10,070	10,439
Interest payable	27	36,443	35,710	35,796	35,364
Debt securities issued	28	414,834	185,787	409,853	185,787
Other liabilities	29	28,574	151,028	13,990	141,175
Total liabilities		4,981,503	4,145,303	4,879,254	4,079,124
Shareholders' equity					
Share capital	30	19,052	19,052	19,052	19,052
Other equity instruments	31	25,905	12,958	25,905	12,958
Including: preferred stock		25,905	12,958	25,905	12,958
Capital reserve	32	50,861	50,861	51,081	51,081
Other comprehensive income	47	5,685	2,214	5,623	2,157
Surplus reserve	33	9,824	9,824	9,824	9,824
General risk reserve	34	60,665	43,418	59,217	42,043
Retained earnings	35	141,656	119,607	135,478	115,683
Equity attributable to equity holders of the Bank		313,648	257,934	306,180	252,798
Minority interests		3,729	3,162	-	-
Total shareholders' equity		317,377	261,096	306,180	252,798
Total liabilities and shareholders' equity		5,298,880	4,406,399	5,185,434	4,331,922

The accompanying notes form part of the financial statements.

The financial statements on pages 118 to 257 were signed by the following:

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



THE BANK'S AND CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

UNIT: RMB MILLION

	Note VIII	The Group		The Bank	
		2015	2014	2015	2014
1. Operating income		154,348	124,898	148,107	120,320
Net interest income	36	119,834	95,560	117,241	93,556
Interest income	36	255,972	219,414	249,749	214,745
Interest expense	36	(136,138)	(123,854)	(132,508)	(121,189)
Net fee and commission income	37	32,190	27,041	28,786	24,730
Fee and commission income	37	33,592	28,412	30,200	26,105
Fee and commission expense	37	(1,402)	(1,371)	(1,414)	(1,375)
Investment income (losses)	38	3,482	(96)	3,235	(324)
Including: income from investments in an associate		275	264	263	250
Gains from changes in fair values	39	1,378	1,631	1,394	1,622
Foreign exchange (losses) gains		(2,850)	692	(2,808)	691
Other operating income		314	70	259	45
2. Operating expenses		(91,538)	(64,708)	(88,762)	(63,022)
Business taxes and levies	40	(12,955)	(9,105)	(12,617)	(8,867)
General and administrative expenses	41	(32,849)	(29,451)	(31,438)	(28,510)
Impairment losses of assets	42	(45,260)	(25,904)	(44,233)	(25,397)
Other operating costs		(474)	(248)	(474)	(248)
3. Operating profit		62,810	60,190	59,345	57,298
Add: Non-operating income	43	561	571	278	292
Less: Non-operating expenses	44	(127)	(163)	(122)	(163)
4. Total profit		63,244	60,598	59,501	57,427
Less: Income tax expenses	45	(12,594)	(13,068)	(11,621)	(12,261)
5. Net profit		50,650	47,530	47,880	45,166
Attributable to equity holders of the Bank		50,207	47,138	47,880	45,166
Minority interests		443	392	-	-
6. Earnings per share					
Basic earnings per share (RMB Yuan)	46	2.63	2.47	-	-
Diluted earnings per share (RMB Yuan)	46	2.63	2.47	-	-
7. Other comprehensive income	47	3,466	6,859	3,466	6,760
Other comprehensive income attributable to equity holders of the Bank		3,471	6,833	3,466	6,760
(1) Items that will be reclassified subsequently to profit or loss:					
Gains arising from changes in fair value of available-for-sale financial assets		3,750	6,611	3,745	6,538
(2) Items that will not be reclassified subsequently to profit or loss:					
The movement of net asset or liability arising from remeasurement of defined benefit plan		(279)	222	(279)	222
Other comprehensive income attributable to minority interests		(5)	26	-	-
8. Total comprehensive income		54,116	54,389	51,346	51,926
Total amount attributable to:					
Equity holders of the Bank		53,678	53,971	51,346	51,926
Minority interests		438	418	-	-

THE BANK'S AND CONSOLIDATED CASH FLOW STATEMENTS



FOR THE YEAR ENDED 31 DECEMBER 2015

UNIT: RMB MILLION

		The Group		The Bank	
	Note VIII	2015	2014	2015	2014
Cash flows from operating activities:					
Net increase in amount due to customers and due to banks and other financial institutions		713,708	358,039	714,625	358,124
Net decrease in balances with Central Bank and amount due from banks and other financial institutions		65,698	-	65,622	-
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		407,618	411,796	403,552	411,734
Net increase in loan from Central Bank		37,700	30,000	37,700	30,000
Cash receipts from interest, fee and commission		184,314	198,976	176,884	193,378
Other cash receipts relating to operating activities		8,623	130,396	2,073	128,683
Sub-total of cash inflows from operating activities		1,417,661	1,148,805	1,400,456	1,125,496
Net increase in loans and advances to customers		212,181	247,807	209,952	247,907
Net increase in finance leases		32,367	16,652	-	-
Net increase in balances with Central Bank and amount due from banks and other financial institutions		-	45,552	-	45,614
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		27,963	-	54,576	-
Cash payments to interest, fee and commission		120,179	106,620	116,432	103,982
Cash payments to and on behalf of employees		18,602	16,588	17,715	16,162
Cash payments of various types of taxes		29,764	27,074	29,000	25,921
Other cash payments relating to operating activities		157,912	6,452	152,002	6,043
Sub-total of cash outflows from operating activities		598,968	466,745	579,677	445,629
Net cash flow from operating activities	48	818,693	682,060	820,779	679,867
Cash flows from investing activities:					
Cash receipts from recovery of investments		2,280,944	1,284,725	2,015,037	1,105,078
Cash receipts from investment income		106,434	46,039	104,988	45,274
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		195	115	195	115
Cash receipts from subsidiaries and other operation companies		785	-	-	-
Other cash receipts relating to investing activities		-	457	-	457
Sub-total of cash inflows from investing activities		2,388,358	1,331,336	2,120,220	1,150,924
Net cash payments to acquire investments		3,459,278	1,892,308	3,189,014	1,705,973
Cash payments for acquisitions of subsidiaries and other business units		-	-	-	3,737
Net cash payments to acquire fixed assets, intangible assets and other long-term assets		5,902	5,263	5,845	5,010
Other cash payments relating to investing activities		1,685	-	1,685	-
Sub-total of cash outflows from investing activities		3,466,865	1,897,571	3,196,544	1,714,720
Net cash flow from investing activities		(1,078,507)	(566,235)	(1,076,324)	(563,796)
Cash flows from financing activities:					
Cash receipts from capital contributions		13,170	14,611	13,000	13,000
Including: cash receipts from capital contributions from minority owners of subsidiary		170	1,411	-	-
Cash receipts from issue of bonds		586,454	178,979	581,475	178,979
Sub-total of cash inflows from financing activities		599,624	193,590	594,475	191,979
Cash repayments of borrowings		363,300	65,919	363,300	65,919
Cash payments for distribution of dividends or profits or settlement of interest expenses		22,203	13,147	22,076	13,254
Including: payments for distribution of dividends to minority owners of subsidiary		81	69	-	-
Other cash payments relating to financing activities		330	202	53	42
Sub-total of cash outflows from financing activities		385,833	79,268	385,429	79,215
Net cash flow from financing activities		213,791	114,322	209,046	112,764
Effect of foreign exchange rate changes on cash and cash equivalents		1,247	(140)	1,247	(142)
Net increase (decrease) in cash and cash equivalents	48	(44,776)	230,007	(45,252)	228,693
Add: Opening balance of cash and cash equivalents		357,128	127,121	355,278	126,585
Closing balance of cash and cash equivalents	48	312,352	357,128	310,026	355,278

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

UNIT: RMB MILLION

2015

Attributable to shareholders of the Bank										
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total
I. As at 1 January 2015		19,052	12,958	50,861	2,214	9,824	43,418	119,607	3,162	261,096
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	50,207	443	50,650
(II) Other comprehensive income	47	-	-	-	3,471	-	-	-	(5)	3,466
(III) Purchase increase		-	-	-	-	-	-	-	40	40
Subtotal of (I) (II) (III)		-	-	-	3,471	-	-	50,207	478	54,156
(IV) Capital contribution from shareholders		-	12,947	-	-	-	-	-	170	13,117
1. Common stock from shareholders		-	-	-	-	-	-	-	170	170
2. Capital contribution from other equity instruments holders		-	12,947	-	-	-	-	-	-	12,947
(V) Profit distribution		-	-	-	-	-	17,247	(28,158)	(81)	(10,992)
1. Transfer to general risk reserve		-	-	-	-	-	17,247	(17,247)	-	-
2. Distribution of common stock dividends		-	-	-	-	-	-	(10,860)	(81)	(10,941)
3. Distribution of dividends of preferred stock		-	-	-	-	-	-	(51)	-	(51)
III. As at 31 December 2015		19,052	25,905	50,861	5,685	9,824	60,665	141,656	3,729	317,377



THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

UNIT: RMB MILLION

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



THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

UNIT: RMB MILLION

2015

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



THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

UNIT: RMB MILLION

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 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 No.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; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issue and encashment, underwriting and trading of government bonds; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; sale and purchase of foreign exchange; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services and other banking activities approved by the CBRC.

The principal activities of the Bank’s subsidiaries comprise finance leasing, trust services, fund raising and marketing, asset management for specific clients, asset management, consumer finance, equity investment, industrial investment, investment management and consulting(excluding brokerage); financial consulting, business consulting, enterprise management consulting, financial data processing, commodity futures brokerage, financial futures brokerage, futures investment consulting, economic information consulting service, application software development and operational services, system integration services; 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) (the “ASBE”) issued by the Ministry of Finance of People’s Republic of China (the “MOF”) .

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

The report is prepared on a going concern basis.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank’s and consolidated financial position as of 31 December,2015, 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 domestic subsidiaries choose Renminbi ("RMB") as their functional currency, while its subsidiaries overseas choose their functional currency depends on the primary economic environment in which the subsidiaries operate. The Group adopts RMB to prepare its financial statements.

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

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

4.1 Business combinations involving enterprises under common control

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

4.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

5. Preparation of consolidated financial statements

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

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

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

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

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

The portion of subsidiaries' equity that is not attributable to the Bank is treated as 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 Bank'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. 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.

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 year 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 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 separately as “effect of exchange rate changes on cash and cash equivalents” in the cash flow statement, as an adjustment item.

8. Financial instruments

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

8.1 Effective interest method

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

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

8.2 Classification, recognition and measurement of financial assets

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

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

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

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

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

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

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

8.2.4 Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income 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 provision. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

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

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. 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 equity instrument investment individually on balance sheet date. Impairment is indicated when the fair value of an equity instrument is lower than its initial investment cost over 50% (including 50%) or the fair value has been lower than its initial investment cost for over 12 months (including 12 months).

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

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

8.3.3 Impairment of financial assets measured at cost

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

8.4 Transfer of financial assets and derecognition of financial assets

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

8.6 Classification, recognition and measurement of financial liabilities

The Group recognises a financial liability if one of the following conditions is satisfied: (1) Contractual obligations to deliver cash or other financial assets to other parties. Or (2) Contractual obligations to exchange financial assets

or financial liabilities with other parties under potential adverse conditions. Or (3) Non-derivative contracts provide the Group shall or may measure business with its own equity instruments in the future, and will deliver a variable number of its own equity instruments. Or (4) Derivative contracts provide the Group shall or may settle business with its own equity instruments in the future, except for the derivative contracts deliver a fixed number of its own equity instruments to exchange a fixed amount of cash or other financial assets.

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

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

8.6.1 Financial liabilities at fair value through profit or loss

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

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

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

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

8.6.2 Other financial liabilities

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

8.6.3 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not assigned as financial liabilities at fair value through profit or loss, or loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, are initially measured at their fair values less the directly attributable transaction costs. Subsequent

to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

8.7 Derecognition of financial liabilities

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

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

8.8 Derivatives and embedded derivatives

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

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

8.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the 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. If it is a non-derivative instrument, contractual obligations settled by delivering its own variable equity instruments shall not be included; if it is a derivative instrument, the Group can settle the financial instrument only through exchanging fixed amount of cash or other financial assets with fixed amount of its own equity instruments. Equity instruments issued

(including refinanced), repurchased, sold and written off by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transaction are deducted from equity.

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

9. Precious metal

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

10. Long-term equity investments

10.1 Determination of joint control or significant influence over investee

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

10.2 Determination of initial investment cost

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

For a long-term equity investment acquired through business combination not involving enterprises under common control, the 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 aggregation of fair value of its prior ownership interest recognized in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the additional investment cost at that date.

10.3 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

Under the equity method, the Group recognises investment income and other comprehensive income and simultaneously adjust carrying amount of long-term equity investment based on the Group's share of net profit or loss and other comprehensive income of the investee; The Group reduces the carrying 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, other comprehensive and profit distribution, the Group adjusted carrying amount of its long-term equity investment and recognized in other comprehensive income. 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 after adjustment. 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 the Group recognizes investment gain 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. Unrealized profits or losses resulting from the Group's transactions with its associates are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. 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 the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the equity recognized by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognized by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the other changes in owners' equity recognized by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

11.Fixed assets

11.1 Recognition criteria for fixed assets

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

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

11.2 Depreciation of each category of fixed assets

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

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

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

11.3 Other explanations

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

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

12. Construction in progress

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

13. Intangible assets

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 accounts for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If there is evidence the duration of associated economic benefits is predictable, then estimate the useful life and amortize the intangible assets according to related amortization method.

14. Impairment of long-term assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, and intangible assets with a finite useful life will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recovery amount. For those intangible assets with infinite useful life or not ready for its intended use, test of impairment should be conducted each year no matter whether indication of impairment exists or not.

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

If asset's recovery amount 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 tested of impairment at least in the end of the each year with related assets groups or combination of assets groups. In purchase date, the book value of goodwill should be allocated reasonably to assets groups or combinations which can benefit from the synergy of enterprise merger. If the recovery amount 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, then 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 Accounting 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 profit or loss for the period in which they are incurred. The employee's welfare incurred is recognized in the 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 of current period.

16.2 Accounting method of post-employment 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 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 yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

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

16.3 Accounting method of termination benefits

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

17. Assets transferred under repurchase agreements

17.1 Financial assets purchased under resale agreements

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. Government grants are classified into government grants related to assets and government grants related to income according the subjects required by the Government documents.

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

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

22. Deferred tax assets/deferred tax liabilities

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

22.1 Current income tax

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

22.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

23. Fiduciary activities

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 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 taken into account if applicable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ASSUMPTIONS AND UNCERTAINTY

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

The 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 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 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 various valuation techniques 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 Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3. Impairment of available-for-sale financial assets

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

4. Classification of held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific

circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

5. Impairment of held-to-maturity investments 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. Income taxes

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

7. Assessment of consolidated structured entities

As the manager of structured entities, the Group should assess whether the Group is the main charger or an agent in order to 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.

VI. TAXATION

1. Enterprise income tax

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

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

The deductible items of enterprise income tax are 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 of the Bank's domestic branches and subsidiaries is calculated according to 5% of taxable revenue. Domestic branches and subsidiaries declare and pay the business tax to local tax bureau as required.

3. Value-added tax

According to circular of the Ministry of Finance and the State Administration of Taxation on the *Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (Caishui[2013] No.106)*, VAT is applicable to leasing of tangible movable property offered by subsidiaries (tax rate: 17%). VAT is applicable to modern service industry (tax rate: 6%; leasing of tangible movable property is not included).

