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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

2015 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2015. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

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

1.2 Contact

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2. Financial Highlights

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

2.1 Financial Data

	2015	2014	2013	2012	2011
Annual operating results					
(in RMB millions)					
Net interest income	507,867	493,522	443,335	417,828	362,764
Net fee and commission income	143,391	132,497	122,326	106,064	101,550
Operating income	668,733	634,858	578,901	529,720	470,601
Operating expenses	220,835	218,674	204,140	189,940	169,613
Impairment losses	86,993	56,729	38,321	33,745	31,121
Operating profit	360,905	359,455	336,440	306,035	269,867
Profit before taxation	363,235	361,612	338,537	308,687	272,311
Net profit	277,720	276,286	262,965	238,691	208,445
Net profit attributable to equity holders of the parent company	277,131	275,811	262,649	238,532	208,265
Net cash flows from operating activities	<u>1,131,764</u>	<u>201,457</u>	<u>(1,947)</u>	<u>533,508</u>	<u>348,123</u>
As at the end of reporting period (in RMB millions)					
Total assets	22,209,780	20,609,953	18,917,752	17,542,217	15,476,868
Total loans and advances to customers	11,933,466	11,026,331	9,922,374	8,803,692	7,788,897
Allowance for impairment losses on loans	280,654	257,581	240,959	220,403	194,878
Investment	5,009,963	4,433,237	4,322,244	4,083,887	3,915,902
Total liabilities	20,409,261	19,072,649	17,639,289	16,413,758	14,519,045
Due to customers	16,281,939	15,556,601	14,620,825	13,642,910	12,261,219
Due to banks and other financial institutions	2,265,860	1,539,239	1,269,255	1,486,805	1,341,290
Equity attributable to equity holders of the parent company	1,789,474	1,530,859	1,274,134	1,124,997	956,742
Share capital	356,407	353,495	351,390	349,620	349,084
Net core tier 1 capital ⁽¹⁾	1,701,495	1,486,733	1,266,841	—	—
Net tier 1 capital ⁽¹⁾	1,781,062	1,521,233	1,266,859	—	—
Net capital base ⁽¹⁾	2,012,103	1,812,137	1,572,265	1,299,014	1,112,463
Risk-weighted assets ⁽¹⁾	<u>13,216,687</u>	<u>12,475,939</u>	<u>11,982,187</u>	<u>9,511,205</u>	<u>8,447,263</u>

	2015	2014	2013	2012	2011
Per share data					
(in RMB yuan)					
Net asset value per share ⁽²⁾	4.80	4.23	3.63	3.22	2.74
Basic earnings per share	0.77	0.78	0.75	0.68	0.60
Diluted earnings per share	0.77	0.78	0.74	0.67	0.59
Credit rating					
S&P ⁽³⁾	A	A	A	A	A
Moody's ⁽³⁾	A1	A1	A1	A1	A1

Notes: (1) Data for period since 2013 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC in June 2012 (“Capital Regulation”) and those for 2011–2012 were calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

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

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

2.2 Financial Indicators

	2015	2014	2013	2012	2011
Profitability (%)					
Return on average total assets ⁽¹⁾	1.30	1.40	1.44	1.45	1.44
Return on weighted average equity ⁽²⁾	17.10	19.96	21.92	23.02	23.44
Net interest spread ⁽³⁾	2.30	2.46	2.40	2.49	2.49
Net interest margin ⁽⁴⁾	2.47	2.66	2.57	2.66	2.61
Return on risk-weighted assets ⁽⁵⁾	2.16	2.26	2.45	2.66	2.68
Ratio of net fee and commission income to operating income	21.44	20.87	21.13	20.02	21.58
Cost-to-income ratio ⁽⁶⁾	26.69	27.93	28.80	29.24	29.91
Asset quality (%)					
Non-performing loans (“NPL”) ratio ⁽⁷⁾	1.50	1.13	0.94	0.85	0.94
Allowance to NPL ⁽⁸⁾	156.34	206.90	257.19	295.55	266.92
Allowance to total loans ratio ⁽⁹⁾	2.35	2.34	2.43	2.50	2.50
Capital adequacy (%)					
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	12.87	11.92	10.57	—	—
Tier 1 capital adequacy ratio ⁽¹⁰⁾	13.48	12.19	10.57	—	—
Capital adequacy ratio ⁽¹⁰⁾	15.22	14.53	13.12	13.66	13.17
Total equity to total assets ratio	8.11	7.46	6.76	6.43	6.19
Risk-weighted assets to total assets ratio	59.51	60.53	63.34	54.22	54.58

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Data for period since 2013 were calculated in accordance with the Capital Regulation and those for 2011–2012 were calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

2.3 Quarterly Financial Data

	2015			
	Q1	Q2	Q3	Q4
(In RMB millions)				
Operating income	165,808	170,929	167,096	164,900
Net profit attributable to equity holders of the parent company	74,324	74,697	72,740	55,370
Net cash flows from operating activities	518,295	565,554	(331,219)	379,134

	2014			
	Q1	Q2	Q3	Q4
(In RMB millions)				
Operating income	156,863	159,990	152,688	165,317
Net profit attributable to equity holders of the parent company	73,302	74,798	72,364	55,347
Net cash flows from operating activities	247,991	170,100	(341,402)	124,768

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

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2015 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

In 2015, faced with a complicated external environment while adhering to the targets and tasks set by the Board of Directors, the Management focused on the market, made structural adjustments, promoted reforms, and controlled risks. Which resulted in stable growth in operating efficiency, overall controllable risk, and further structural adjustments and the Bank has maintained sound operating performance overall. Our net profit for the year reached RMB277,720 million, up by 0.5% from the previous year. In spite of the growth slowdown from a static view, given the macro background of a new normal in economical and financial development, the Bank's operating results were in line with expectations and were hard-earned in a dynamic and dialectical perspective.