4. City maintenance and construction tax

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

5. Education surcharge

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

VII. CONSOLIDATION SCOPE

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

Name of entity	Date of establishment	Place of registration	Direct/indirect proportion of equity interest (%)	Business nature and principle activities	Registered capital	Proportion of voting power on the board of directors (%)
Industrial Bank Financial Leasing Co., Ltd. ⁽¹⁾	2010	Tianjin	100.00	Financial leasing	RMB5,000 million	100.00
China Industrial International Trust Limited	2003	Fuzhou	73.00	Trust	RMB5,000 million	73.00
CIB Fund Management Co., Ltd	2013	Fuzhou	90.00	Fund management	RMB500 million	90.00
Industrial Consumer Finance Co., Ltd.	2014	Quanzhou	66.00	Consumer finance	RMB300 million	66.00
Industrial Economic Research and Consulting Co., Ltd. ⁽¹⁾	2015	Shanghai	66.67	Investment consulting (except brokers), finance consulting, business consulting, management consulting, financial data processing	RMB60 million	66.67
CIB Guoxin Asset Management Co., Ltd. ⁽²⁾⁽³⁾	2013	Shanghai	73.00	Assets management, equity investment, industrial investment, investment management and consulting	RMB300 million	73.00
CIB Wealth Management Co., Ltd. ⁽²⁾	2013	Shanghai	90.00	Assets management	RMB200 million	90.00
CIB Futures Co., Ltd. ⁽²⁾⁽⁴⁾	1993	Ningbo	92.20	Merchandise, financial futures investment and consulting Service	RMB500 million	92.20

(1)The Company is invested by China Industrial International Trusts Limited, China Industrial Fund Management Limited, and Huafu Securities invested by China Industrial International Trusts Limited which has no significant influence. The amount of the investment is RMB20 million from each party. The Company was found in June, 2015, registered capital RMB60 million. The Group owns 66.67% shares of the Company with the right of control. Therefore, it should be consolidated.

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

(3)China Industrial International Trusts Limited increase the capital of CIB Guoxin Asset Management Co., Ltd., its wholly-owned subsidiary with RMB200 million (registered capital:RMB300 million after the capital increase) on 8 June 2015. China Industrial International Trusts Limited still owns 100% of its shares.

(4)China Industrial International Trusts Limited bought a stake in Ningbo Shanli Futures Limited in Mar, 2014, owning 29.7% of its shares. In September 2014, approved by the State Administration for Industry and Commerce, the Company changed its name to CIB Futures Co., Ltd. In March 2015, CIIT bought 40.3% shares from other shareholders at RMB104 million to increase its shareholding ratio to 70.00% and then CIB Futures Co., Ltd. became a holding subsidiary of China Industrial International Trusts Limited. In August 2015, CIIT increases RMB381 million capital to CIB Futures Co., Ltd., the capital of which increased from RMB100 million to RMB500 million. The shareholding ratio increased to 92.20%.

2. Information of consolidated structure entities included in the consolidation scope refers to No. VIII 50.

3.Principal items' exchange rate in the financial statements 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 GBP 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.

VIII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Cash	5,622	6,591	5,622	6,591
Statutory deposit reserves ⁽¹⁾	353,620	388,008	353,575	387,886
Surplus deposit reserves ⁽²⁾	57,994	96,263	57,982	96,263
Other deposits ⁽³⁾	675	307	675	307
Total	417,911	491,169	417,854	491,047

(1)The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, 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 or used without the PBOC's approval. General deposit generates from organizations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposit. On 31 December, 2015, the ratio of the Bank's RMB deposit reserves is 15% (31 December, 2014:17.5%), the ratio of foreign deposit reserves is 5% (31 December, 2014:5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidiaries' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

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

2. Amount due from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Banks in mainland China	28,082	89,212	25,770	87,685
Other financial institutions in mainland China	1,187	715	1,184	693
Banks outside mainland China	13,099	10,910	13,099	10,910
Subtotal	42,368	100,837	40,053	99,288
Less: Provisions for impairment	(21)	(21)	(21)	(21)
Net value	42,347	100,816	40,032	99,267

3. Placements with banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Banks in mainland China	1,997	10,080	1,997	10,080
Other financial institutions in mainland China	31,103	41,137	35,319	40,987
Overseas financial institutions	23,304	-	23,304	-
Subtotal	56,404	51,217	60,620	51,067
Less: Provisions for impairment	(68)	(68)	(68)	(68)
Net value	56,336	51,149	60,552	50,999

4. Financial assets at fair value through profit or loss

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Trading financial assets:				
Debt instrument investment:				
Government bonds	1,871	1,391	1,871	1,391
The Central Bank bills and policy financial bonds	4,778	12,126	4,778	12,126
Banks and other financial institutions	1,122	242	1,122	242
Corporate bonds	19,179	24,623	19,179	24,623
Interbank certificates of deposit	1,362	343	1,362	343
Subtotal of debt instruments investment	28,312	38,725	28,312	38,725
Equity instrument investment:				
Funds	98,583	4,389	98,012	4,339
Trust plan of assembled funds	134	207	-	-
Stocks	10	115	-	-
Wealth management products	500	-	-	-
Subtotal of equity instrument investment	99,227	4,711	98,012	4,339
Total of trading financial assets	127,539	43,436	126,324	43,064
Assigned as financial assets at fair value through profit and loss:				
Debt instrument investment	1,037	999	-	-
Equity instrument investment	109	-	-	-
Total financial assets assigned as at fair value through profit and loss	1,146	999	-	-
Total	128,685	44,435	126,324	43,064

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

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

UNIT: RMB Million

	The Group and the Bank					
	12/31/2015			12/31/2014		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	981,942	3,867	3,868	795,935	2,159	2,097
Exchange rate derivatives	917,675	7,381	6,352	598,394	2,383	2,265
Precious metal derivatives	56,816	2,626	308	30,447	597	134
Credit derivatives	7,970	59	35	776	3	2
Total		13,933	10,563		5,142	4,498

6. Financial assets held under resale agreements

UNIT: RMB Million

	The Group and the Bank	
	12/31/2015	12/31/2014
Bonds	51,550	25,077
Bills	97,839	364,923
Beneficial rights of trust and others (Note 1)	76,535	322,359
Credit assets	-	300
Lease receivables	-	102
Total	225,924	712,761

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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Amount due from Central Bank and financial institutions	607	928	635	930
Placements with banks and other financial institutions	161	438	163	440
Financial assets held under resale agreements	1,456	6,991	1,456	6,991
Loans and advances to customers	4,826	4,547	4,807	4,547
Bonds and other investments	14,290	11,671	14,207	11,578
Other	403	185	162	115
Total	21,743	24,760	21,430	24,601

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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Personal loans and advances				
Residential and business mortgage loans	298,309	198,769	298,309	198,769
Credit cards	77,960	66,364	77,960	66,364
Others	135,637	120,817	133,201	120,817
Subtotal	511,906	385,950	509,470	385,950
Corporate loans and advances				
Loans and advances	1,197,627	1,179,708	1,197,827	1,179,808
Discounted bills	69,875	27,490	69,875	27,490
Subtotal	1,267,502	1,207,198	1,267,702	1,207,298
Gross loans and advances	1,779,408	1,593,148	1,777,172	1,593,248
Less: Provisions for impairment	(54,586)	(43,896)	(54,505)	(43,895)
-Individually assessed	(11,297)	(6,581)	(11,297)	(6,581)
-Collectively assessed	(43,289)	(37,315)	(43,208)	(37,314)
Loans and advances to customers	1,724,822	1,549,252	1,722,667	1,549,353

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

	The Group			The Bank		
	12/31/2015			12/31/2015		
	RMB Million	(%)	RMB Million	RMB Million	(%)	RMB Million
						12/31/2014
						(%)
						(%)
Manufacturing	295,358	16.60	293,739	295,358	16.62	293,739
Retail and wholesale	205,299	11.54	239,606	205,299	11.55	239,606
Real estate	201,366	11.32	189,843	201,366	11.33	189,843
Water, environment and public facilities administration	92,518	5.20	79,168	92,518	5.21	79,168
Leasing and commercial services	90,505	5.09	88,290	90,505	5.09	88,290
Construction	73,226	4.12	80,352	73,226	4.12	80,252
Mining	66,930	3.76	53,743	66,930	3.77	53,743
Transport, logistics and postal service	60,575	3.40	56,777	60,575	3.41	56,777
Production and supply of power, gas and water	53,808	3.02	47,638	53,808	3.03	47,638
Public administration and social organization activities	9,517	0.53	5,535	9,517	0.54	5,535
Other corporate industries	48,525	2.72	45,017	48,725	2.73	45,217
Bill discounted	69,875	3.93	27,490	69,875	3.93	27,490
Personal loans	511,906	28.77	385,950	509,470	28.67	385,950
Gross loans and advances	1,779,408	100.00	1,593,148	1,777,172	100.00	1,593,248
Less: Provisions for impairment	(54,586)		(43,896)	(54,505)		(43,895)
- Individually assessed	(11,297)		(6,581)	(11,297)		(6,581)
- Collectively assessed	(43,289)		(37,315)	(43,208)		(37,314)
Loans and advances to customers	1,724,822		1,549,252	1,722,667		1,549,353

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

	The Group				The Bank			
	12/31/2015		12/31/2014		12/31/2015		12/31/2014	
	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)	RMB Million	(%)
Head office (Note 1)	90,589	5.09	81,928	5.14	90,589	5.10	81,928	5.14
Fujian	251,630	14.14	235,059	14.75	250,872	14.12	234,959	14.75
Beijing	95,586	5.37	97,591	6.13	95,586	5.38	97,591	6.13
Shanghai	99,581	5.60	99,549	6.25	99,166	5.58	99,549	6.25
Guangdong	174,734	9.82	163,696	10.28	174,357	9.81	163,696	10.27
Zhejiang	122,778	6.90	118,680	7.45	122,806	6.91	118,880	7.46
Jiangsu	133,444	7.50	107,073	6.72	133,264	7.50	107,073	6.72
Other (Note 2)	811,066	45.58	689,572	43.28	810,532	45.60	689,572	43.28
Gross loans and advances	1,779,408	100.00	1,593,148	100.00	1,777,172	100.00	1,593,248	100.00
Less: Provisions for impairment	(54,586)		(43,896)		(54,505)		(43,895)	
-Individually assessed	(11,297)		(6,581)		(11,297)		(6,581)	
-Collectively assessed	(43,289)		(37,315)		(43,208)		(37,314)	
Loans and advances to customers	1,724,822		1,549,252		1,722,667		1,549,353	

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

Note 2: As at 31 December, 2015, the Bank has 43 tier-1 branches, apart from the tier-1 branches mentioned above, the rest is categorised into "Others". Loans and advances of the subsidiaries of the Bank are presented by geographical distribution.

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

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Unsecured loans	309,261	281,107	307,025	281,307
Guaranteed loans	401,035	382,267	401,035	382,267
Collateralised loans	999,237	902,284	999,237	902,184
-Secured by mortgage	826,016	712,332	826,016	712,232
-Secured by collaterals	173,221	189,952	173,221	189,952
Discounted bills	69,875	27,490	69,875	27,490
Gross loans and advances	1,779,408	1,593,148	1,777,172	1,593,248
Less: Provisions for impairment	(54,586)	(43,896)	(54,505)	(43,895)
-Individually assessed	(11,297)	(6,581)	(11,297)	(6,581)
-Collectively assessed	(43,289)	(37,315)	(43,208)	(37,314)
Loans and advances to customers	1,724,822	1,549,252	1,722,667	1,549,353

(5) Overdue loans

UNIT: RMB Million

	The Group					
	12/31/2015			12/31/2014		
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	over 3 years
Unsecured loans	4,771	2,675	1,429	50	8,925	15
Guaranteed loans	6,611	9,144	3,935	266	19,956	264
Collateralised loans	10,440	7,048	2,396	32	19,916	76
-Secured by mortgage	9,789	6,447	1,984	27	18,247	65
-Secured by collaterals	651	601	412	5	1,669	11
Total	21,822	18,867	7,760	348	48,797	355
					3,001	355
					12,965	355
					19,510	355
					1,669	11
					1,960	11
					355	355
					35,831	35,831

UNIT: RMB Million

	The Bank					
	12/31/2015			12/31/2014		
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	over 3 years
Unsecured loans	4,744	2,652	1,429	50	8,875	15
Guaranteed loans	6,611	9,144	3,935	266	19,956	264
Collateralised loans	10,440	7,048	2,396	32	19,916	76
-Secured by mortgage	9,789	6,447	1,984	27	18,247	65
-Secured by collaterals	651	601	412	5	1,669	11
Total	21,795	18,844	7,760	348	48,747	355
					19,510	355
					12,965	355
					3,001	355
					14,891	14,891
					1,960	1,960
					355	355
					35,831	35,831

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

(6) Provisions for loan impairment

UNIT: RMB Million

	The Group					
	2015			2014		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	6,581	37,315	43,896	3,139	33,236	36,375
Charge for the year	27,508	9,585	37,093	13,144	6,507	19,651
Write-off/Transfer out	(22,262)	(3,766)	(26,028)	(9,254)	(2,462)	(11,716)
-Recoveries of loans and advances written off in previous years	216	295	511	118	120	238
-Unwinding of discount on allowance	(746)	(161)	(907)	(566)	(109)	(675)
Fluctuation in exchange rate	-	21	21	-	23	23
Closing balance	11,297	43,289	54,586	6,581	37,315	43,896

UNIT: RMB Million

	The Bank					
	2015			2014		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	6,581	37,314	43,895	3,139	33,236	36,375
Charge for the year	27,508	9,505	37,013	13,144	6,506	19,650
Write-off/Transfer out	(22,262)	(3,766)	(26,028)	(9,254)	(2,462)	(11,716)
-Recoveries of loans and advances written off in previous years	216	295	511	118	120	238
-Unwinding of discount on allowance	(746)	(161)	(907)	(566)	(109)	(675)
Fluctuation in exchange rate	-	21	21	-	23	23
Closing balance	11,297	43,208	54,505	6,581	37,314	43,895

9. Available-for-sale financial assets

(1) Listed by types:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Available-for-sale debt instrument:				
Government bonds	82,224	96,943	82,224	96,943
The Central Bank bills and policy financial bonds	28,547	32,881	28,547	32,881
Bonds issued by banks and other financial institutions	11,426	6,177	11,426	6,177
Corporate bonds	70,466	111,099	68,615	108,773
Interbank certificates of deposit	4,071	13,742	4,071	13,742
Trust fund plans and other equity instrument (Note 1)	201,689	146,179	201,573	145,959
Subtotal	398,423	407,021	396,456	404,475
Available-for-sale equity instrument:				
Measured by fair value	27,881	731	23,045	18
Measured by cost	330	314	81	81
Subtotal	28,211	1,045	23,126	99
Net value of available-for-sale financial assets	426,634	408,066	419,582	404,574

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

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

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Available-for-sale debt instrument:				
Amortized cost	394,078	405,632	392,158	403,134
Fair value	398,423	407,021	396,456	404,475
Accumulative appropriation to other comprehensive income	6,670	2,617	6,623	2,569
Accumulative appropriation to provisions	(2,325)	(1,228)	(2,325)	(1,228)
Available-for-sale equity instrument:				
Cost	26,857	649	22,092	4
Fair value	27,881	731	23,045	18
Accumulative appropriation to other comprehensive income	1,029	89	953	14
Accumulative appropriation to provisions	(5)	(7)	-	-
Total				
Amortized cost of debt instruments / cost of equity instrument	420,935	406,281	414,250	403,138
Fair value	426,304	407,752	419,501	404,493
Accumulative appropriation to other comprehensive income	7,699	2,706	7,576	2,583
Accumulative appropriation to provisions	(2,330)	(1,235)	(2,325)	(1,228)

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

UNIT: RMB Million

Investee	The Group					
	Book balance			Provision for assets impairment	Proportion of share in Investee(%)	Cash dividends for the year
	Opening	Increase	Closing			
China Unionpay	81	-	81	-	2.13	3
Huafu Securities	180	-	180	-	4.35	13
Zijin Mining Group	25	-	25	-	5.00	1
Others	28	16	44	-	-	-
Total	314	16	330	-		17

UNIT: RMB Million

Investee	The Bank					
	Book balance			Provision for assets impairment	Proportion of share in Investee(%)	Cash dividends for the year
	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	1,228	7	1,235	1,228	-	1,228
Provision/(Reversal)	1,097	(2)	1,095	1,097	-	1,097
Closing	2,325	5	2,330	2,325	-	2,325

10. Held-to-maturity investments

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Government bonds	170,352	169,913	170,252	169,913
The Central Bank bills and policy financial bonds	436	1,184	436	1,184
Bonds issued by banks and other financial institutions	3,951	2,407	3,951	2,407
Interbank certificates of deposit	7,818	-	7,818	-
Corporate bonds	24,375	24,408	24,375	24,408
Subtotal	206,932	197,912	206,832	197,912
Less: Provisions	(130)	(122)	(130)	(122)
Net value	206,802	197,790	206,702	197,790