The operating results were achieved on top of a high base in light of mounting growth-related difficulties. The larger the total profit, the harder the growth will be. One percentage point growth in the Bank's current net profit is equivalent to 1.7 percentage points five years ago or 7.3 percentage points a decade ago. Net profit of 2015 exceeded the aggregate of the 8 years after 2000. In addition, from the perspective of other indicators, pre-provision profit grew by 7.6% compared with last year; cost-to-income ratio declined by 1.24 percentage points to 26.69%; and capital adequacy ratio rose by 0.69 percentage points to 15.22%, which was higher than the regulatory requirement. This progress demonstrated our robust profitability and sound growth potential while also creating favorable conditions for structural adjustment and transition.

The operating results were attained in the context of virtuous interaction with the real economy. The Bank persisted in improving our own operating performance through promoting the enhancement of quality and efficiency of the real economy, the Bank focused on utilizing increments and revitalizing existing credit, and enhanced structural adjustments, striving to optimize business structure and foster new growth points in the course of economic transformation and upgrading. In 2015, the Bank granted actual new loans of RMB2.76 trillion, including new RMB loans of RMB880.8 billion, up by 9.1% compared with last year; relending of recovered loans reached RMB1.88 trillion. In addition, non-credit financing business, including bond underwriting, equity financing and entrusted loans amounted to RMB1.36 trillion, functioning as a major funding source for supporting the real economy. In terms of arrangements for financing business, the Bank actively strengthened support for key and critical projects with loans totaling RMB816.8 billion. As part of this, the Bank seized upon the opportunities presented by the "three strategies", namely the "One Belt and One Road", the Beijing-Tianjin-Hebei coordinated development strategy, and the Yangtze River Economic Belt Strategy. During the year, the Bank provided loans of USD42.7 billion to support 170 "Going Global" projects. The Bank also integrated offline specialized operations with online standardized operations by utilizing internet-based thinking and big data technology, in a bid to flexibly serve "mass entrepreneurship and innovation" as well as consumption expansion and upgrading. Loans to small and micro enterprises saw a net increase of RMB161.7 billion or 9.4%, higher than the average growth rate of all loans. Personal consumption loans and residential mortgages grew by RMB436.5 billion, accounting for 55.4% of all loan increments.

The Bank achieved these results while resisting the pressures of risk accumulation, maintaining stable asset quality and controlling various risks. In 2015, financial risks emerged in multiple fields and threatened to spread under the pressure of downward trends in the economy, declining corporate profits, and tumbling capital markets. The Bank prioritized credit risk control and prevention and adopted innovative measures to intensify dynamic risk monitoring and pre-warnings, thus effectively mitigating risk in existing credit and strictly controlling risks in credit increments. By the end of 2015, NPL ratio rose to 1.50%, an increase by 0.37 percentage points compared to the bank's own NPL ratio at the beginning of the year, but it is still within a controllable range. Compared with peers domestically and internationally, our NPL ratio is at a relatively superior level. At the same time, the Bank further optimized full-coverage investment and financing risk management mechanisms across markets and products for various emerging financial risks in asset management and agency investments, substantially strengthened comprehensive management of underlying assets, and normalized stress testing. As a result, the Bank effectively avoided risk contagions caused by stock market fluctuations and exchange market volatility. To repel recurring illegal fundraising, financial fraud, and other external risks, the Bank engaged in thorough special reviews and targeted rectifications involving emerging risks, to fend off and effectively curb the rebounding of fraud cases and risk incidents.

The Bank achieved these results while stepping up structural optimization and building new momentum. The Bank adhered to innovation-driven growth, actively created conditions for accelerating business transformation, and improved the implementation of business strategies involving retail banking, asset management and investment banking with new ideologies thus creating multiple growth drivers and establishing new growth potential. In terms of retail banking, financial assets of personal customers reached RMB11.6 trillion. The Bank issued 750 million bank cards, including 109 million credit cards, ranking first in Asia Pacific. The number of private banking customers recorded was 62 thousand, up by 44.8%, with assets under management exceeding RMB1 trillion for the first time. As to asset management, balance of wealth management products amounted to RMB2.62 trillion, up by 32.0%, leading industry peers in terms of scale; assets under custody stood at RMB11.5 trillion, up by nearly 100%, and maintaining a leading position amongst industry peers. Amount and volume of precious metal business registered was RMB1.25 trillion and 159 thousand tons, representing an increase of 21.4% and 38.1%, respectively. Total assets under management and the number of customers of ICBC Credit Suisse Asset Management surpassed RMB900 billion and 13 million, respectively. ICBC-AXA realized premium income of RMB23.54 billion, an increase of 52.8%, and its total assets exceeded RMB66 billion. With continuously optimized business structure and enhanced influence in the investment banking field, the Bank was ranked by Thomson Reuters as the No. 1 M&A financial advisor in Asia Pacific by number of deals advised and globally by the number of overseas acquisitions made by Chinese enterprises. Internet-based finance is another of our strategic focuses. The Bank has essentially established the framework for an internet-based financial platform in line with the newly issued development strategy for the e-ICBC internet-based finance brands and their upgrading. The Bank also stepped up growth of all businesses with new strategies and new concepts, propelled the formation of online and offline integrated service patterns, and catalyzed the rapid growth of internet-based financing, online payment and other operations, achieved a smart transformation of offline outlets as well as significant improvements to customer service efficiency and quality.

In 2015, our stable growth amidst a complicated business environment was widely recognized by the market. The Bank was awarded “Best Emerging Markets Bank” by UK’s Euromoney, becoming the first Asian financial institution to win this global award. At the same time, for the third consecutive year, the Bank was ranked the 1st place among the Top 1000 World Banks by UK’s the Banker and the Global 2000 listed by the US magazine Forbes, and 1st place on the sub-list of commercial banks of the Fortune 500.

4. Discussion and Analysis

4.1 Income Statement Analysis

In 2015, the Bank explored business growth potentials, actively pressed ahead with reform and innovation, made greater effort to increase income and reduce expenditure, implemented strict risk prevention and control, with a focus on serving the real economy and meeting the financial requirements of consumers. The profit was generally stable in spite of adversities such as rising risk cost and narrower interest spread. The Bank realized a net profit of RMB277,720 million in 2015, representing an increase of RMB1,434 million or 0.5% as compared to the previous year. Return on average total assets stood at 1.30%, and return on weighted average equities was 17.10%. Operating income amounted to RMB668,733 million, recording an increase of 5.3%. Specifically, net interest income was RMB507,867 million, growing by 2.9%. Non-interest income reached RMB160,866 million, rising by 13.8%. Operating expenses amounted to RMB220,835 million, recording an increase of 1.0%, and cost-to-income ratio dropped by 1.24 percentage points to 26.69%. Allowance for impairment losses was RMB86,993 million, indicating an increase of 53.3%. Income tax expense grew by 0.2% to RMB85,515 million.

Net Interest Income

Confronted with the accelerated interest rate liberalization reform and the increasingly fierce market competition, the Bank constantly strengthened asset and liability management, proactively adjusted its credit structure and optimized its investment portfolio structure. Meanwhile, the Bank reinforced liquidity management and interest rate pricing management, strived to control liability cost and achieved stable growth in net interest income. In 2015, net interest income was RMB507,867 million, RMB14,345 million or 2.9% higher than that of last year, accounting for 75.9% of the Bank’s operating income. Interest income increased by RMB21.9 billion or 2.6% to RMB871,779 million, and interest expenses increased by RMB7,555 million or 2.1% to RMB363,912 million. Due to the five interest rate cuts and the removal of deposit interest caps by PBC in 2015, net interest spread and interest margin came at 2.30% and 2.47%, 16 basis points and 19 basis points lower than those of the previous year, respectively.

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

In RMB millions, except for percentages

Item	Average balance	2015		2014		
		Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	11,607,327	616,541	5.31	10,599,094	615,488	5.81
Investment	4,333,202	170,833	3.94	4,047,961	159,262	3.93
Investment in bonds not related to restructuring	4,136,085	166,399	4.02	3,817,143	154,070	4.04
Investment in bonds related to restructuring ⁽²⁾	197,117	4,434	2.25	230,818	5,192	2.25
Due from central banks ⁽³⁾	3,161,562	47,867	1.51	3,087,982	48,384	1.57
Due from banks and other financial institutions ⁽⁴⁾	1,448,398	36,538	2.52	826,615	26,745	3.24
Total interest-generating assets	20,550,489	871,779	4.24	18,561,652	849,879	4.58
Non-interest-generating assets	1,515,899			1,371,253		
Allowance for impairment losses	(273,612)			(253,327)		
Total assets	21,792,776			19,679,578		
Liabilities						
Deposits	15,579,271	298,010	1.91	14,627,258	298,941	2.04
Due to banks and other financial institutions ⁽⁴⁾	2,744,339	49,801	1.81	1,819,544	42,801	2.35
Debt securities issued	435,460	16,101	3.70	397,785	14,615	3.67
Total interest-bearing liabilities	18,759,070	363,912	1.94	16,844,587	356,357	2.12
Non-interest-bearing liabilities	1,383,096			1,389,264		
Total liabilities	20,142,166			18,233,851		
Net interest income		507,867			493,522	
Net interest spread			2.30			2.46
Net interest margin			2.47			2.66

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

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bonds.

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

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

Interest Income

• Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB616,541 million, RMB1,053 million or 0.2% higher than that of the previous year. PBC cut benchmark interest rates on RMB loans five times in 2015 and the average yield of loans and advances to customers decreased by 50 basis points.

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

In RMB millions, except for percentages

Item	2015		2014			
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,944,455	176,248	4.47	3,684,391	185,177	5.03
Medium to long-term loans	<u>7,662,872</u>	<u>440,293</u>	5.75	<u>6,914,703</u>	<u>430,311</u>	6.22
Total loans and advances to customers	<u><u>11,607,327</u></u>	<u><u>616,541</u></u>	5.31	<u><u>10,599,094</u></u>	<u><u>615,488</u></u>	5.81

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

In RMB millions, except for percentages

Item	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	7,060,495	394,299	5.58	6,750,524	413,751	6.13
Discounted bills	432,191	19,593	4.53	221,383	12,746	5.76
Personal loans	3,228,124	171,894	5.32	2,873,029	162,346	5.65
Overseas business	886,517	30,755	3.47	754,158	26,645	3.53
Total loans and advances to customers	<u>11,607,327</u>	<u>616,541</u>	5.31	<u>10,599,094</u>	<u>615,488</u>	5.81

- **Interest Income on Investment**

Interest income on investment was RMB170,833 million, RMB11,571 million or 7.3% higher than that of the previous year. Specifically, interest income on investment in bonds not related to restructuring was RMB166,399 million, representing an increase of RMB12,329 million or 8.0%, mainly because the Bank increased bond investment during the reporting period, resulting in a rise of RMB318,942 million in the average balance of investment in bonds not related to restructuring. In 2015, the bond market showed an overall descending yield curve. However, thanks to the optimization of portfolio structure, the average yield of investment in bonds not related to restructuring edged down 2 basis points only.