11. Debt securities classified as receivables

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Government bonds	167,028	436	167,028	436
Bonds issued by banks and other financial institutions	10,083	8,881	10,083	8,881
Corporate bonds	56,618	19,723	56,108	18,782
Wealth management products (Note 1)	429,400	15,413	429,400	15,413
Trust fund plans and others (Note 2)	1,182,050	669,516	1,176,825	663,167
Subtotal	1,845,179	713,969	1,839,444	706,679
Less: Provisions	(10,273)	(5,523)	(10,273)	(5,523)
Net value	1,834,906	708,446	1,829,171	701,156

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	
	12/31/2015	12/31/2014
Finance lease receivables	85,188	68,937
Less: Unrealized financing income	(9,032)	(9,098)
Subtotal	76,156	59,839
Less: Provision for finance lease	(2,010)	(1,585)
-Individually assessed	(227)	(149)
-Collectively assessed	(1,783)	(1,436)
Net value	74,146	58,254

List as follows:

UNIT: RMB Million

	The Group	
	12/31/2015	12/31/2014
1st year subsequent to the balance sheet date	25,437	18,065
2nd year subsequent to the balance sheet date	21,697	17,780
3rd year subsequent to the balance sheet date	16,600	14,014
Subsequent periods	21,454	19,078
Subtotal	85,188	68,937
Unrealized financing income	(9,032)	(9,098)
Subtotal	76,156	59,839
Less: Provision for finance lease	(2,010)	(1,585)
-Individually assessed	(227)	(149)
-Collectively assessed	(1,783)	(1,436)
Net value	74,146	58,254
-Finance lease receivables due less than 1 year	22,140	15,266
-Finance lease receivables due more than 1 year	52,006	42,988

13. Long-term equity investments

Breakdown of long-term equity investments:

UNIT: RMB Million

Investee	The Group					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	Cash dividends for this year
	Accounting method	Initial investment	01/01/2015	Additions	12/31/2015			
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	1,491	229	1,720	14.72	not applicable	34
Chongqing Machinery and Electronics								
Holding Group Finance Company Limited (2)	Equity method	114	135	12	147	19.00	not applicable	-
CIB Futures(3)	(3)	77	78	(78)	-	92.20	not applicable	-
Others	Equity method	51	-	51	51	-	not applicable	-
Total			1,704	214	1,918			34

UNIT: RMB Million

Investee	The Bank					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	Cash dividends for this year
	Accounting method	Initial investment	01/01/2015	Additions	12/31/2015			
Bank of Jiujiang Co., Ltd. (1)	Equity method	561	1,491	229	1,720	14.72	not applicable	34
Industrial Bank Financial Leasing Co., Ltd. (Note VII)								
	Cost method	5,000	5,000	-	5,000	100.00	not applicable	-
China Industrial International Trust Limited (Note VII)	Cost method	6,395	6,395	-	6,395	73.00	not applicable	219
CIB Fund Management Co., Ltd. (Note VII)	Cost method	450	450	-	450	90.00	not applicable	-
Industrial Consumer Finance Co., Ltd. (Note VII)	Cost method	198	198	-	198	66.00	not applicable	-
Total			13,534	229	13,763			253

(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 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 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 (the subsidiary of CIB Futures Co., Ltd.) are the investees of China Industrial International Trust Limited's long-term investments. As China Industrial International Trust Limited holds 19% of the total shares and sends directors to the investee, China Industrial International Trust Limited has significant influence over Chongqing Machinery and Electronics Holding Group Finance Company Limited, therefore the equity investment is accounted by the equity method.

(3) China Industrial International Trusts Limited (a holding subsidiary of the Bank) bought a stake in Ningbo Shanli Futures Limited in Mar, 2014, owning 29.7% of its shares. In September 2014, approved by the State Administration for Industry and Commerce, the Company changed its name to CIB Futures Co., Ltd. In March 2015, CIIT bought 40.3% shares from other shareholders by RMB104 million to increase its shareholding ratio to 70.00%. In August 2015, CIIT increases RMB381 million capital to CIB Futures Co., Ltd., the capital of which increased from RMB100 million to RMB500 million. The shareholding ratio increased to 92.20%. CIB Futures Co., Ltd. was included in the scope of consolidated financial statements and no longer accounted as long-term equity investment by the Group.

(4) There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December, 2015.

14. Fixed Assets

UNIT: RMB Million

	The Group				
	Office				
	Buildings	Fixed assets improvement	equipment	Transportation vehicles	Total
Cost					
1/1/2015	8,380	856	5,423	421	15,080
Purchase	68	7	1,046	690	1,811
Increase by acquiring subsidiaries	17	-	3	1	21
Transfers from constructions in progress	1,028	29	14	-	1,071
Sales/disposals	(12)	(1)	(365)	(40)	(418)
12/31/2015	9,481	891	6,121	1,072	17,565
Accumulated depreciation					
1/1/2015	1,713	286	2,988	174	5,161
Depreciation for the year	266	86	817	91	1,260
Increase by acquiring subsidiaries	3	-	2	1	6
Eliminated on sales/disposals	(5)	(1)	(211)	(16)	(233)
12/31/2015	1,977	371	3,596	250	6,194
Net value					
1/1/2015	6,667	570	2,435	247	9,919
12/31/2015	7,504	520	2,525	822	11,371
Provision for impairment					
1/1/2015	(3)	-	-	-	(3)
Charged for the year	-	-	-	-	-
Eliminated on sales/disposals	-	-	-	-	-
12/31/2015	(3)	-	-	-	(3)
Net carrying amount					
1/1/2015	6,664	570	2,435	247	9,916
12/31/2015	7,501	520	2,525	822	11,368

All the buildings of the Group are located in the PRC. Buildings cost RMB512 million are in use but the legal ownership registrations were still in process as at 31 December, 2015 (31 December, 2014:RMB2,464 million).

UNIT: RMB Million

	The Bank				
	Office				Total
	Buildings	Fixed asset improvement	equipment	Transportation vehicles	
Cost					
1/1/2015	8,364	856	5,390	399	15,009
Purchase	68	7	1,023	57	1,155
Transfers from constructions in progress	1,028	29	14	-	1,071
Sales/disposals	(12)	(1)	(364)	(40)	(417)
12/31/2015	9,448	891	6,063	416	16,818
Accumulated depreciation					
1/1/2015	1,711	286	2,974	169	5,140
Depreciation for the year	265	86	807	49	1,207
Eliminated on sales/disposals	(5)	(1)	(211)	(16)	(233)
12/31/2015	1,971	371	3,570	202	6,114
Net value					
1/1/2015	6,653	570	2,416	230	9,869
12/31/2015	7,477	520	2,493	214	10,704
Provision for impairment					
1/1/2015	(3)	-	-	-	(3)
Charge for the year	-	-	-	-	-
Eliminated on sales/disposals	-	-	-	-	-
12/31/2015	(3)	-	-	-	(3)
Net carrying amount					
1/1/2015	6,650	570	2,416	230	9,866
12/31/2015	7,474	520	2,493	214	10,701

All the buildings of the Group are located in the PRC. Buildings cost RMB512 million are in use but the legal ownership registrations were still in process as at 31 December, 2015 (31 December, 2014:RMB 2,464 million).

15. Construction in progress

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

UNIT: RMB Million

	The Group					
	12/31/2015			12/31/2014		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	3,492	-	3,492	1,804	-	1,804
Operating building, Tianjin	699	-	699	-	-	-
Operating building, Qingdao	343	-	343	-	-	-
Operating building, Jinan	407	-	407	325	-	325
Operating building, Suzhou	310	-	310	297	-	297
Operating building, Head office	264	-	264	104	-	104
Others	946	-	946	1,723	-	1,723
Total	6,461	-	6,461	4,253	-	4,253

UNIT: RMB Million

	The Bank					
	12/31/2015			12/31/2014		
	Carrying amount	Provision for impairment loss	Net carrying amount	Carrying amount	Provision for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	3,492	-	3,492	1,804	-	1,804
Operating building, Tianjin	699	-	699	-	-	-
Operating building, Qingdao	343	-	343	-	-	-
Operating building, Jinan	407	-	407	325	-	325
Operating building, Suzhou	310	-	310	297	-	297
Operating building, Head office	264	-	264	104	-	104
Others	938	-	938	1,723	-	1,723
Total	6,453	-	6,453	4,253	-	4,253

(2) Changes in significant construction in progress:

UNIT: RMB Million

	The Group				
	2015				
	1/1/2015	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2015
Operating building, Lujiazui Shanghai	1,804	1,688	-	-	3,492
Operating building, Tianjin	-	699	-	-	699
Operating building, Qingdao	-	343	-	-	343
Operating building, Jinan	325	82	-	-	407
Operating building, Suzhou	297	13	-	-	310
Operating building, Head office	104	160	-	-	264
Others	1,723	851	1,071	557	946
Total	4,253	3,836	1,071	557	6,461

UNIT: RMB Million

	The Bank				
	2015				
	1/1/2015	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	12/31/2015
Operating building, Lujiazui Shanghai	1,804	1,688	-	-	3,492
Operating building, Tianjin	-	699	-	-	699
Operating building, Qingdao	-	343	-	-	343
Operating building, Jinan	325	82	-	-	407
Operating building, Suzhou	297	13	-	-	310
Operating building, Head office	104	160	-	-	264
Others	1,723	843	1,071	557	938
Total	4,253	3,828	1,071	557	6,453

16. Goodwill

UNIT: RMB Million

Investee	The Group				
	01/01/2015	Additions	Deductions	12/31/2015	12/31/2015 Provision
China Industrial International Trust Limited	446	86	-	532	-

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of CIB Futures Co., Ltd. by China Industrial International Trust Limited in March, 2015.

At the end of the year, the Group performed impairment tests on goodwill based on expected future cash flow of the investee 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			
	12/31/2015		12/31/2014		12/31/2015		12/31/2014	
	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	57,420	14,355	40,044	10,011	55,664	13,916	38,955	9,739
Fair value changes of financial assets at fair value through profit or loss	256	64	147	37	240	60	147	37
Accrued but not paid employee benefits	9,504	2,376	8,371	2,093	8,860	2,215	7,839	1,960
Fair value changes of precious metals	1,290	323	-	-	1,290	323	-	-
Others	824	206	547	136	780	195	540	134
Subtotal	69,294	17,324	49,109	12,277	66,834	16,709	47,481	11,870
Deferred tax liabilities								
Fair value changes of derivative financial instruments	(3,436)	(859)	(655)	(163)	(3,436)	(859)	(655)	(163)
Fair value changes of precious metals	-	-	(21)	(5)	-	-	(21)	(5)
Difference of fixed asset impairment tax	(1)	-	(283)	(71)	(1)	-	(283)	(71)
Fair value changes of available-for-sale financial assets	(7,699)	(1,924)	(2,706)	(676)	(7,576)	(1,894)	(2,583)	(646)
Fair value changes of financial assets at fair value through profit or loss	(37)	(9)	(20)	(5)	(17)	(4)	-	-
Subtotal	(11,173)	(2,792)	(3,685)	(920)	(11,030)	(2,757)	(3,542)	(885)
Net value	58,121	14,532	45,424	11,357	55,804	13,952	43,939	10,985

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. When there is net deferred tax/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank 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
	2015	2015
Opening balance of net value	11,357	10,985
-Deferred tax assets	12,277	11,870
-Deferred tax liabilities	(920)	(885)
Net changes of deferred tax recognised in income tax expenses	4,423	4,215
Net changes of deferred tax recognised in other comprehensive income	(1,248)	(1,248)
Closing balance of net value	14,532	13,952
-Deferred tax assets	17,324	16,709
-Deferred tax liabilities	(2,792)	(2,757)

(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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Other receivables ⁽¹⁾	10,540	3,975	5,302	2,991
Prepaid purchase cost of finance lease assets	28,201	12,146	-	-
Foreclosed assets ⁽²⁾	586	148	586	148
Items in the process of clearance and settlement	5,770	140	5,769	140
Long term prepaid expenses ⁽³⁾	1,898	1,763	1,872	1,752
Net assets of defined benefit plan (Note VIII, 49.2)	356	476	356	476
Total	47,351	18,648	13,885	5,507

(1) Other receivables

Listed by aging:

UNIT: RMB Million

Account age	The Group				The Bank			
	12/31/2015		12/31/2014		12/31/2015		12/31/2014	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	10,822	94.21	3,759	88.45	5,595	89.53	2,785	85.28
1-2years	345	3.00	191	4.49	334	5.34	181	5.54
2-3years	100	0.87	121	2.85	100	1.60	121	3.70
Over 3 years	220	1.92	179	4.21	220	3.52	179	5.48
Subtotal	11,487	100.00	4,250	100.00	6,249	100.00	3,266	100.00
Less: Provision for bad debts	(947)		(275)		(947)		(275)	
Net value	10,540		3,975		5,302		2,991	

(2) Foreclosed assets

Analysed by category of the foreclosed assets:

UNIT: RMB Million

	The Group and the Bank	
	12/31/2015	12/31/2014
Buildings	298	124
Land use rights	73	60
Others	224	1
Subtotal	595	185
Less: Provision for losses	(9)	(37)
Net value	586	148

(3) Long term prepaid expenses

UNIT: RMB Million

	The Group				
	1/1/2015	Additions	Transferred from construction in progress	Amortization	12/31/2015
Leasehold improvements	1,691	172	553	(602)	1,814
Others	72	28	4	(20)	84
Total	1,763	200	557	(622)	1,898

UNIT: RMB Million

	The bank				
	1/1/2015	Additions	Transferred from construction in progress	Amortization	12/31/2015
Leasehold improvements	1,680	147	553	(592)	1,788
Others	72	28	4	(20)	84
Total	1,752	175	557	(612)	1,872

19. Provision for impairment losses of assets

UNIT: RMB Million

	The Group					
	2015					
	1/1/2015	Charge/ (Reversal)	Transfer in/(out)	Write- off	Exchange rate influence	12/31/2015
Loss provision for amount 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	43,896	37,093	(396)	(26,028)	21	54,586
Loss provision for held-to-maturity investments	122	-	-	-	8	130
Loss provision for available-for-sale financial assets	1,235	1,095	-	-	-	2,330
Loss provision for debt securities classified as receivables	5,523	5,039	(289)	-	-	10,273
Loss provision for finance lease receivables	1,585	425	-	-	-	2,010
Loss provision for fixed assets	3	-	-	-	-	3
Loss provision for foreclosed assets	37	-	(28)	-	-	9
Loss provision for prepaid purchase cost of finance lease assets	218	524	-	-	-	742
Loss provision for other assets	275	1,084	(40)	(372)	-	947
Total	52,983	45,260	(753)	(26,400)	29	71,119

UNIT: RMB Million

	The Bank					
	2015					
	1/1/2015	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	12/31/2015
Loss provision for amount 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	43,895	37,013	(396)	(26,028)	21	54,505
Loss provision for held-to-maturity investments	122	-	-	-	8	130
Loss provision for available-for-sale financial assets	1,228	1,097	-	-	-	2,325
Loss provision for debt securities classified as receivables	5,523	5,039	(289)	-	-	10,273
Loss provision for fixed assets	3	-	-	-	-	3
Loss provision for foreclosed assets	37	-	(28)	-	-	9
Loss provision for other assets	275	1,084	(40)	(372)	-	947
Total	51,172	44,233	(753)	(26,400)	29	68,281

20. Amount due to banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Amount due to banks				
Domestic banks	511,741	495,801	511,741	495,801
Foreign banks	35,993	54,466	35,993	54,466
Amount due to other financial institutions				
Domestic other financial institutions	1,217,979	717,881	1,220,857	719,842
Total	1,765,713	1,268,148	1,768,591	1,270,109

21. Placements from banks and other financial institutions

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Domestic banks	90,365	72,032	8,760	15,760
Domestic other financial institutions	-	680	-	680
Overseas banks	13,307	8,368	11,508	8,368
Total	103,672	81,080	20,268	24,808

22. Financial liabilities at fair value through profit or loss

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Trading financial liabilities:				
Sold financing bonds	-	1,702	-	1,702
Financial liabilities assigned as at fair value through profit or loss	1	201	-	-
Total	1	1,903	-	1,702

23. Financial assets sold under repurchase agreements

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Bonds	39,980	78,188	39,980	78,188
Bills	8,036	19,864	8,036	19,864
Others	-	519	-	-
Total	48,016	98,571	48,016	98,052

24. Amount due to customers

UNIT: RMB Million

	The Group and the Bank	
	12/31/2015	12/31/2014
Demand deposits		
Corporate	868,426	786,745
Personal	194,817	161,680
Subtotal	1,063,243	948,425
Term deposits (including call deposits)		
Corporate	973,107	847,319
Personal	175,994	206,409
Subtotal	1,149,101	1,053,728
Guaranteed and margin deposits	268,879	260,689
Others	2,700	4,938
Total	2,483,923	2,267,780

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

UNIT: RMB Million

	12/31/2015	12/31/2014
Bank acceptances	157,023	142,188
Letters of credit	19,799	29,397
Guarantee	13,551	12,314
Others	78,506	76,790
Total	268,879	260,689

25. Employee benefits payable

UNIT: RMB Million

	The Group				The Bank			
	01/01/ 2015	Increase	Decrease	12/31/ 2015	01/01/ 2015	Increase	Decrease	12/31/ 2015
Salaries and bonus	8,901	15,040	(13,947)	9,994	8,407	14,209	(13,363)	9,253
Labour union expenditure and staff educational funds	885	603	(404)	1,084	873	582	(389)	1,066
Social insurance	46	1,536	(1,525)	57	39	1,438	(1,432)	45
Housing funds	32	831	(820)	43	30	803	(795)	38
Defined contribution plans	61	1,774	(1,751)	84	61	1,757	(1,736)	82
Total	9,925	19,784	(18,447)	11,262	9,410	18,789	(17,715)	10,484

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VIII, 49.1.