Interest income on financial investment related to restructuring arrived at RMB4,434 million, down RMB758 million or 14.6% from the previous year, mainly because advance repayment of part of the Huarong bonds in December 2014 resulted in a decrease in the average balance during the reporting period.

- **Interest Income on Due from Central Banks**

Interest income on due from central banks was RMB47,867 million, RMB517 million or 1.1% lower than that of the previous year. As PBC cut deposit reserve ratio many times in 2015, surplus reserves with central banks with a low yield increased in the total deposit reserves.

- **Interest Income on Due from Banks and Other Financial Institutions**

Interest income on due from banks and other financial institutions was RMB36,538 million, RMB9,793 million or 36.6% higher than that of last year, mainly because the Bank moderately increased the lending scale, resulting in an increase of RMB621,783 million in the average balance.

Interest Expense

- **Interest Expense on Deposits**

Interest expense on deposits amounted to RMB298,010 million, RMB931 million or 0.3% lower than that of last year, and accounted for 81.9% of total interest expense. The decrease was principally due to PBC lowering the RMB benchmark deposit interest rates five times in 2015, resulting in a decrease of 13 basis points in the average cost.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2015			2014		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	3,655,043	115,366	3.16	3,398,080	116,431	3.43
Demand deposits ⁽¹⁾	<u>4,114,568</u>	<u>30,170</u>	0.73	<u>3,853,902</u>	<u>30,297</u>	0.79
Subtotal	<u>7,769,611</u>	<u>145,536</u>	1.87	<u>7,251,982</u>	<u>146,728</u>	2.02
Personal deposits						
Time deposits	4,074,196	132,964	3.26	3,911,781	132,379	3.38
Demand deposits	<u>3,131,445</u>	<u>10,439</u>	0.33	<u>2,951,896</u>	<u>10,326</u>	0.35
Subtotal	<u>7,205,641</u>	<u>143,403</u>	1.99	<u>6,863,677</u>	<u>142,705</u>	2.08
Overseas business	<u>604,019</u>	<u>9,071</u>	1.50	<u>511,599</u>	<u>9,508</u>	1.86
Total deposits	<u>15,579,271</u>	<u>298,010</u>	1.91	<u>14,627,258</u>	<u>298,941</u>	2.04

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

- **Interest Expense on Due to Banks and Other Financial Institutions**

Interest expense on due to banks and other financial institutions was RMB49,801 million, RMB7,000 million or 16.4% higher than the previous year, principally attributable to an increase of RMB924,795 million in the average balance driven by the fast growth of third-party custody service.

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB16,101 million, RMB1,486 million or 10.2% higher than that of last year, mainly attributable to the increase in the issuance of corporate bonds and bills by overseas institutions.

Non-interest Income

The Bank actively optimized income structure. In 2015, the Bank realized non-interest income of RMB160,866 million, RMB19,530 million or 13.8% higher than that of the previous year. The non-interest income took up 24.1% of the operating income, up 1.8 percentage points. Specifically, net fee and commission income grew by 8.2% to RMB143,391 million, and other non-interest income increased by 97.7% to RMB17,475 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2015	2014	Increase/ (decrease)	Growth rate (%)
Bank card business	37,684	35,133	2,551	7.3
Personal wealth management and private banking services	35,910	20,676	15,234	73.7
Settlement, clearing business and cash management	27,986	30,422	(2,436)	(8.0)
Investment banking business	26,791	30,474	(3,683)	(12.1)
Corporate wealth management services	18,305	14,929	3,376	22.6
Asset custody business	5,544	5,923	(379)	(6.4)
Guarantee and commitment business	4,687	4,614	73	1.6
Trust and agency services	1,979	2,019	(40)	(2.0)
Others	2,784	2,488	296	11.9
Fee and commission income	161,670	146,678	14,992	10.2
Less: Fee and commission expense	18,279	14,181	4,098	28.9
Net fee and commission income	143,391	132,497	10,894	8.2

Centered on customer requirements, the Bank promoted innovation in products, services and channels, propelled transformation and development of fee-based businesses, promoted the application of technological progress of financial services to benefit a wider group of customers and also improved the financial service level. In 2015, the Bank realized fee and commission income of RMB161,670 million, RMB14,992 million or 10.2% higher than that of the previous year.

Income from bank card business increased by RMB2,551 million or 7.3% to RMB37,684 million, mainly due to the increase in income from relevant business driven by the increase in the number of bank cards issued and consumption volume.

Income from personal wealth management and private banking services amounted to RMB35,910 million, increasing by RMB15,234 million or 73.7%, of which, income from private banking business added by RMB7,114 million or 201.6% to RMB10,642 million, while income from personal wealth management, personal fund agency business and personal insurance agency services also grew rapidly.

Income from corporate wealth management services rose by RMB3,376 million or 22.6% to RMB18,305 million, mainly benefitting from the fact that larger sales volume of corporate wealth management products fueled sales commissions and investment management fees increased.

Income from investment banking, settlement, clearing business, cash management and asset custody services was lowered because of a series of factors, including external economic environment, execution of the new version of service price list, as well as voluntary lowering or exemption of certain business fees in order to reduce fees and share profits to the real economy and consumers.

Fee and commission expense increased by RMB4,098 million or 28.9% to RMB18,279 million mainly as a result of the rise in bank card business related fees and business communication expense of ICBC Messenger.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	2015	2014	Increase/ (decrease)	Growth rate (%)
Net trading income	4,227	1,745	2,482	142.2
Net loss on financial assets and liabilities designated at fair value through profit or loss	(5,953)	(10,024)	4,071	(40.6)
Net gain on financial investments	4,920	1,803	3,117	172.9
Other operating income, net	14,281	15,315	(1,034)	(6.8)
Total	17,475	8,839	8,636	97.7

Other non-interest related gain was RMB17,475 million, RMB8,636 million or 97.7% higher than that of the previous year. Specifically, net trading income increased by RMB2,482 million, mainly driven by more earnings from investment in held-for-trading interbank CDs. Net loss on financial assets and liabilities designated at fair value through profit or loss declined by RMB4,071 million mainly because of a decrease in expenses from structural deposits and principal-guaranteed wealth management products paid to customers. Besides, a higher return from investment in available-for-sale financial instruments raised the net gain on financial investments by RMB3,117 million.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2015	2014	Increase/ (decrease)	Growth rate (%)
Staff costs	114,173	112,022	2,151	1.9
Premises and equipment expenses	28,114	28,898	(784)	(2.7)
Business tax and surcharges	42,320	41,351	969	2.3
Amortisation	2,295	2,211	84	3.8
Others	33,933	34,192	(259)	(0.8)
Total	<u>220,835</u>	<u>218,674</u>	<u>2,161</u>	1.0

The Bank duly exercised strict cost management and continued to boost its operating efficiency. Operating expenses recorded at RMB220,835 million, RMB218,674 million or 1.0% higher than that in 2014. Cost-to-income ratio declined by 1.24 percentage points to 26.69%.

Impairment Losses

The Bank continued to strengthen credit risk prevention and control and maintained its capability in risk offsetting. It set aside allowance for impairment losses of RMB86,993 million, an increase of RMB30,264 million or 53.3% as compared to the previous year. Specifically, allowance for impairment losses on loans was RMB86,022 million, indicating a rise of RMB29,755 million or 52.9%.

Income Tax Expense

Income tax expense was RMB85,515 million, RMB189 million or 0.2% higher than that of the previous year. The effective tax rate stood at 23.54%.

4.2 Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

Item	<i>In RMB millions, except for percentages</i>			
	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	325,914	48.7	308,651	48.6
Personal banking	244,969	36.6	237,070	37.4
Treasury operations	92,612	13.8	84,476	13.3
Others	5,238	0.9	4,661	0.7
Total operating income	668,733	100.0	634,858	100.0

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

Item	<i>In RMB millions, except for percentages</i>			
	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	76,854	11.5	70,920	11.1
Yangtze River Delta	117,661	17.6	114,886	18.1
Pearl River Delta	81,307	12.2	79,061	12.5
Bohai Rim	131,004	19.6	114,660	18.1
Central China	84,447	12.6	83,771	13.2
Western China	104,258	15.6	102,591	16.2
Northeastern China	30,897	4.6	32,715	5.2
Overseas and others	42,305	6.3	36,254	5.6
Total operating income	668,733	100.0	634,858	100.0

4.3 Balance Sheet Analysis

In 2015, the Bank timely adjusted its business strategy based on changes in external macroeconomic environment, improved the asset and liability structure, maintained coordinated development of deposit and loan business, strengthened liquidity management and interest rate pricing management and strived to enhance the efficiency of resource allocation for assets and liabilities. Taking development needs of the real economy into account, the Bank optimized the credit structure and balanced the loan growth in a steady manner. Closely monitoring the trends of the domestic and international financial markets, the Bank appropriately expanded its investment scale and optimized the structure of investment portfolios. It followed the fund position and the trend of price changes to expand lending on the premise of risk control. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and managed to expand the low-cost liability business, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of 2015, total assets of the Bank amounted to RMB22,209,780 million, RMB1,599,827 million or 7.8% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as “loans”) increased by RMB907,135 million or 8.2%, investment increased by RMB576,726 million or 13.0%, and cash and balances with central banks decreased by RMB463,989 million or 13.2%. In terms of structure, net loans and advances to customers accounted for 52.5% of total assets; investment accounted for 22.5%; and cash and balances with central banks accounted for 13.8%.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	11,933,466	—	11,026,331	—
Less: Allowance for impairment losses on loans	280,654	—	257,581	—
Loans and advances to customers, net	11,652,812	52.5	10,768,750	52.2
Investment	5,009,963	22.5	4,433,237	21.5
Cash and balances with central banks	3,059,633	13.8	3,523,622	17.1
Due from banks and other financial institutions	683,793	3.1	782,776	3.8
Reverse repurchase agreements	996,333	4.5	468,462	2.3
Others	807,246	3.6	633,106	3.1
Total assets	22,209,780	100.0	20,609,953	100.0