26. Tax payable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Income tax	7,116	8,177	6,516	7,839
Business tax	3,071	2,235	2,978	2,170
City maintenance and construction tax	216	154	209	148
Others	399	307	367	282
Total	10,802	10,873	10,070	10,439

27. Interest payable

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Interest due to Central Bank	604	210	604	210
Interest due to banks and other financial institutions	7,035	8,750	7,048	8,753
Interest of placements from banks and other financial institutions	637	454	49	116
Interest of debt securities issued	2,775	1,258	2,704	1,258
Interest of financial assets sold under repurchase agreements	63	142	63	133
Interest due to customers	25,207	24,842	25,207	24,842
Others	122	54	121	52
Total	36,443	35,710	35,796	35,364

28. Debt securities issued

UNIT: RMB Million

	The Group		The Bank	
	31/12/2015	12/31/2014	31/12/2015	12/31/2014
Long term subordinated bonds	20,952	20,949	20,952	20,949
Financial bonds	72,908	37,974	67,927	37,974
Secondary capital bonds	19,969	19,967	19,969	19,967
Hybrid capital bonds	4,000	4,000	4,000	4,000
Interbank certificates of deposit	293,996	98,831	293,996	98,831
Short term bonds	3,009	4,066	3,009	4,066
Total	414,834	185,787	409,853	185,787

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 payment	The Group 12/31/2015	The Bank 12/31/2015
Long-term subordinate bonds				
09 CIB 02 (1)	2009-09-09	Yearly	7,995	7,995
10 CIB 01 (2)	2010-03-29	Yearly	3,000	3,000
11 CIB 01 (3)	2011-06-28	Yearly	10,000	10,000
Less: unamortized issuance cost			(43)	(43)
Subtotal			20,952	20,952
Financial bonds				
06 CIB 03 (4)	2006-12-15	Yearly	8,000	8,000
11 CIB 01 (5)	2011-12-28	Yearly	30,000	30,000
15 CIB 01 (6)	2015-01-19	Yearly	30,000	30,000
15 CIB leasing debt01 (7)	2015-06-08	Yearly	2,000	-
15 CIB leasing debt02 (7)	2015-10-20	Yearly	3,000	-
Less: unamortized issuance cost			(92)	(73)
Subtotal			72,908	67,927
Secondary capital bonds				
14 CIB secondary (8)	2014-06-18	Yearly	20,000	20,000
Less: unamortized issuance cost			(31)	(31)
Subtotal			19,969	19,969
Hybrid capital bonds				
06 CIB 02 fixed (9)	2006-09-28	Yearly	3,000	3,000
06 CIB 02 floating (10)	2006-09-28	Yearly	1,000	1,000
Subtotal			4,000	4,000
Interbank certificates of deposit				
Book value of interbank certificate of deposit (11)			297,800	297,800
Less: unamortized issuance cost			(3,804)	(3,804)
Subtotal			293,996	293,996
Certificate of deposit				
Book value of certificate of deposit (12)			3,018	3,018
Accrued interest			2	2
Less: unamortized issuance cost			(11)	(11)
Subtotal			3,009	3,009
Total			414,834	409,853

- (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) The Group issued RMB30 billion of 3-year fixed interest rate RMB financial bonds in January 2015. The annual interest rate is 4.95%.
- (7) The subsidiary China Industrial Finance Leasing Limited issued RMB2 billion of 3-year fixed interest rate RMB financial bonds in June 2015 and RMB3 billion in October 2015. The annual interest rate is 4.2% and 3.75% respectively.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) The Group owned 193 unpaid interbank certificates of deposit in 2015, the amount of which was RMB29.78 billion. The amount of the certificates within 1 year was RMB29.46 billion. The period of the rest of them is 1-3 years. The Annual interest rate is 2.92% to 5.00%, except for interest of 12 interest-bearing debts being paid quarterly, interests of the rest is paid upon maturity.
- (12) Hong Kong branch owned 13 unpaid certificates of deposit in 2015, the amount of which was RMB3,018 million. The period was 6-12 month. The amount of 7 HKD certificates was HKD1,432 million (RMB1,200 million); the amount of 6 USD certificates was USD280 million (RMB1,818 million). The annual interest rate was between 0.83% and 1.43%. The interests are paid at maturity.

29. Other liabilities

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Bank promissory notes	3,207	4,691	3,207	4,691
Items in the process of clearance and settlement	2,739	109,882	2,739	109,882
Dividend payables	9	8	9	8
Wealth management and entrusted investment fund	733	20,238	733	20,238
Deferred income	2,973	2,701	806	1,285
Other payables	18,913	13,508	6,496	5,071
Total	28,574	151,028	13,990	141,175

30. Share capital

UNIT: RMB Million

	The Group and the Bank		
	1/1/2015	Change for the year	12/31/2015
Shares without limited sales restrictions			
RMB ordinary shares (A shares)	16,179	-	16,179
Shares with limited sales restrictions			
RMB ordinary shares (A shares)	2,873	-	2,873
Total shares	19,052	-	19,052

As at 31 December, 2015, the share capital of the Bank is RMB19,052 million (31 December, 2014:RMB19,052 million) with par value of RMB1 Yuan per share.

31. Other Equity Instruments

The Bank are approved by CSRC to non-publicly issue domestic preferred stock no further than RMB26 billion on 24/11/2014, in which RMB13 billion is initially issued with face value of RMB100 per share and completed in December 2014, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP. In June 2015, the Bank issued the second term of non-publicly domestic preferred stock for 13 billion, with face value of RMB100 per share, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The Bank completed the issue of 26 billion domestic preferred stocks, approved in November 2014, successfully in June 2015.

Outstanding preferred stocks in the end of the year are as follows:

The Group and the Bank									
Outstanding financial instrument	Time	Classification	Rate	Price	Quantity	Amount	Maturity Date	Transfer requirement	Condition
Preferred stock	2014.12	Equity instrument	Note 1	100	130	13,000	N/A	Note 3	N/A
Preferred stock	2015.6	Equity instrument	Note 2	100	130	13,000	N/A	Note 3	N/A

Note 1: For the first issue of the preferred stock, every five year is an interest-bearing cycle from the payment deadline 8 December, 2014, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 6.00% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of 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 (i.e. 3.45%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 8 December, 2014 which's the date of the deadline for payment of 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 Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preferred stock issued (which is 8 December). If the YTM of 5-year treasury bonds with 5-year maturity is not available on the benchmark interest adjustment day, the benchmark interest rate or determination principal will be determined under negotiations between the Bank and investors required by regulator.

Note 2: For the second issue of preferred stock, every five year is an interest-bearing cycle from the payment deadline 24 June, 2015, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 5.40% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of 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 (i.e. 3.25%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 24 June 2015 which's the date of the deadline for payment of 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 2.15%. The basic interest rate will no longer

be adjusted since the issue of determining. The coupon interest rate of follow-up period is current dividend benchmark interest rate plus an interest margin, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years)YTM's arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preferred stock issued (which is 24 June). If the YTM of 5-year national debt with 5-year maturity is not available on the benchmark interest adjustment day, the benchmark interest rate or determination principal will be determined under negotiations between the Bank and investors required by regulator.

Note 3: (1) When the Bank's core tier one capital adequacy ratio fell to 5.125%, the 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 preferred shares 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 preferred shares 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 (applicable to first and second issue of domestic preferred stock):

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 from 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 priority of preference shareholders' dividends is higher than 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 cancel the dividends distribution without constituting a breach of contract. The Bank is entitled to arrange cancelled income as payment to other debts with maturity. Canceling paying dividend shall not constitute any further restrictions on the Bank except income distribution of ordinary shares. When the Bank exercises these rights, it will take full account into the interests of preference shareholders. If payment of dividend for preference shareholders is all or part canceled, the Bank shall not pay 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 preferred shares and should not form expectations that the preferred shares 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 preferred stocks of this issue is RMB9.86/share. Since the day that the issuance of preferred shares program is passed by the Bank's Board of Directors, when the Bank shares change with the delivery of the stock dividend, share capital, issuance of new shares (not including any increasing share capital from conversion of financing instruments with terms that could be converted to ordinary shares) or the allotment of shares, the preferred stock will be accumulately adjusted in turn the forced conversion price in accordance with the established formula , and disclose relevant information in accordance with the provisions.

The Bank's preference shareholders are entitled with priority to ordinary shareholders of the remaining property dividing, the amount paid off is the sum of the neither canceled nor distributed dividends and the total nominal amount of the held preferred stock; if it could not cover, then assign by the preferred shareholders in proportion to their shareholding.

As of 31 December, 2015, the Bank's net proceeds of RMB25,905 million dollars have been all used to supplement the first level capital.

Changes of outstanding preferred stocks are as follows:

UNIT: RMB Million

	The Group and the Bank							
	1/1/2015		Addition		Less		12/31/2015	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Preferred Stocks	130	13,000	130	13,000	-	-	260	26,000
Fees								(95)
Total							260	25,905

Attributing to holders of equity instrument

UNIT: RMB Million

	The Group	
	12/31/2015	12/31/2014
Equities attributable to holders of parent company		
Equities attributable to common stock holders of parent company	287,743	244,976
Equities attributable to other stocks holders of parent company	25,905	12,958
Net profit	51	-
Total comprehensive income	51	-
Distributed dividend of the period	(51)	-
Accumulated retained dividend	-	-
Equities attributable to minority holders	3,729	3,162

32. Capital reserve

UNIT: RMB Million

	The Group				The Bank			
	1/1/2015	Increase	Decrease	12/31/2015	1/1/2015	Increase	Decrease	12/31/2015
Share premium	50,828	-	-	50,828	51,048	-	-	51,048
Others	33	-	-	33	33	-	-	33
Total	50,861	-	-	50,861	51,081	-	-	51,081

33. Surplus reserve

UNIT: RMB Million

	The Group and the Bank	
	12/31/2015	12/31/2014
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 under the Accounting Standard for Business Enterprises of China. The statutory surplus reserve is no longer appropriated when the accumulated amount exceeds 50% of the Bank's share capital. As of 31 December, 2015, the Bank no longer transfer its net profit to statutory surplus reserve since the statutory surplus reserve has reached 50% of its share capital.

34. General risk reserve

UNIT: RMB Million

	The Group and the Bank			
	The Group		The Bank	
	2015	2014	2015	2014
General and regulatory reserve	60,665	43,418	59,217	42,043

Pursuant to Measures on General Provision for Bad and Doubtful Debts for Financial Institutions (CJ[2012] No. 20) 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 risk reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets, include loans and advances to customers, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables, long-term equity investments, amount 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, 2015, 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 risk reserve according to the regulation.

35. Retained earnings

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Opening balance	119,607	92,368	115,683	89,999
Net profit for the year	50,207	47,138	47,880	45,166
Appropriations to general risk reserve	(17,247)	(11,135)	(17,174)	(10,718)
Dividends distribution	(10,860)	(8,764)	(10,860)	(8,764)
Dividend distributions of preferred stock	(51)	-	(51)	-
Closing balance	141,656	119,607	135,478	115,683

(1) “2015 Profit Distribution Proposal of the Bank” was approved by the Board of Directors on 27 April, 2016 and submitted for approval by the annual general meeting:

(i) Transfer RMB17,174 million to general risk reserve. As at 31 December, 2015, the general and risk reserve recommended to transfer has been included in the general risk reserve.

(ii) Distribute a cash dividend of RMB6.1 per 10 shares (tax inclusive) on the basis of 19,052,336,751 ordinary shares of the Bank at the end of 2015.

(iii) The interest period of preferred stock issued in 2014 is from 1 January, 2015 to 31 December, 2015 (the annual dividend rate is 6%), the interest period of preferred stock issued in 2015 is from 24 June, 2015 to 31 December, 2015 (the annual dividend rate is 5.4%), the preferred dividends payable is 1,147 million in total.

The profit distribution plan above has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

(2) “2014 Profit Distribution Proposal of the Bank” was approved on 18 May, 2015 on the Annual General Meeting of the Bank and by the Board of directors meeting on 27 April, 2015, the detailed plan was as follows:

(i) Transfer RMB10,718 million to general risk reserve. As at 31 December, 2014, the general risk reserve recommended to transfer has been included in the general risk reserve.

(ii) Distribute a cash dividend of RMB5.7 per 10 shares (tax inclusive) on the basis of 19,052,336,751 ordinary shares of the Bank at the end of 2014.

(iii) The interest period of preferred stock issued in 2014 is from 8 December, 2014 to 31 December, 2014, the preferred dividends payable is RMB51 million in total (the annual dividend rate is 6%).

As at 31 December, 2015, the above-mentioned dividend distribution scheme has been done.

(3) Surplus reserves appropriated by subsidiaries

As at 31 December, 2015, the balance of the Group's retained earnings contained surplus reserves appropriated by subsidiaries: RMB801 million (31 December, 2014: RMB564 million).