Loan

In 2015, the Bank attached importance to coordinating the use of incremental credit and existing credit, credit and non-credit financing services, to lend overriding support to the improvement of the quality and efficiency of the real economy, echoing the changes in macroeconomic environment and financial regulatory requirements. The Bank continued to bolster the government's construction of key programs and significant construction projects, and actively aligned with the national development strategies on the "four regions" (western regions, northeastern regions, eastern regions and central regions) and the "three supporting belts" (the "One Belt and One Road" initiative, the coordinated development of the Beijing-Tianjin-Hebei region and the development of the Yangtze River Economic Zone). In addition, it actively sought for innovation in the small and micro enterprises financial service model bundling offline specialized operation and online standardized operation, made greater effort to support the "Going Global" drive of Chinese-funded enterprises and took initiatives to back up the citizens' reasonable credit requirement and consumption upgrading. The Bank also took a two-pronged approach of adjusting credit structure and preventing and controlling risks. The loan growth was steady and balanced, while the structure of loan orientations was reasonable. As at the end of 2015, loans amounted to RMB11,933,466 million, RMB907,135 million or 8.2% higher compared with the end of the previous year, of which, RMB-denominated loans of domestic branches were RMB10,598,036 million, RMB880,812 million or 9.1% higher than that at the end of 2014.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	7,869,552	65.9	7,612,592	69.0
Discounted bills	522,052	4.4	350,274	3.2
Personal loans	3,541,862	29.7	3,063,465	27.8
Total	11,933,466	100.0	11,026,331	100.0

Corporate loans rose by RMB256,960 million or 3.4% from the end of last year. In terms of maturity structure, short-term corporate loans reported at RMB2,885,948 million, representing 36.7% of all the corporate loans, while the figures for medium to long-term corporate loans were RMB4,983,604 million and 63.3%. In terms of product type, working capital loans were RMB43,667 million or 1.3% higher, with general working capital loans exclusive of trade finance increasing by RMB355,726 million or 14.6%, mainly because the Bank actively optimized the credit orientations and stepped up its support to superior enterprises for their working capital loan needs; project loans increased by RMB224,302 million or 6.0%, mainly due to the continuous support to national key programs and significant projects; and property loans declined by RMB11,009 million or 2.2%.

Discounted bills rose by RMB171,778 million or 49.0% compared with the end of last year, principally because the Bank moderately increased its supply of discounted bills to satisfy management needs of asset-liability portfolios.

Personal loans rose by RMB478,397 million or 15.6%, of which, residential mortgages grew by RMB445,831 million or 21.5%, mainly because the Bank actively supported the citizens' rational borrowing requirement for owner-occupied houses in line with the adjustment of governmental property policy. Personal business loans declined by RMB21,874 million or 6.9%, mainly dragged down by the decreasing demand of some small and micro business owners for effective financing as affected by the heavier pressure of macro-economic downturn. Credit card overdrafts grew by RMB53,254 million or 14.5%, primarily attributable to the continuously healthy development of credit card installment business as well as a stable growth in the number of credit cards issued and their consumption volume.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	11,233,456	94.14	10,582,050	95.97
Special mention	520,492	4.36	319,784	2.90
NPLs	179,518	1.50	124,497	1.13
Substandard	104,805	0.87	66,809	0.60
Doubtful	60,512	0.51	49,359	0.45
Loss	14,201	0.12	8,329	0.08
Total	11,933,466	100.00	11,026,331	100.00

Loan quality remained stable overall. As at the end of 2015, according to the five-category classification, pass loans amounted to RMB11,233,456 million, representing an increase of RMB651,406 million from the end of the previous year and accounting for 94.14% of total loans. Special mention loans amounted to RMB520,492 million, representing an increase of RMB200,708 million and accounted for 4.36% of the total. NPLs amounted to RMB179,518 million, increased by RMB55,021 million, and NPL ratio was 1.50%. Under the new normal where economic growth slows down, structural adjustment deepens and industrial transformation accelerates, some industries and enterprises faced persistent challenges and enterprises suffered from capital chain tension, which led to worsening solvency of some enterprises. Hence, the Bank faced mounting pressure in controlling and preventing credit asset quality.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions except for percentages

Item	At 31 December 2015				At 31 December 2014			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	7,869,552	65.9	135,256	1.72	7,612,592	69.0	92,277	1.21
Discounted bills	522,052	4.4	524	0.10	350,274	3.2	71	0.02
Personal loans	3,541,862	29.7	43,738	1.23	3,063,465	27.8	32,149	1.05
Total	11,933,466	100.0	179,518	1.50	11,026,331	100.0	124,497	1.13

Non-performing corporate loans stood at RMB135,256 million, increasing by RMB42,979 million from the end of the previous year, and NPL ratio was 1.72%, which was mainly due to loan default by some enterprises as a result of operating difficulties in the face of greater macroeconomic downward pressure, economic structural adjustment and industry transformation and upgrading. Non-performing personal loans stood at RMB43,738 million, increased by RMB11,589 million, and NPL ratio was 1.23%, which was mainly due to the increase in NPL amount of personal loans as a result of decrease of operating income or salaries of some borrowers.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions except for percentages

Item	At 31 December 2015				At 31 December 2014			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Manufacturing	1,496,241	21.6	51,353	3.43	1,532,947	22.7	35,681	2.33
Chemical industry	254,497	3.7	8,566	3.37	256,186	3.8	3,637	1.42
Machinery	235,873	3.4	7,996	3.39	238,857	3.5	6,288	2.63
Metal processing	171,065	2.5	7,138	4.17	175,163	2.6	4,819	2.75
Textiles and apparels	140,369	2.0	6,644	4.73	139,117	2.1	4,181	3.01
Iron and steel	113,841	1.6	1,043	0.92	111,892	1.7	908	0.81
Computer, telecommunications equipment, and other electronic equipment	97,733	1.4	1,064	1.09	121,013	1.8	906	0.75
Transport equipment	91,944	1.3	4,710	5.12	98,443	1.5	3,569	3.63
Non-metallic mineral	69,875	1.0	1,756	2.51	70,236	1.0	1,980	2.82
Petroleum processing, coking and nuclear fuel	52,127	0.8	240	0.46	51,951	0.8	204	0.39
Others	268,917	3.9	12,196	4.54	270,089	3.9	9,189	3.40
Transportation, storage and postal services	1,429,697	20.7	3,985	0.28	1,335,127	19.8	4,226	0.32
Production and supply of electricity, heat, gas and water	780,370	11.3	1,494	0.19	699,649	10.4	1,353	0.19
Wholesale and retail	734,994	10.7	48,522	6.60	772,536	11.5	35,612	4.61
Leasing and commercial service	652,956	9.5	4,906	0.75	575,469	8.5	2,164	0.38
Water, environment and public utility management	461,542	6.7	278	0.06	470,014	7.0	56	0.01
Real estate	427,306	6.2	6,293	1.47	443,471	6.6	3,713	0.84
Mining	246,541	3.6	3,722	1.51	262,338	3.9	1,576	0.60
Construction	210,294	3.0	3,047	1.45	205,881	3.1	1,242	0.60
Accommodation and catering	145,175	2.1	3,453	2.38	159,469	2.4	1,312	0.82
Science, education, culture and sanitation	124,542	1.8	575	0.46	114,012	1.7	429	0.38
Others	191,430	2.8	1,967	1.03	172,986	2.4	1,306	0.75
Total	6,901,088	100.0	129,595	1.88	6,743,899	100.0	88,670	1.31

In 2015, the Bank navigated credit extension and credit structure adjustment in a scientific manner, proactively adapted to the national development strategies of “four regions” and “three supporting belts”, and continued to support the national key projects and major engineering constructions as well as the transformation and upgrading of quality product manufacturing enterprises and leading enterprises of traditional industries. Loans granted to the transportation, storage and postal services industry increased by RMB94,570 million or 7.1%, which was mainly used to support high-quality transportation infrastructure construction projects. Loans granted to the production and supply of electricity, heat, gas and water industry rose by RMB80,721 million or 11.5%, mainly meeting the loan demand of the clean energy sector. The increment of loans to the leasing and commercial service industry was RMB77,487 million, up 13.5%, which was mainly attributable to the rapid growth of loans to investment and asset management, corporate headquarters management and other commercial services and lease of machinery equipment.

NPLs of the manufacturing industry and the wholesale and retail industry increased by a large margin. Increase in NPLs of the manufacturing industry was largely attributable to loan default of some manufacturing enterprises triggered by deteriorating operation status and funds shortage, which is caused by increasing macroeconomic downward pressure, falling market demand, declining ex-factory price of products and excess of low-end capacity. Increase in NPLs of the wholesale and retail industry was largely attributable to loan default of some wholesale enterprises triggered by operating difficulties, which is caused by increasing macroeconomic downward pressure and falling price of bulk commodity.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions except for percentages

Item	At 31 December 2015				At 31 December 2014			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	541,087	4.5	9,053	1.67	475,485	4.3	5,139	1.08
Yangtze River Delta	2,283,391	19.1	39,297	1.72	2,191,188	19.9	26,208	1.20
Pearl River Delta	1,545,400	13.0	29,946	1.94	1,453,273	13.2	23,858	1.64
Bohai Rim	2,007,028	16.8	30,605	1.52	1,861,749	16.9	20,611	1.11
Central China	1,668,136	14.0	23,707	1.42	1,500,909	13.6	17,194	1.15
Western China	2,171,273	18.2	32,472	1.50	1,988,934	18.0	20,701	1.04
Northeastern China	668,572	5.6	8,518	1.27	625,457	5.7	6,932	1.11
Overseas and others	1,048,579	8.8	5,920	0.56	929,336	8.4	3,854	0.41
Total	11,933,466	100.0	179,518	1.50	11,026,331	100.0	124,497	1.13

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas. The Bank actively supported the regional development of Central China, Western China and Northeastern China, and granted RMB349,566 million loans to Central China and Western China, accounting for 38.5% of the total new loans. Overseas and other loans increased by RMB119,243 million or 12.8%, accounting for 13.1% of the total new loans, which was mainly due to the stable growth of cross-border lending via cooperation with domestic institutions, large syndicated loans and other credit businesses, resulting from their stronger support to the “One Belt and One Road” imitative and their active participation in cross-border financial services for “Going Global” of Chinese-funded enterprises.