36. Net interest income

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Interest income				
Balances with Central Bank	6,497	6,205	6,496	6,202
Amount due from banks and other financial institutions	3,894	4,782	3,852	4,778
Placements with banks and other financial institutions	2,095	4,645	2,170	4,648
Financial assets held under resale agreements	27,382	56,335	27,380	56,334
Loans and advances to customers	101,750	93,393	101,568	93,381
Including: Corporate	74,198	68,544	74,192	68,532
Personal	25,599	22,867	25,423	22,867
Bill discount	1,953	1,982	1,953	1,982
Bonds and other investment	108,019	49,814	107,315	49,193
Finance lease	5,367	4,031	-	-
Others	968	209	968	209
Subtotal	255,972	219,414	249,749	214,745
Interest expense				
Amount due to Central Bank	(1,801)	(210)	(1,801)	(210)
Amount due to banks and other financial institutions	(57,897)	(57,565)	(57,978)	(57,641)
Placements from banks and other financial institutions	(3,785)	(3,546)	(243)	(862)
Financial assets sold under repurchase agreements	(2,427)	(4,969)	(2,420)	(4,913)
Amount due to customers	(57,422)	(52,279)	(57,422)	(52,279)
Debt securities issued	(12,673)	(5,136)	(12,602)	(5,136)
Others	(133)	(149)	(42)	(148)
Subtotal	(136,138)	(123,854)	(132,508)	(121,189)
Net interest income	119,834	95,560	117,241	93,556
Including: Interest income accrued on impaired financial assets	907	675	907	675

37. Net fee and commission income

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Fee and commission income				
Settlement and clearing fee	658	743	658	743
Bank card fee	6,376	5,653	6,376	5,653
Agency commissions	3,394	2,789	3,394	2,789
Guarantee and commitment commissions	1,787	1,794	1,787	1,794
Transactional service fee	198	133	198	133
Custodian fee	4,316	4,211	4,316	4,211
Consultancy and advisory fee	13,242	10,512	12,443	10,132
Trust service fee	1,631	1,376	-	-
Lease service fee	931	534	-	-
Others	1,059	667	1,028	650
Subtotal	33,592	28,412	30,200	26,105
Fee and commission expense				
Settlement and clearing expenses	(90)	(103)	(89)	(102)
Bank card expenses	(736)	(634)	(735)	(632)
Inter-bank expenses	(57)	(86)	(57)	(86)
Others	(519)	(548)	(533)	(555)
Total	(1,402)	(1,371)	(1,414)	(1,375)
Net fee and commission income	32,190	27,041	28,786	24,730

38. Investment income (losses)

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Precious metal	(1,589)	(377)	(1,589)	(377)
Financial assets at fair value through profit of loss	736	250	474	114
Derivative financial instruments	1,757	(186)	1,757	(186)
Available-for-sale financial assets	2,323	183	2,131	(83)
Long-term equity investment (equity method)	275	264	263	250
Dividend declared by investee (cost method)	-	-	219	188
Financial liabilities at fair value through profit of loss	(20)	(230)	(20)	(230)
Total	3,482	(96)	3,235	(324)

39. Gains (losses) from changes in fair value

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Precious metals	(1,311)	21	(1,311)	21
Financial assets at fair value through profit of loss	(109)	534	(93)	525
Derivative financial instruments	2,781	1,105	2,781	1,105
Financial liabilities at fair value through profit of loss	17	(29)	17	(29)
Total	1,378	1,631	1,394	1,622

40. Business tax and levies

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Business tax	11,516	8,085	11,230	7,882
City maintenance and construction tax	813	569	784	549
Education surcharge	517	382	496	369
Others	109	69	107	67
Total	12,955	9,105	12,617	8,867

41. General and administrative expenses

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Employee benefits	19,784	17,369	18,789	16,710
Depreciation and amortization	1,937	1,684	1,890	1,666
Lease expenses	2,608	2,387	2,525	2,329
Others	8,520	8,011	8,234	7,805
Total	32,849	29,451	31,438	28,510

42. Impairment losses of assets

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Loans and advances to customers	37,093	19,651	37,013	19,650
Investment classified as receivables	5,039	4,151	5,039	4,151
Available-for-sale financial assets	1,095	1,228	1,097	1,228
Finance lease receivable	425	358	-	-
Others	1,608	516	1,084	368
Total	45,260	25,904	44,233	25,397

43. Non-operating income

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Gains from disposal of non-current assets	9	85	9	85
Including: Gains from disposal of fixed assets	1	47	1	47
Gains from disposal of foreclosed assets	8	38	8	38
Penalties and fines received	27	11	27	11
Gains from dormant accounts	6	12	6	12
Government grants	334	379	57	101
Others	185	84	179	83
Total	561	571	278	292

44. Non-operating expenses

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Losses on disposal of non-current assets	-	2	-	2
Including: Losses on disposal of fixed assets	-	2	-	2
Donation expenses	40	54	39	54
Penalties and fines paid	26	38	26	38
Others	61	69	57	69
Total	127	163	122	163

45. Income tax expenses

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Current income tax	16,911	16,357	15,730	15,422
Deferred income tax	(4,423)	(3,462)	(4,215)	(3,334)
Adjustment income tax for previous year	106	173	106	173
Total	12,594	13,068	11,621	12,261

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

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Accounting profit	63,244	60,598	59,501	57,427
Tax calculated at applicable statutory tax rate of 25%	15,811	15,149	14,875	14,357
Adjustments on income tax:				
Income not taxable for tax purpose	(3,549)	(2,336)	(3,579)	(2,344)
Expenses not deductible for tax purpose	226	82	219	75
Adjustment on income tax for previous year	106	173	106	173
Total	12,594	13,068	11,621	12,261

46. Earnings per share

UNIT: RMB Million

	The Group	
	2015	2014
Current net profit attributable to ordinary shareholders of the Bank (RMB million)	50,156	47,138
Weighted average ordinary shares issued by the Bank (shares in million)	19,052	19,052
Basic and diluted earnings per share (RMB Yuan)	2.63	2.47

The RMB26,000 million preferred stocks of the Bank approved in November 2014 were successfully issued in June 2015. When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preferred stock dividends announced of insurance. In addition, it had no influence on basic earnings per share and diluted earnings per share in 2015 and 2014.

47. Other comprehensive income

UNIT: RMB Million

	The Group						
	2015						
	12/31/2014	Accrual income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Belong to parent company of owners after tax	Belong to minority shareholder after tax	12/31/2015
Other comprehensive income cannot be subsequently classified to profit and loss							
Including: Recalculation of defined benefit changes of net liabilities and net assets	222	(279)	-	-	(279)	-	(57)
Subtotal	222	(279)	-	-	(279)	-	(57)
Other comprehensive income should be subsequently classified to profit and loss							
Including: Available-for-sale financial assets profit and loss due to changes in fair value	1,996	53,888	(48,895)	(1,248)	3,750	(5)	5,746
Shares of investee after reclassifying the other incomprehensive income to profit and loss under equity method	(4)	-	-	-	-	-	(4)
Subtotal	1,992	53,888	(48,895)	(1,248)	3,750	(5)	5,742
Total	2,214	53,609	(48,895)	(1,248)	3,471	(5)	5,685

UNIT: RMB Million

	The Bank				
	2015				
	12/31/2014	Accrual income tax	Other comprehensive income transferred to profit and loss	Income tax expense	12/31/2015
Other comprehensive income cannot be subsequently classified to profit and loss					
Including: Recalculation of defined benefit changes of net liabilities and net assets	222	(279)	-	-	(57)
Subtotal	222	(279)	-	-	(57)
Other comprehensive income should be subsequently classified to profit and loss Including:					
Available-for-sale financial assets profit and loss due to changes in fair value	1,939	53,836	(48,843)	(1,248)	5,684
Shares of investee after reclassifying the other incomprehensive income to profit and loss under equity method	(4)	-	-	-	(4)
Subtotal	1,935	53,836	(48,843)	(1,248)	5,680
Total	2,157	53,557	(48,843)	(1,248)	5,623

48. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	50,650	47,530	47,880	45,166
Add: Provision for impairment losses of assets	45,260	25,904	44,233	25,397
Depreciation of fixed assets	1,260	1,028	1,207	1,017
Amortization of intangible assets	75	111	71	110
Amortization of long-term prepaid expenses	622	545	612	539
Gains from disposal of fixed assets, intangible assets and other long-term assets	(9)	(83)	(9)	(83)
Interest income of bonds and other investments	(108,019)	(49,814)	(107,315)	(49,193)
Interest income of impairment financial assets	(907)	(675)	(907)	(675)
Gains from changes in fair value	(1,378)	(1,631)	(1,394)	(1,622)
Investment income (losses)	(3,482)	96	(3,235)	324
Interest expense for debt securities issued	12,673	5,136	12,602	5,136
Increase in deferred tax assets	(5,047)	(3,706)	(4,839)	(3,573)
Increase in deferred tax liabilities	624	244	624	239
Decrease in receivables of operating activities	255,601	101,217	256,383	120,951
Increase in payables of operating activities	570,770	556,158	574,866	536,134
Net cash flow from operating activities	818,693	682,060	820,779	679,867
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	312,352	357,128	310,026	355,278
Less: Opening balance of cash and cash equivalents	357,128	127,121	355,278	126,585
Net increase (decrease) of cash and cash equivalents	(44,776)	230,007	(45,252)	228,693

(2) Composition of cash and cash equivalents

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Cash on hand	5,622	6,591	5,622	6,591
Balances with Central Bank	57,994	96,263	57,982	96,263
Deposits with banks and other financial institutions with original maturity of less than three months	23,431	50,222	21,117	48,673
Placements with banks and other financial institutions with original maturity of less than three months	22,874	19,901	22,874	19,601
Financial assets held under resale agreements with original maturity of less than three months	97,402	174,407	97,402	174,407
Bonds investment with original maturity of less than three months	105,029	9,744	105,029	9,743
Closing balance of cash and cash equivalents	312,352	357,128	310,026	355,278

49. Post-employment compensation

49.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except the expenses above, the Group shoulders no further payment duties. Certain expenses are charged in profit and loss of the period.

Expense recognised in profit or loss for the period:

UNIT: RMB Million

	The Group		The Bank	
	2015	2014	2015	2014
Defined contribution plans	1,774	1,247	1,757	1,226

Amount of payable in the year-end:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Defined contribution plans	84	61	82	61

49.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December, 2007. The Group invited Tower Watson Consulting Group (Shanghai) to estimate the present value. The project estimates the future cash flow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the national debt market income rate in which the period of defined benefit plans and currency 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 RMB156 million. Actuary profit and loss charging to other comprehensive income are RMB279 million. Net assets of defined benefit plans are RMB356 million at the end of the year, which is the net value of fair value of defined benefit plans duties and defined benefit plans assets, and should be charged to other assets. (Note VIII, 18).

In 31 December, 2015, the Group benefit plans set was in the period of the average benefit obligation for about 11 years (31 December, 2014: 11 years).

Defined benefit plan makes the Group face the actuarial risks that include interest rate risk and longevity risk. Government bond yielding down will lead to a defined benefit plan duty value added. The present value of defined benefit plan duty is calculated based on the best estimate of employees participating in the scheme of the mortality rate, and the increase in life expectancy will lead to an increase in plan liabilities.

In determining the set of major actuarial present value using the benefit plan obligations assumed discount rate, mortality rate. The discount rate is 3.00% as at 31 December, 2015 (2014: 3.75%). 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) by 25 basis points, then the present value of defined benefit plan duty will be reduced by RMB68 million (an increase of RMB70 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 didn'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 2015 and 2014, the Group didn't offer financial support to the consolidated structured entities.

50.2 Unconsolidated structured entities

50.2.1 Structured entities without the scope managed by the Group

The Group initiates and establishes structured entities which offer specific investment opportunities. 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 December, 2015 and 31 December, 2014, the consolidated entities issued by the Group mainly include wealth management products, funds, asset-backed 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.

In 2015 and 2014, the Group did not offer financial support to other structured entities excluded from the consolidation scope.

Up to 31 December, 2015 and 31 December, 2014, the information of unconsolidated structured entities initiated by the Group is listed below:

UNIT: RMB Million

	The Group		Type
	Scale 12/31/2015	Scale 12/31/2014	
Wealth management products	1,045,052	628,007	Commission income
Funds	73,481	14,377	Commission income
Asset-backed securities	29,987	15,049	Commission income
Capital trust plans	908,482	643,494	Commission income
Asset management plans	338,864	179,901	Commission income
Total	2,395,866	1,480,828	

In 2015, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB12,066 million (2014:RMB9,577 million).

50.2.2 Equity enjoyed by the Group in structured entities without the scope

To utilize the capital better, the equity enjoyed by the Group in structured entities without the scope in 31 December, 2015 mainly includes wealth management products, funds, asset-backed 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 2015.

Up to 31 December, 2015 and 31 December, 2014, the information of unconsolidated structured entities initiated by the Group enjoys equity is listed below:

UNIT: RMB Million

	The Group							Type
	12/31/2015							
	Financial assets held under resale agreement	Financial asset at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity investment	Debt securities classified as receivables	Book value	Max risk exposure (Note 1)	
Funds	-	98,692	23,069	-	-	121,761	121,761	Investment income
Wealth management products	-	500	-	-	429,185	429,685	429,685	Investment income, Interest income
Capital trust plans	66,898	134	79,648	-	691,274	837,954	837,954	Investment income, Interest income
Asset management plans	9,637	837	126,831	-	452,766	590,071	590,071	Investment income, Interest income
Asset-backed securities	-	-	-	592	72,992	73,584	73,584	Interest income
Total	76,535	100,163	229,548	592	1,646,217	2,053,055	2,053,055	

Note 1: Max loss exposure to funds, wealth management products, capital trust plans, asset management plans and asset-backed securities is the amortized cost or fair value recognized in the balance sheet in statement date.

UNIT: RMB Million

	The Group							Type
	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 investment	Debt securities classified as receivables	Book value	Max risk exposure (Note 1)	
Funds	-	4,389	704	-	-	5,093	5,093	Investment income
Wealth management 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-backed 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	

Note 1: Max loss exposure to funds, wealth management products, capital trust plans, asset management plans and asset-backed securities is the amortized cost or fair value recognized in the balance sheet in statement date.

IX. SEGMENT REPORTING

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other 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, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch and Xining branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

The Group												
2015												
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other northern region	Western region	Central region	Eliminations	Total
Operating income	55,861	16,229	7,465	8,226	9,184	5,811	6,930	15,017	15,146	14,479	-	154,348
Net interest income	41,393	11,928	5,726	6,360	7,489	4,609	5,885	11,490	12,680	12,274	-	119,834
Including: Net inter-segment interest income	(48,862)	2,778	5,626	7,121	6,718	2,085	3,078	6,708	7,261	7,487	-	-
Net fee and commission income	13,573	3,740	1,388	1,803	1,634	1,175	999	3,335	2,404	2,139	-	32,190
Other income	895	561	351	63	61	27	46	192	62	66	-	2,324
Operating expenses	(23,990)	(14,241)	(4,684)	(2,568)	(9,724)	(4,552)	(3,672)	(9,345)	(9,215)	(9,547)	-	(91,538)
Operating profit	31,871	1,988	2,781	5,658	(540)	1,259	3,258	5,672	5,931	4,932	-	62,810
Add: Non-operating income	75	39	12	17	27	13	8	306	27	37	-	561
Less: Non-operating expenses	(7)	(45)	(3)	(1)	(2)	(18)	(11)	(11)	(14)	(15)	-	(127)
Total profit	31,939	1,982	2,790	5,674	(515)	1,254	3,255	5,967	5,944	4,954	-	63,244
Less: Income tax expenses												(12,594)
Net profit												50,650
Segment assets	3,112,158	416,386	373,423	397,780	506,037	243,903	319,477	776,976	704,480	603,565	(2,169,837)	5,284,348
Including: Investment in an associate												1,918
Undistributed assets												14,532
Total assets												5,298,880
Segment liabilities	2,859,931	403,202	370,499	391,461	506,240	242,649	316,222	763,975	698,549	598,612	(2,169,837)	4,981,503
Undistributed liabilities												-
Total liabilities												4,981,503
Supplemental information												
Credit commitments	92,358	56,230	14,735	25,070	48,353	32,825	74,691	169,673	144,396	176,292	-	834,623
Depreciation and amortization	317	234	98	58	162	83	129	310	219	347	-	1,957
Capital expenditures	614	302	44	1762	146	70	244	2072	378	389	-	6,021

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)
Total profit	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 assets												11,357
Total assets												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

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related Party Relationship

The Group

Related parties with no controlling interest

(1) Shareholders holding more than 5% (inclusive) of the Bank's shares

Name	Economic nature	Place of registration	Registered capital	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 ⁽²⁾	Limited Company	Hong Kong	HKD11 billion	Financial services	Rose Lee
People's Insurance Company of China ⁽¹⁾	Incorporated Company	Beijing	RMB14.829 billion	Insurance services	Wu Yan
China Life Insurance Company ⁽¹⁾	Incorporated Company	Beijing	RMB25.761 billion	Insurance services	Wu Yan
China National Tobacco Corporation ⁽¹⁾	Owned by the whole people	Beijing	RMB57 billion	Production, and sales of tobacco products	Ling Chengxing
Haisheng Investment Management Company of Fujian Tobacco ⁽¹⁾	Limited Company	Xiamen	RMB2.647 billion	Diverse investment management of Fujian tobacco commercial system	Huang Xueliang
China Tobacco Hunan Investment Management Company ⁽¹⁾	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 ⁽¹⁾	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	31/12/2015		12/31/2014	
	Shares	Proportion	Shares	Proportion
	Million Shares	(%)	Million Shares	(%)
The Finance Bureau of Fujian Province	3,402	17.86	3,402	17.86
People's Insurance Company of China ⁽¹⁾	1,229	6.45	948	4.98
China Life Insurance Company ⁽¹⁾	1,276	6.70	948	4.98
China National Tobacco Corporation ⁽¹⁾	614	3.22	614	3.22
Haisheng Investment Management Company of Fujian Tobacco ⁽¹⁾	441	2.32	441	2.32
China Tobacco Hunan Investment Management Company ⁽¹⁾	226	1.19	226	1.19
The People's Insurance Company (Group) of China Limited ⁽¹⁾	174	0.91	174	0.91
Hang Seng Bank Limited ⁽²⁾	167	0.88	2,070	10.87
Total	7,529	39.53	8,823	46.33

Notes: (1) Relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 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) Hang Seng Bank Limited transferred the Bank's tradable shares held by it through the Shanghai Stock Exchange block trading system in February 2015 and May 2015 for twice, totalled 1,903,316,838 share, representing 9.99% of the total number of ordinary shares of the Bank. After the changes in equity in May 2015, Hang Seng Bank Limited held the Bank's tradable shares for 167,334,762 shares, representing 0.88% of the total number of ordinary shares of the Bank, which means it is no longer related party for the Group. The related party transactions disclosed are related parties transactions happened before 13 May, 2015, when Hang Seng Bank Limited transferred the Bank's tradable shares for second time.

(2) Associates

Name of related party	Economic nature	Domicile	Registered Capital RMB100 million	Principal activities	Legal Representative
Bank of Juijiang Co., Ltd.	Incorporated Company	Jiujiang	15.16	Financial Service	Liu Xianting
Chongqing Machinery and Electronics Holding Group Finance Company Limited	Limited Company	Chongqing	6	Financial and financing consulting service	Wang Yuxiang
CIB Futures Co., Ltd.	LLC	Ningbo	5	Merchandise, financial futures investment and consulting Service	Si Bin

Note: In March 2015, China Industrial International Trust Limited invested RMB104 million to buy 40.3% stake of CIB Futures Co., Ltd., representing 70% of the total number of ordinary shares of the Futures company, which made CIB Futures Co., Ltd. become its subsidiary company. The related party transactions disclosed on this report happened before the equity change.

(3) Other related parties

Other related parties 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.

(1) Interest income

UNIT: RMB Million

Related party	2015	2014
People's Insurance Company of China	30	33
The People's Insurance Company (Group) of China Limited	79	79
China Life Insurance Company	13	12
Bank of Jiujiang Co., Ltd.	19	76
China National Tobacco Corporation	8	-
Chongqing Machinery and Electronics Holding Group Finance Company Limited	14	526
Total	163	726

(2) Interest expense

UNIT: RMB Million

Related party	2015	2014
The Finance Bureau of Fujian Province	209	400
Hang Seng Bank Limited	9	21
Hang Seng Bank (China) Limited	-	29
People's Insurance Company of China	50	34
China Life Insurance Company	-	2
China National Tobacco Corporation	994	672
Haisheng Investment Management Company of Fujian Tobacco	35	44
China Tobacco Hunan Industrial Corporation	-	1
Bank of Jiujiang Co., Ltd.	7	18
Chongqing Machinery and Electronics Holding Group Finance Company Limited	8	16
CIB Futures Co., Ltd.	1	2
Total	1,313	1,239

(3) Net fee and commission income

UNIT: RMB Million

Related party	2015	2014
Bank of Jiujiang Co., Ltd.	5	8

(4) Fee and commission expenses

UNIT: RMB Million

Related party	2015	2014
Chongqing Machinery and Electronics Holding Group Finance Company Limited	-	1

(5) General and administrative expenses-insurance

UNIT: RMB Million

Related party	2015	2014
People's Insurance Company of China	143	232

In 2015, the Bank was paid RMB13 million in compensation from People's Insurance Company of China (2014:RMB205 Million).

(6) Acquire other equity instruments issued by the Bank – preferred stock

UNIT: RMB Million

Related party	2015	2014
The Finance Bureau of Fujian Province	-	2,500

3. Unsettled amount of related party transactions

Note: As at 31 December, 2015, Hang Seng Bank Limited only took 0.88% of the ordinary shares of the Bank, lower than 5%. So, Hang Seng Bank Limited will no longer be the related party of the Group. We do not have to disclose the year-end outstanding items of Hang Seng Bank Limited and Hang Seng Bank (China) Limited.

(1) Amount due from banks

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
Hang Seng Bank Limited	Note	18

(2) Derivative financial instruments

UNIT: RMB Million

Related party	Transaction Type	12/31/2015		12/31/2014	
		Nominal amount	Assets/ Liabilities	Nominal amount	Assets/ Liabilities
Hang Seng Bank (China) Limited	Interest Rate Derivative	Note	Note	4,070	(4)
Hang Seng Bank (China) Limited	Exchange Rate Derivative	Note	Note	7,747	3
Hang Seng Bank Limited	Exchange Rate Derivative	Note	Note	11,207	(8)
China Life Insurance Company	Interest Rate Derivative	730	(5)	1,300	(5)
Total		730	(5)	24,324	(14)

(3) Financial assets held under resale agreements

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
Bank of Jiujiang Co., Ltd.	-	1,658
Chongqing Machinery and Electronics Holding Group Finance Company Limited	-	3,362
Total	-	5,020

(4) Interest receivable

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
People's Insurance Company of China	5	5
The People's Insurance Company (Group) of China Limited	43	43
Bank of Jiujiang Co., Ltd.	-	22
Chongqing Machinery and Electronics Holding Group Finance Company Limited	-	78
China National Tobacco Corporation	8	-
Total	56	148

(5) Investment classified as receivables

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
People's Insurance Company of China	450	450
China Life Insurance Company	200	200
The People's Insurance Company (Group) Of China Limited	1,600	1,600
Total	2,250	2,250

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	12/31/2015	12/31/2014
Key management personnel and their close relatives	12	9
China National Tobacco Corporation	7,600	-
Total	7,612	9

(7) Amount due to banks and other financial institution

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
Hang Seng Bank Limited	Note	29
Hang Seng Bank (China) Limited	Note	330
Bank of Jiujiang Co., Ltd.	22	15
Chongqing Machinery and Electronics Holding Group Finance Company Limited	225	84
CIB Futures Co., Ltd.	645	773
Total	892	1,231

(8) Financial assets held under resale agreements

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
Bank of Jiujiang Co., Ltd.	-	1,034

(9) Amount due to customers

UNIT: RMB Million

Related party	31/12/2015	31/12/2014
The Finance Bureau of Fujian Province	9,321	17,433
China Life Insurance Company	3	120
People's Insurance Company of China	874	5,869
China National Tobacco Corporation	34,612	29,126
Haisheng Investment Management Company of Fujian Tobacco	712	739
China Tobacco Hunan Industrial Corporation	128	102
Chongqing Machinery and Electronics Holding Group Finance Company Limited	107	81
Key managers and their close relatives	9	14
Total	45,766	53,484

(10) Interest payable

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
The Finance Bureau of Fujian Province	1	261
Hang Seng Bank (China) Limited	Note	15
People's Insurance Company of China	53	23
China Life Insurance Company	1	-
China National Tobacco Corporation	701	402
Haisheng Investment Management Company of Fujian Tobacco	28	35
Total	784	736

(11) Credit facility

UNIT: RMB Million

Related party	12/31/2015	12/31/2014
Hang Seng Bank Limited & Hang Seng Bank (China) Limited	Note	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	8,500
Total	13,500	16,500

4. Key management personnel remuneration

UNIT: RMB Million

	2015	2014
Salary and welfare	17	40

XI. 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	
	12/31/2015	12/31/2014
Credit card commitments	92,357	60,712
Letters of credit	111,547	160,142
Letters of guarantee	132,130	118,160
Bank acceptances	498,589	450,914
Total	834,623	789,928

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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Authorized but not contracted for	-	2	-	2
Contracted but not paid for	2,402	2,716	2,381	2,715
Total	2,402	2,718	2,381	2,717

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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Within one year	2,312	1,740	2,247	1,633
One to five years	5,744	4,725	5,630	4,688
Over five years	536	1,662	536	1,662
Total	8,592	8,127	8,413	7,983

5. Collateral

5.1 Assets pledged

(i) The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

UNIT: RMB Million

	The Group		The Bank	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Bonds	43,657	81,188	43,657	81,188
Bills	8,036	19,864	8,036	19,864
Others	-	519	-	-
Total	51,693	101,571	51,693	101,052

As at 31 December, 2015, in the Group and the Bank's purchased bills under resale agreement, the amount for sold for repurchase is RMB3,656 million (31 December, 2014: RMB18,279 million)

(ii) On 31 December, 2015, the Group and the Bank pledged RMB853 to credit derivative transaction (31 December, 2014: nil).

5.2 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, 2015 is RMB97,839 million. (31 December, 2014:RMB366,673 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 2015 amounted to RMB32,659 million(2014:RMB15,049 million) on the transfer day. As of 31 December, 2015, the book value of the asset-backed securities held by the Group and the Bank is RMB5,863 million(31 December, 2014:RMB625million).

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, the Bank neither has authority to obtain most benefits of a special purpose trust, nor 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.

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 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 not 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 (or financial assets that share the same substance) are settled a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group 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 December, 2015 and 31 December, 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 VIII, 23).

Book value:

UNIT: RMB Million

	The Group					
	12/31/2015			12/31/2014		
	Equity	Bill	Others	Equity	Bill	Others
Assets book value	43,657	8,036	-	81,188	19,864	519
Liabilities book value	39,980	8,036	-	78,188	19,864	519

UNIT: RMB Million

	The Bank					
	12/31/2015			12/31/2014		
	Equity	Bill	Others	Equity	Bill	Others
Assets book value	43,657	8,036	-	81,188	19,864	-
Liabilities book value	39,980	8,036	-	78,188	19,864	-

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, 2015 and 31 December, 2014, 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	
	12/31/2015	12/31/2014
Certificate government bonds and saving government bonds	2,989	2,940

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

(2) The Group has no announced but unissued bonds underwriting amount on 31 December, 2015 and 31 December, 2014.

8. Fiduciary Business

UNIT: RMB Million

	The Group and the Bank	
	12/31/2015	12/31/2014
Fiduciary deposits and loans	640,795	580,572
Fiduciary wealth management	1,045,052	628,007
Fiduciary investment	49,717	12,944

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.

XII. OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

UNIT: RMB Million

	The Group				
	2015				
	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	44,435	(109)	-	-	128,685
Derivative financial assets	5,142	8,843	-	-	13,933
Available-for-sale financial assets	407,752	-	7,699	(1,095)	426,304
Total financial assets	457,329	8,734	7,699	(1,095)	568,922
Financial liabilities⁽¹⁾	(6,401)	(6,045)	-	-	(10,564)

UNIT: RMB Million

	The Bank				
	2015				
	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	43,064	(93)	-	-	126,324
Derivative financial assets	5,142	8,843	-	-	13,933
Available-for-sale financial assets	404,493	-	7,576	(1,097)	419,501
Total financial assets	452,699	8,750	7,576	(1,097)	559,758
Financial liabilities⁽¹⁾	(6,200)	(6,045)	-	-	(10,563)

(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				
	2015				
	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	8,446	-	-	-	12,572
Amount due from banks and other financial institutions	20,241	-	-	-	19,231
Placements with banks and other financial institutions	3,121	-	-	-	11,071
Financial assets at fair value through profit or loss	400	(14)	-	-	4,149
Derivative financial assets	2,173	5,067	-	-	7,240
Loans and advances to customers	99,211	-	-	(288)	71,438
Available-for-sale financial assets	2,849	-	(16)	-	20,696
Held-to-maturity investments	149	-	-	-	7,375
Finance lease receivable	-	-	-	-	1,547
Other financial assets	1,459	-	-	-	1,003
Total of financial assets	138,049	5,053	(16)	(288)	156,322
Financial liabilities⁽¹⁾	(252,452)	(370)	-	-	(192,002)

UNIT: RMB Million

	The Bank				
	2015				
	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	8,446	-	-	-	12,572
Amount due from banks and other financial institutions	20,241	-	-	-	19,231
Placements with banks and other financial institutions	3,121	-	-	-	11,474
Financial assets at fair value through profit or loss	400	(14)	-	-	4,149
Derivative financial assets	2,173	5,067	-	-	7,240
Loans and advances to customers	99,211	-	-	(288)	71,438
Available-for-sale financial assets	2,849	-	(16)	-	20,696
Held-to-maturity investments	149	-	-	-	7,375
Other financial assets	969	-	-	-	1,002
Total of financial assets	137,559	5,053	(16)	(288)	155,177
Financial liabilities⁽¹⁾	(201,151)	(370)	-	-	(192,002)

(1) Financial liabilities include amount due to Central Bank, amount due to banks and other financial institutions, placement from banks and other financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, due to customers and debt securities issued, etc.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

XIII. FINANCIAL RISK MANAGEMENT

1. Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

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

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy 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 (enterprises and personal credit loans), treasury operations (including creditors' investment) and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-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 in 2015. 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 properly handled the relations between risk management and business development, fully took advantages of internal credit rating results to formulate limitations on credit facility amount and strengthen the restriction function of the limitation and took them into practice to reconcile customer structure adjustment. Setting limitations on credit facility amount to ensure effective allocation of credit resources and prevent excessive concentration of credit loans.

The Group accurately identified risks conditions of credit asset, reasonably reflected the income after risk adjustment to guide capital allocation optimization in operation institutions and allocation of credit resources to strengthen risk

awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation Method and Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by CBRC, the Group has classified its credit asset risks into nine levels as level one (normal), level 2 (normal), level 3 (normal), level 4 (attention), level 5 (attention), level 6 (attention), sublevel, doubtful and loss. The Group has various management policies to each level.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same with those in loans and advances to customers.

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 VIII 8.

3.2 Maximum exposure to credit risk

Despite any usable guarantee or pledge, and other credit enhancement measures, the max credit risk exposure that the Group and the Bank can afford in balance sheet date is the related financial assets (including derivative instrument and deducted equity instrument) plus the amount of off-balance sheet book value in Note XI 2. Up to 31 December, 2015, the max credit risk exposure: the Group:RMB5,920,510 million (31 December, 2014:RMB5,146,359 million), the Bank:RMB5,803,461 million (31 December, 2014:RMB5,062,261 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				
	12/31/2015				
	Loans and advances to customers	Inter-bank placement ⁽¹⁾	Investment ⁽²⁾	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	21,579	89	4,794	845	27,307
Provision for impairment	(11,297)	(89)	(1,561)	(227)	(13,174)
Net value of assets	10,282	-	3,233	618	14,133
Collective assessment					
Total assets	4,404	-	-	-	4,404
Provision for impairment	(2,090)	-	-	-	(2,090)
Net value of assets	2,314	-	-	-	2,314
Past due but not impaired:					
Total assets	23,036	9,117	2,428	897	35,478
Including:					
Within 90 days	20,703	2,139	2,428	-	25,270
90 to 360 days	2,133	6,978	-	897	10,008
360 days to 3 years	200	-	-	-	200
Provision for impairment	(3,674)	-	-	(108)	(3,782)
Net value of assets	19,362	9,117	2,428	789	31,696
Neither past due nor impaired:					
Total assets	1,730,389	315,490	2,474,985	74,414	4,595,278
Provision for impairment	(37,525)	-	(11,166)	(1,675)	(50,366)
Net value of assets	1,692,864	315,490	2,463,819	72,739	4,544,912
Total of net value of assets	1,724,822	324,607	2,469,480	74,146	4,593,055

	The Group				Total
	12/31/2014				
	Loans and advances to customers	Inter-bank placement ⁽¹⁾	Investment ⁽²⁾	Finance lease receivables	
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 Bank			
	12/31/2015			
	Loans and advances to customers	Inter-bank placement ⁽¹⁾	Investment ⁽²⁾	Total
Impaired:				
Individual assessment				
Total assets	21,579	89	4,794	26,462
Provision for impairment	(11,297)	(89)	(1,561)	(12,947)
Net value of assets	10,282	-	3,233	13,515
Collective assessment				
Total assets	4,379	-	-	4,379
Provision for impairment	(2,082)	-	-	(2,082)
Net value of assets	2,297	-	-	2,297
Past due but not impaired:				
Total assets	23,012	9,117	2,428	34,557
Including:				
Within 90 days	20,678	2,139	2,428	25,245
90 to 360 days	2,134	3,979	-	6,113
360 days to 3 years	200	2,999	-	3,199
Provision for impairment	(3,672)	-	-	(3,672)
Net value of assets	19,340	9,117	2,428	30,885
Neither past due nor impaired:				
Total assets	1,728,202	317,391	2,466,146	4,511,739
Provision for impairment	(37,454)	-	(11,166)	(48,620)
Net value of assets	1,690,748	317,391	2,454,980	4,463,119
Total of net value of assets	1,722,667	326,508	2,460,641	4,509,816

	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

(1) Inter-bank placement includes amount 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

1) As at 31 December, 2015, the fair value of collateral that related to loans past due but not impaired amounted to RMB26,394 million (31 December, 2014:RMB22,631 million). The collateral includes land, properties, equipment and shares assets etc.

2) As at 31 December, 2015, the fair value of collateral that related to loans individually assessed to be impaired amounted to RMB14, 923 million (31 December, 2014:RMB8,811 million). The collateral includes land, properties, equipment and shares assets.

3.5.2 The book value of foreclosed assets the Group obtained during 2015 amounted to RMB475 million (2014:RMB63 million).

3.6 Rescheduled loans

Reschedule including the extension of payment time, approval of external management plans and modification and extension of payment. After rescheduling, the customers who were overdue are now back to normal and managed with other similar customers. Rescheduled policies are made under the criteria of local management's judgement that the payment is highly possible to continue. These policies' appliance should be checked constantly. As at 31 December, 2015, the carrying amount of rescheduled loans and advances to customers amounted to RMB17,808 million (31 December, 2014:RMB7,660 million). The carrying amount of rescheduled loans and advances to customers past due over 90 days amounted to RMB1,729 million (31 December, 2014:RMB118 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 repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate day) and the repricing date (floating interest rate) of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of 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 reprising date or maturity date, whichever is earlier, of the financial assets and liabilities are as follows:

UNIT: RMB Million

	The Group					
	12/31/2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	401,804	-	-	-	16,107	417,911
Amount due from banks and other financial institutions	29,243	11,546	1,558	-	-	42,347
Placements with banks and other financial institutions	29,670	26,166	500	-	-	56,336
Financial assets at fair value through profit or loss	4,887	14,523	8,089	1,850	99,336	128,685
Derivative financial assets	-	-	-	-	13,933	13,933
Financial assets held under resale agreements	169,762	40,145	16,017	-	-	225,924
Loans and advances to customers	892,259	747,322	78,319	6,922	-	1,724,822
Available-for-sale financial assets	55,907	93,212	185,423	63,881	28,211	426,634
Debt securities classified as receivables	496,706	605,846	576,445	155,909	-	1,834,906
Finance lease receivables	71,842	1,923	381	-	-	74,146
Held-to-maturity investments	1,803	11,650	70,046	123,303	-	206,802
Other assets	28,470	18	-	-	38,122	66,610
Total financial assets	2,182,353	1,552,351	936,778	351,865	195,709	5,219,056
Financial liabilities:						
Amount due to Central Bank	31,800	35,900	-	-	-	67,700
Amount due to banks and other financial institutions	1,286,059	471,438	7,766	450	-	1,765,713
Placements from banks and other financial institutions	51,817	50,370	1,485	-	-	103,672
Financial liabilities at fair value through profit or loss	-	-	-	-	1	1
Derivative financial liabilities	-	-	-	-	10,563	10,563
Financial assets sold under repurchase agreements	47,718	298	-	-	-	48,016
Amount due to customers	1,725,931	552,915	200,743	2,174	2,160	2,483,923
Debt securities issued	135,468	200,325	38,120	40,921	-	414,834
Other liabilities	-	30	10	-	62,004	62,044
Total financial liabilities	3,278,793	1,311,276	248,124	43,545	74,728	4,956,466
Net position	(1,096,440)	241,075	688,654	308,320	120,981	262,590

	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
Amount 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:						
Amount due to Central Bank	30,000	-	-	-	-	30,000
Amount 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
Amount 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 Bank					
	12/31/2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	401,747	-	-	-	16,107	417,854
Amount due from banks and other financial institutions	26,928	11,546	1,558	-	-	40,032
Placements with banks and other financial institutions	31,673	28,379	500	-	-	60,552
Financial assets at fair value through profit or loss	4,387	14,243	7,832	1,850	98,012	126,324
Derivative financial assets	-	-	-	-	13,933	13,933
Financial assets held under resale agreements	169,762	40,145	16,017	-	-	225,924
Loans and advances to customers	892,105	746,619	77,021	6,922	-	1,722,667
Available-for-sale financial assets	55,895	93,019	183,987	63,555	23,126	419,582
Debt securities classified as receivables	495,015	605,183	575,114	153,859	-	1,829,171
Held-to-maturity investments	1,703	11,650	70,046	123,303	-	206,702
Other assets	-	-	-	-	32,857	32,857
Total financial assets	2,079,215	1,550,784	932,075	349,489	184,035	5,095,598
Financial liabilities:						
Amount due to Central Bank	31,800	35,900	-	-	-	67,700
Amount due to banks and other financial institutions	1,290,747	469,628	7,766	450	-	1,768,591
Placements from banks other financial institutions	15,927	4,341	-	-	-	20,268
Financial liabilities at fair value profit or loss	-	-	-	-	10,563	10,563
Financial assets sold under repurchase agreements	47,718	298	-	-	-	48,016
Due to customers	1,725,931	552,915	200,743	2,174	2,160	2,483,923
Debt securities issued	135,468	200,325	33,139	40,921	-	409,853
Other liabilities	-	-	-	-	48,980	48,980
Total financial liabilities	3,247,591	1,263,407	241,648	43,545	61,703	4,857,894
Net position	(1,168,376)	287,377	690,427	305,944	122,332	237,704

	The 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
Amount 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:						
Amount due to Central Bank	30,000	-	-	-	-	30,000
Amount 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
Amount 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

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			
	12/31/2015		12/31/2014	
	Net interest income increase(decrease)	Other comprehensive income increase(decrease)	Net interest income increase(decrease)	Other comprehensive income increase(decrease)
+100 basis points	(1,880)	(4,070)	4,645	(5,571)
- 100 basis points	1,880	4,321	(4,645)	5,903

UNIT: RMB Million

	The Bank			
	12/31/2015		12/31/2014	
	Net interest income increase(decrease)	Other comprehensive income increase(decrease)	Net interest income increase(decrease)	Other comprehensive income increase(decrease)
+100 basis points	(2,337)	(4,047)	4,384	(5,532)
- 100 basis points	2,337	4,297	(4,384)	5,861

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			
	12/31/2015			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	405,339	11,255	1,317	417,911
Amount due from banks and other financial institutions	23,116	16,796	2,435	42,347
Placements with banks and other financial institutions	45,265	11,071	-	56,336
Financial assets at fair value through profit or loss	124,536	4,105	44	128,685
Derivative financial assets	6,693	6,654	586	13,933
Financial assets held under resale agreements	225,924	-	-	225,924
Loans and advances to customers	1,653,384	43,615	27,823	1,724,822
Available-for-sale financial assets	405,938	19,586	1,110	426,634
Debt securities classified as receivables	1,834,906	-	-	1,834,906
Finance lease receivables	72,599	1,547	-	74,146
Held-to-maturity investments	199,427	6,622	753	206,802
Other assets	65,607	755	248	66,610
Total financial assets	5,062,734	122,006	34,316	5,219,056

UNIT: RMB Million

	The Group			
	12/31/2015			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial liabilities:				
Amount due to Central Bank	67,700	-	-	67,700
Amount due to banks and other financial institutions	1,759,129	6,515	69	1,765,713
Placements from banks and other financial institutions	87,999	11,849	3,824	103,672
Financial liabilities at fair value through profit or loss	1	-	-	1
Derivative financial liabilities	8,998	732	833	10,563
Financial assets sold under repurchase agreements	47,998	18	-	48,016
Amount due to customers	2,322,026	119,611	42,286	2,483,923
Debt securities issued	411,825	1,811	1,198	414,834
Other liabilities	58,788	2,883	373	62,044
Total financial liabilities	4,764,464	143,419	48,583	4,956,466
Net position	298,270	(21,413)	(14,267)	262,590

UNIT: RMB Million

	The 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
Amount 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

UNIT: RMB Million

	The Group			
	12/31/2014			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial liabilities:				
Amount due to Central Bank	30,000	-	-	30,000
Amount 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
Amount 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 Bank			
	12/31/2015			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	405,282	11,255	1,317	417,854
Amount due from banks and other financial institutions	20,801	16,796	2,435	40,032
Placements with banks and other financial institutions	49,078	11,474	-	60,552
Financial assets at fair value through profit or loss	122,175	4,105	44	126,324
Derivative financial assets	6,693	6,654	586	13,933
Financial assets held under resale agreements	225,924	-	-	225,924
Loans and advances to customers	1,651,229	43,615	27,823	1,722,667
Available-for-sale financial assets	398,886	19,586	1,110	419,582
Debt securities classified as receivables	1,829,171	-	-	1,829,171
Held-to-maturity investments	199,327	6,622	753	206,702
Other assets	31,855	755	247	32,857
Total financial assets	4,940,421	120,862	34,315	5,095,598

UNIT: RMB Million

	The Bank			
	12/31/2015			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial liabilities:				
Amount due to Central Bank	67,700	-	-	67,700
Amount due to banks and other financial institutions	1,762,007	6,515	69	1,768,591
Placements from banks and other financial institutions	4,595	11,849	3,824	20,268
Financial liabilities at fair value through profit or loss	8,998	732	833	10,563
Financial assets sold under repurchase agreements	47,998	18	-	48,016
Amount due to customers	2,322,026	119,611	42,286	2,483,923
Debt securities issued	406,844	1,811	1,198	409,853
Other liabilities	45,724	2,883	373	48,980
Total financial liabilities	4,665,892	143,419	48,583	4,857,894
Net position	274,529	(22,557)	(14,268)	237,704

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
Amount 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

UNIT: RMB Million

	The Bank			
	12/31/2014			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial liabilities:				
Amount due to Central Bank	30,000	-	-	30,000
Amount 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
Amount 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

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	
	2015	2015
	Foreign exchange increase/(decrease)	Foreign exchange increase/(decrease)
5% appreciation	(287)	415
5% depreciation	287	(415)

UNIT: RMB Million

	The Bank	
	2015	2014
	Foreign exchange increase/(decrease)	Foreign exchange increase/(decrease)
5% appreciation	(230)	375
5% depreciation	230	(375)

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

	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
				12/31/2014				
Non-derivative financial assets:								
Cash and balances with Central Bank	103,172	-	-	-	-	-	388,195	491,367
Amount 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:								
Amount due to Central Bank	-	-	30,210	-	-	-	-	30,210
Amount 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
Amount 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

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.

	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
Non-derivative financial assets:							Total
Cash and balances with Central Bank	103,172	-	-	-	-	-	388,073
Amount due from banks and other financial institutions	24,503	23,790	9,059	33,290	8,625	-	21
Placements with banks and other financial institutions	-	23,334	2,354	26,887	1,167	-	68
Financial assets at fair value through profit or loss	4,339	1,442	4,351	17,055	17,325	2,348	-
Financial assets held under resale agreements	-	231,668	165,960	218,887	125,393	-	-
Loans and advances to customers	-	139,978	148,481	733,519	498,621	323,087	23,618
Available-for-sale financial assets	18	11,264	37,645	113,022	213,252	93,536	81
Debt securities classified as receivables	-	68,943	89,305	239,887	353,357	55,651	1,549
Held-to-maturity investments	-	261	1,378	8,660	96,214	178,269	122
Other non-derivative financial assets	859	508	586	793	320	61	481
Total non-derivative financial assets	132,891	501,188	459,119	1,392,000	1,314,274	652,952	414,013
Non-derivative financial liabilities:							
Amount due to Central Bank	-	-	30,210	-	-	-	-
Due to banks and other financial institutions	423,292	340,603	307,475	180,032	23,052	-	-
Placements with banks and other financial institutions	-	16,262	4,615	4,082	-	-	-
Financial liabilities at fair value through profit or loss	-	1,702	-	-	-	-	-
Financial assets sold under repurchase agreements	-	78,643	16,283	3,530	-	-	-
Amount due to customers	1,040,079	193,511	245,912	568,464	267,652	1,276	-
Debt securities issued	-	18,317	21,991	66,230	81,201	14,294	-
Other non-derivative financial liabilities	114,025	25,069	137	381	270	8	-
Total non-derivative financial liabilities	1,577,396	674,107	626,623	822,719	372,175	15,578	-
Net position	(1,444,505)	(172,919)	(167,504)	569,281	942,099	637,374	414,013
							777,839

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 etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	12/31/2015					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	2	18	16	(38)	-	(2)
Other derivatives	-	-	15	9	-	24
Total	2	18	31	(29)	-	22

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

(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					
	12/31/2015					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
-Cash inflow	343,170	211,488	360,267	3,667	-	918,592
-Cash outflow	(343,049)	(211,349)	(359,445)	(3,674)	-	(917,517)
Other derivatives						
-Cash inflow	2,221	7,282	37,168	2,699	-	49,370
-Cash outflow	(1,451)	(845)	(4,051)	-	-	(6,347)
Total	891	6,576	33,939	2,692	-	44,098

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)

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							
	12/31/2015				12/31/2014			
	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	92,357	-	-	92,357	60,712	-	-	60,712
Letter of credit	111,072	475	-	111,547	160,024	118	-	160,142
Letter of guarantee	39,805	38,927	53,398	132,130	39,164	28,931	50,065	118,160
Bank acceptances	498,589	-	-	498,589	450,914	-	-	450,914
Total	741,823	39,402	53,398	834,623	710,814	29,049	50,065	789,928

6. Capital Management

During the year, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking Regulatory Commission Administrative Measures for the Capital of Commercial Banks (for Trial Implementation). As per "2011-2015 Development Strategy Plan" and "2014-2016 Capital Adequacy Standards Planning of Transition Period", 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.

The Group verified the necessity and the feasibility of capital supplement based on balancing the asset growth, capital demand and capital supplement channel in 2015, issued RMB13 billion preferred shares for the supplementing of tier one capital. After that, the capital structure of the Group was improved, capital adequacy ratio was increased, the anti-risk ability and the ability of serving the real economy were further enhanced.

The Group implemented capital intensive operation and management to continuously improve and optimize risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation and strengthen capital internalization capability.

The Group implemented new capital agreement to real-time monitor the sufficiency and utilization of corporate capital of the Group as required by Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other regulations. As of 31 December, 2015, the Group's net level-one core capital is RMB2,89.036 billion, net level-one capital is RMB3,14.945 billion and net capital is RMB3,83.504 billion.

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 (including interest swaps, forward foreign exchange etc.) which cannot obtain prices in the active market. The main parameters used in the discounted cash flow model include the recent trading price, the relevant yield curve, exchange rates, prepayment rates and counterparty credit spreads, the main parameters of Black-Scholes option pricing model used include relevant yield curve, exchange rates, fluctuations level, and counterparty credit spreads, etc.

To loans and advances, 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 change accordingly. The Group has established related internal control process in order to supervise the exposure of the financial instrument.

7.2 Financial assets and financial liabilities continued at fair value

Financial assets and financial liabilities continued at fair value, their three levels of fair value measurement are analysed as follows:

UNIT: RMB Million

	The Group							
	12/31/2015				12/31/2014			
	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	99,182	29,503	-	128,685	4,512	39,923	-	44,435
Derivative financial assets	-	13,933	-	13,933	-	5,142	-	5,142
Available-for-sale financial assets	26,308	198,307	201,689	426,304	586	260,987	146,179	407,752
Total	125,490	241,743	201,689	568,922	5,098	306,052	146,179	457,329
Financial liabilities:								
Financial liabilities at fair value through profit or loss	-	1	-	1	-	1,903	-	1,903
Derivative financial liabilities	-	10,563	-	10,563	-	4,498	-	4,498
Total	-	10,564	-	10,564	-	6,401	-	6,401

UNIT: RMB Million

	The Bank							
	12/31/2015				12/31/2014			
	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	98,012	28,312	-	126,324	4,339	38,725	-	43,064
Derivative financial assets	-	13,933	-	13,933	-	5,142	-	5,142
Available-for-sale financial assets	23,045	194,883	201,573	419,501	18	258,516	145,959	404,493
Total	121,057	237,128	201,573	559,758	4,357	302,383	145,959	452,699
Financial liabilities:								
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,702	-	1,702
Derivative financial liabilities	-	10,563	-	10,563	-	4,498	-	4,498
Total	-	10,563	-	10,563	-	6,200	-	6,200

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 2015 and in 2014.

Information of Level 2:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2015	Fair value in 31/12/2014	Tech	Number
Financial assets:				
Debt instrument investment	225,753	300,559	Discount cash flow method	Yield rate of bonds
Equity instrument investment	2,057	351	Discount cash flow method	weighted average cost
Derivative financial instrument	13,933	5,142	Discount cash flow method Option Pricing Model	Credit of counter-party Credit premium, volatility
Total	241,743	306,052		
Financial liabilities:				
Debt instrument investment	1	1,903	Discount cash flow method	Yield rate of bonds
Derivative financial instrument	10,563	4,498	Discount cash flow method Option Pricing Model	Credit of counter-party Credit premium, volatility
Total	10,564	6,401		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2015	Fair value in 31/12/2014	Tech	Number
Financial assets:				
Debt instrument investment	223,195	297,241	Discount cash flow method	Yield rate of bonds
Derivative financial instrument	13,933	5,142	Discount cash flow method Option Pricing Model	Credit of counter-party Credit premium, volatility
Total	237,128	302,383		
Financial liabilities:				
Debt instrument investment	-	1,702	Discount cash flow method	Yield rate of bonds
Derivative financial instrument	10,563	4,498	Discount cash flow method Option Pricing Model	Credit of counter-party Credit premium, volatility
Total	10,563	6,200		

Information of Level 3:

UNIT: RMB Million

	The Group		Tech
	Fair value in 31/12/2015	Fair value in 31/12/2014	
Debt instrument investment	201,689	146,179	Discount cash flow method

UNIT: RMB Million

	The Bank		Tech
	Fair value in 31/12/2015	Fair value in 31/12/2014	
Debt instrument investment	201,573	145,959	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 5.83%, and the significant unobservable inputs are inversely proportional to the fair value.

Adjustment of financial assets and liabilities in level 3 at fair value:

UNIT: RMB Million

Available-for-sale financial assets	The Group	
	12/31/2015	12/31/2014
Opening	146,179	78,809
Total profit and loss	12,280	4,584
Interest income	12,280	4,584
Bought/Sold	181,935	90,578
Settle	(126,425)	(23,208)
Closing	201,689	146,179
Unimplemented profit or loss	-	-

UNIT: RMB Million

Available-for-sale financial assets	The Bank	
	12/31/2015	12/31/2014
Opening	145,959	78,524
Total profit and loss	12,203	4,507
Interest income	12,203	4,507
Bought/Sold	181,840	90,444
Settle	(126,226)	(23,009)
Closing	201,573	145,959
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 approximates the fair value of financial assets and financial liabilities, such as deposits with Central Bank, amount due from banks and other financial institutions, loans to other banks, financial assets purchased under resale agreements, amount due to the Central Bank, borrowing money, sell back purchase money not included in the table below.

UNIT: RMB Million

	The Group			
	12/31/2015		12/31/2014	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Loans and advances to customers	1,724,822	1,727,210	1,549,252	1,549,578
Held-to-maturity investments	206,802	216,130	197,790	201,935
Debt securities classified as receivables	1,834,906	1,836,671	708,446	708,443
Total	3,766,530	3,780,011	2,455,488	2,459,956
Financial liabilities:				
Amount due to customers	2,483,923	2,492,458	2,267,780	2,273,859
Debt securities issued	414,834	417,158	185,787	185,409
Total	2,898,757	2,909,616	2,453,567	2,459,268

UNIT: RMB Million

	The Bank			
	12/31/2015		12/31/2014	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Loans and advances to customers	1,722,667	1,725,037	1,549,353	1,549,679
Held-to-maturity investments	206,702	216,030	197,790	201,935
Debt securities classified as receivables	1,829,171	1,830,937	701,156	701,154
Total	3,758,540	3,772,004	2,448,299	2,452,768
Financial liabilities:				
Amount due to customers	2,483,923	2,492,458	2,267,780	2,273,859
Debt securities issued	409,853	412,121	185,787	185,409
Total	2,893,776	2,904,579	2,453,567	2,459,268

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

UNIT: RMB Million

	The Group			
	12/31/2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	1,727,210	1,727,210
Held-to-maturity investments	-	216,130	-	216,130
Debt securities classified as receivables	-	234,955	1,601,716	1,836,671
Total	-	451,085	3,328,926	3,780,011
Financial liabilities:				
Amount due to customers	-	2,492,458	-	2,492,458
Debt securities issued	-	417,158	-	417,158
Total	-	2,909,616	-	2,909,616

UNIT: RMB Million

	The 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:				
Amount due to customers	-	2,273,859	-	2,273,859
Debt securities issued	-	185,409	-	185,409
Total	-	2,459,268	-	2,459,268

UNIT: RMB Million

	The Bank			
	12/31/2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	1,725,037	1,725,037
Held-to-maturity investments	-	216,030	-	216,030
Debt securities classified as receivables	-	234,445	1,596,492	1,830,937
Total	-	450,475	3,321,529	3,772,004
Financial liabilities:				
Amount due to customers	-	2,492,458	-	2,492,458
Debt securities issued	-	412,121	-	412,121
Total	-	2,904,579	-	2,904,579

UNIT: RMB Million

	The Bank			
	12/31/2014			
	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:				
Amount due to customers	-	2,273,859	-	2,273,859
Debt securities issued	-	185,409	-	185,409
Total	-	2,459,268	-	2,459,268

Quantitative information of level 2, 3 at fair value:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2015	Fair value in 31/12/2014	Tech	Number
Loans and advances to customers	1,727,210	1,549,578	Discount cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	216,130	201,935	Discount cash flow method	Yield rate of bonds
Debt securities classified as receivables	1,836,671	708,443	Discount cash flow method	Default rate, loss given default, discount rate
Amount due to customers	2,492,458	2,273,859	Discount cash flow method	Market deposit rate
Debt securities issued	417,158	185,409	Discount cash flow method	Yield rate of bonds
Total	6,689,627	4,919,224		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2015	Fair value in 31/12/2014	Tech	Number
Loans and advances to customers	1,725,037	1,549,679	Discount cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	216,030	201,935	Discount cash flow method	Yield rate of bonds
Debt securities classified as receivables	1,830,937	701,154	Discount cash flow method	Default rate, loss given default, discount rate
Amount due to customers	2,492,458	2,273,859	Discount cash flow method	Market deposit rate
Debt securities issued	412,121	185,409	Discount cash flow method	Yield rate of bonds
Total	6,676,583	4,912,036		

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XIV. NON-ADJUSTING EVENTS AFTER BALANCE SHEET

1. On 31 December, 2012, The Bank issued 1,915,146,700 ordinary shares (A shares) to following specific objects: The People's Insurance Company (Group) of China Limited, People's Insurance Company of China, China Life Insurance Company, China National Tobacco Corporation, Shanghai Zhengyang International Economic and Trade Co., Ltd., the issue approved by the China Securities Regulatory Commission's Reply of Approval for Non-public offering of shares of Industrial Bank Co., Ltd. (Commission license [2012] No.1750). These shares completed registration and custody procedures on 7 January, 2013 in Shanghai Branch of China Securities Depository and Clearing Corporation Limited, it shall not be transferred within 36 months from the end of the issue (if relevant regulatory authorities have other requirements for the lock-up period, it shall prevail). The Bank actualized 2012 Annual profit distribution plan in July 2013, through getting 5 shares and a cash dividend of RMB5.70 (including tax) for every 10 shares. After the profit distribution, restricted shares corresponding increase to 2,872,720,050 shares, the number of restricted shares listed in circulation is the same. After 7 January, 2016, the restricted shares listed, the Bank's restricted shares will be 0, and the unlimited tradable shares will be 19,052,336,751.

2. In 23 March, 2016, upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax (hereinafter referred to as the "VAT in lieu of BT") shall be promoted nationwide in a comprehensive manner as of 1 May, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax (VAT) instead of business tax (BT). From 1 May, 2016, the Group should pay the value-added tax (VAT) instead of business tax (BT).

3. Approved by CBRC and People's Bank of China, the Bank issued RMB30,000 million secondary capital bonds in the National Interbank Bond Market in April, 2016. The bonds mature in 10 years with fixed interest rate and can be redeemed at the end of the fifth year by the issuers (coupon rate: 3.74%). The raising fund will replenish the secondary capital of the bank by the applicable law and the approval of the supervision department.

XV. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 27 April, 2016.

..... END OF FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

YEAR 2015

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	
	2015	2014
Gains and losses on the disposal of non-current assets	9	83
Government grants recognised in profit or loss	334	379
Recovery of assets written-off in previous years	531	242
Net non-operating income and expense in addition to the above	91	(54)
Subtotal	965	650
Impact on income tax expenses	(252)	(172)
Total	713	478
Net earnings attributable to the parent company shareholders	714	478
Net earnings attributable to the parent company shareholders, after deduction of non-recurring gains and losses	(1)	-
Net profit	49,442	46,660

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.

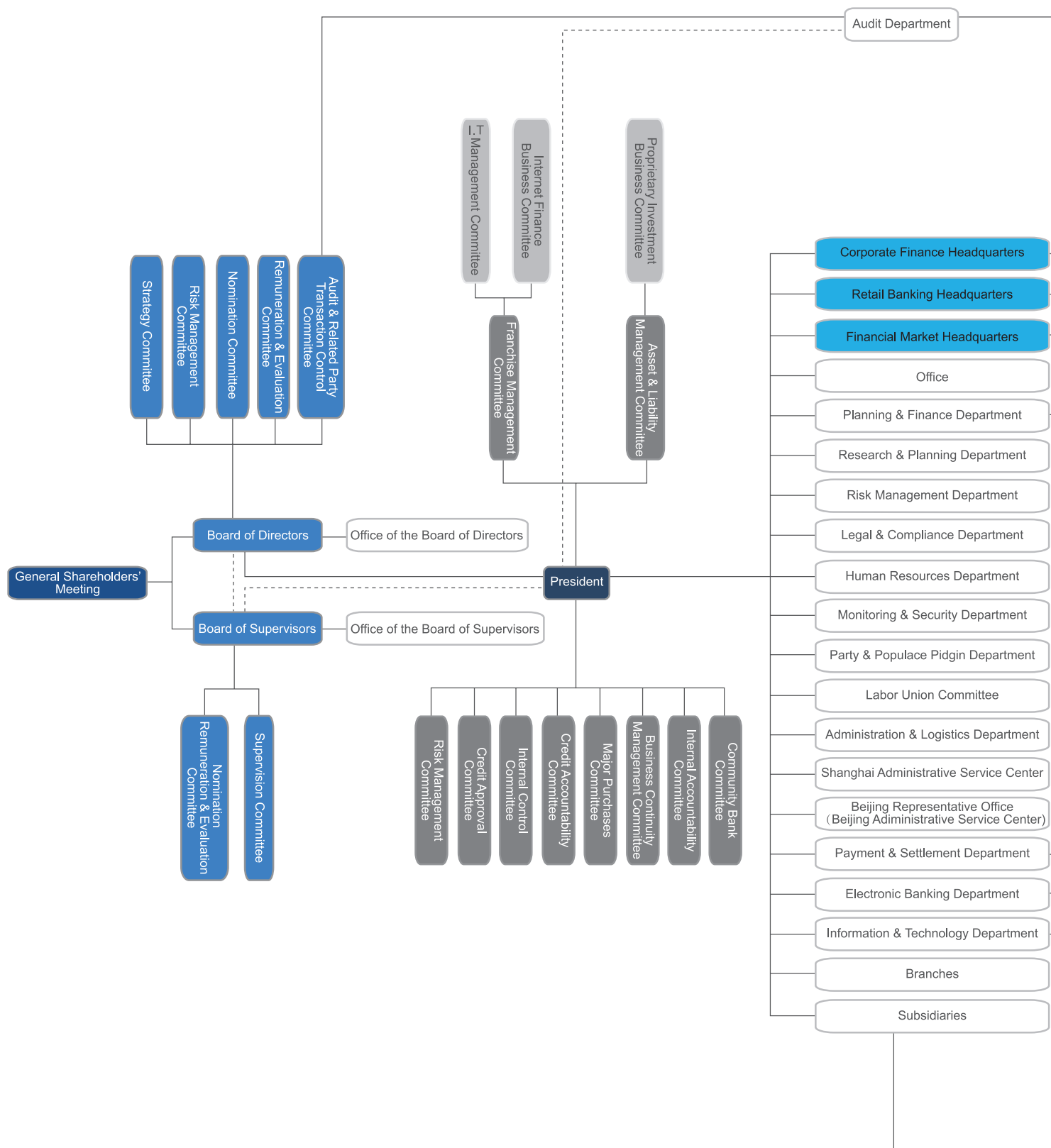
UNIT: RMB Million

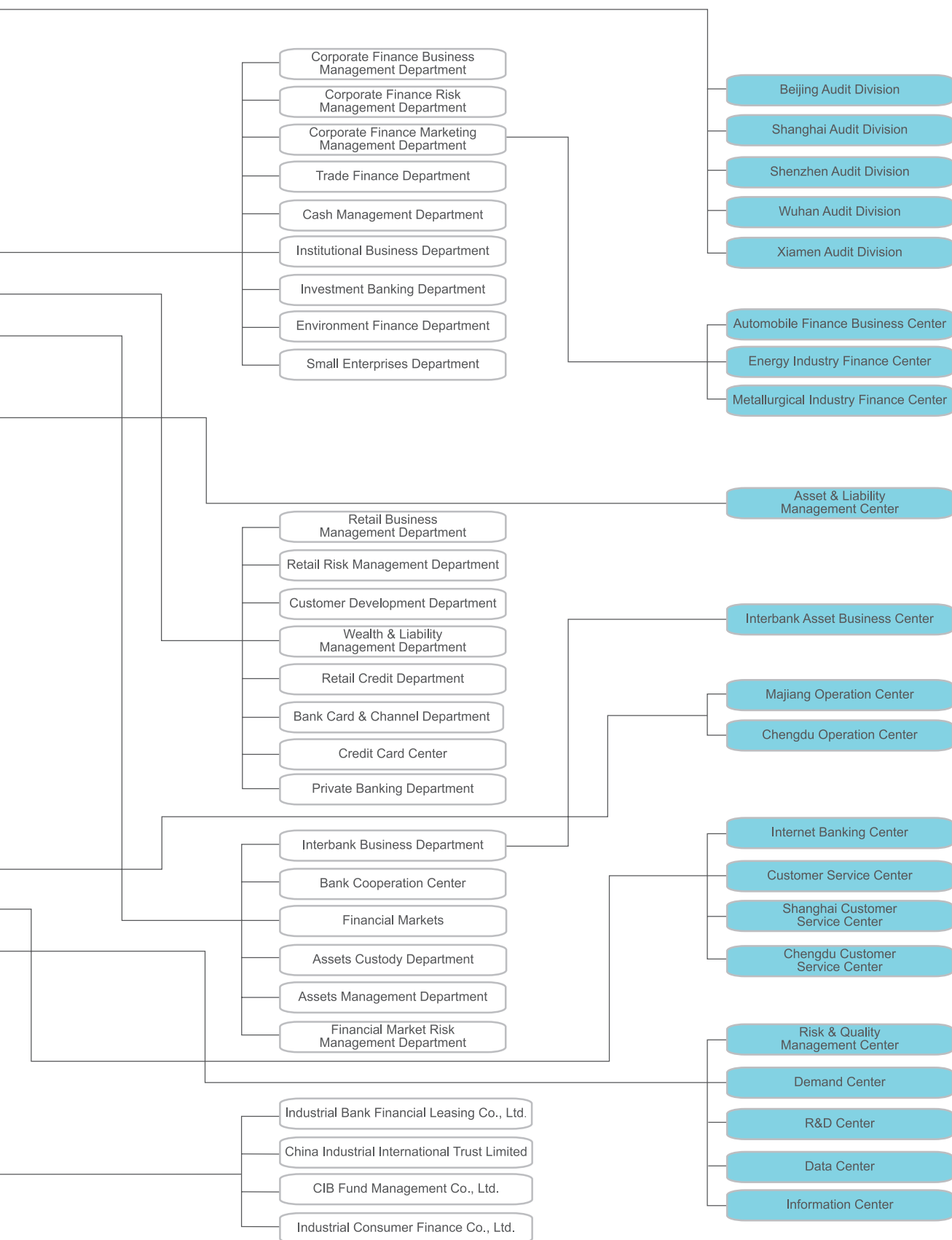
	The Group	
	2015	
	Weighted average net ROE ROE (%)	Basic EPS, basic (RMB Yuan per share)
Net profit attributable to shareholders of the Bank	18.89	2.63
Net profit attributable to shareholders of the Bank, after deduction of non-recurring profit or loss	18.63	2.60
	2014	
	Weighted average ROE (%)	Basic 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

The RMB26,000 million preferred stocks of the Bank approved in November 2014 were successfully issued in June 2015. When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preferred stock dividends announced of insurance. In addition, it had no influence on basic earnings per share and diluted earnings per share in 2015 and 2014.



THE COMPANY'S ORGANIZATIONAL STRUCTURE





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Add: No. 154 Hudong Road, Fuzhou, Fujian, P.R.C

Tel: (86)591-87839338

Fax: (86)591-87842633

P. C : 350003

www.cib.com.cn