The Yangtze River Delta, the Western China and the Bohai Rim witnessed relatively large increases in NPLs. NPL increase in the Yangtze River Delta and the Bohai Rim was mainly caused by loan default growth resulting from operating difficulties of some enterprises in the manufacturing industry and the wholesale and retail industry against the backdrop of greater macroeconomic downward pressure, economic structural adjustment and industry transformation and upgrading. NPL rise in the Western China primarily resulted from loan default due to profitability decrease of resource-based enterprises in the face of falling prices of coal and other products in addition to the impact brought by the manufacturing industry and the wholesale and retail industry.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	41,245	216,336	257,581
Charge for the year	63,728	22,294	86,022
Including: Impairment allowances charged	91,878	134,262	226,140
Impairment allowances transferred	902	(902)	—
Reversal of impairment allowances	(29,052)	(111,066)	(140,118)
Accrued interest on impaired loans	(4,156)	—	(4,156)
Acquisition of subsidiaries	326	88	414
Write-offs	(50,365)	(9,931)	(60,296)
Recoveries of loans and advances previously written off	721	368	1,089
	<u>721</u>	<u>368</u>	<u>1,089</u>
At the end of the year	<u>51,499</u>	<u>229,155</u>	<u>280,654</u>

As at the end of 2015, the allowance for impairment losses on loans stood at RMB280,654 million, a year-on-year increase of RMB23,073 million. Allowance to NPL was 156.34%; allowance to total loans was 2.35%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	5,499,003	46.1	4,964,791	45.0
Including: Residential mortgages	2,516,196	21.1	2,070,366	18.8
Pledged loans	1,505,144	12.6	1,372,605	12.5
Including: Discounted bills	522,052	4.4	350,274	3.2
Guaranteed loans	1,642,370	13.8	1,534,012	13.9
Unsecured loans	3,286,949	27.5	3,154,923	28.6
Total	<u>11,933,466</u>	<u>100.0</u>	<u>11,026,331</u>	<u>100.0</u>

Loans secured by mortgages stood at RMB5,499,003 million, representing an increase of RMB534,212 million or 10.8% from the end of the previous year. Pledged loans amounted to RMB1,505,144 million, representing an increase of RMB132,539 million or 9.7% from the end of the previous year. Guaranteed loans amounted to RMB1,642,370 million, representing an increase of RMB108,358 million or 7.1% from the end of the previous year. Unsecured loans amounted to RMB3,286,949 million, representing an increase of RMB132,026 million or 4.2% from the end of the previous year.

OVERDUE LOANS

In RMB millions except for percentages

Overdue periods	At 31 December 2015		At 31 December 2014	
	Amount	% of total	Amount	% of total
1 to 90 days	169,902	1.42	95,410	0.87
91 days to 1 year	84,808	0.71	65,134	0.59
1 to 3 years	62,783	0.53	35,152	0.32
Over 3 years	15,205	0.13	14,882	0.13
Total	<u>332,698</u>	<u>2.79</u>	<u>210,578</u>	<u>1.91</u>

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

Overdue loans stood at RMB332,698 million, representing an increase of RMB122,120 million from the end of the previous year. Among which, loans overdue for over 90 days amounted to RMB162,796 million, representing an increase of RMB47,628 million.

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB4,557 million, representing a decrease of RMB22 million as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB1,570 million, representing a decrease of RMB356 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.2% and 13.3% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB267,878 million, accounting for 2.2% of the total loans.

Investment

In 2015, the Bank flexibly adjusted its investment schedule and focus, optimized the investment portfolio structure in strict adherence to the trends in financial markets, suitably scaled up investment and endeavored to improve the return on investment portfolios on the basis of guaranteeing liquidity and risk under control. As at the end of 2015, investment amounted to RMB5,009,963 million, RMB576,726 million or 13.0% higher compared with the end of the previous year.

INVESTMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,775,767	95.3	4,268,560	96.3
Investment in bonds not related to restructuring	4,548,687	90.8	3,996,664	90.2
Investment in bonds related to restructuring	193,187	3.9	197,128	4.4
Other debt instruments	33,893	0.6	74,768	1.7
Equity instruments and others	234,196	4.7	164,677	3.7
Total	<u>5,009,963</u>	<u>100.0</u>	<u>4,433,237</u>	<u>100.0</u>

Investment in bonds not related to restructuring amounted to RMB4,548,687 million, RMB552,023 million or 13.8% higher than that at the end of last year. Investment in bonds related to restructuring was RMB193,187 million, reducing by RMB3,941 million, mainly due to advance repayment of part of the Huarong bonds in December 2015.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,468,674	32.3	1,026,985	25.7
Central bank bills	325,245	7.2	346,154	8.7
Policy bank bonds	1,513,092	33.3	1,687,791	42.2
Other bonds	1,241,676	27.2	935,734	23.4
Total	4,548,687	100.0	3,996,664	100.0

In terms of distribution by issuers, government bonds increased by RMB441,689 million or 43.0%; central bank bills decreased by RMB20,909 million or 6.0%; policy bank bonds went down RMB174,699 million or 10.4%; and other bonds rose by RMB305,942 million or 32.7%. Due to the changes in supply structure on the bond market, the Bank rationally stepped up the investment in local government bonds, interbank CDs and ultra-short-term financing bonds during the reporting period.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss ⁽¹⁾	343,272	6.9	346,828	7.8
Available-for-sale financial assets	1,444,195	28.8	1,188,288	26.8
Held-to-maturity investments	2,870,353	57.3	2,566,390	57.9
Receivables	352,143	7.0	331,731	7.5
Total	5,009,963	100.0	4,433,237	100.0

Notes: (1) Include financial assets held for trading and financial assets designated at fair value through profit or loss.

As at the end of 2015, the Group held RMB2,073,128 million of financial bonds¹, including RMB1,513,092 million of policy bank bonds and RMB560,036 million of bonds issued by banks and non-bank financial institutions, accounting for 73.0% and 27.0% of financial bonds, respectively.

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

Cash and Balances with Central Banks

Cash and balances with central banks declined by RMB463,989 million or 13.2% compared with the end of last year to RMB3,059,633 million, mainly because PBC cut deposit reserve ratio for deposits of financial institutions.

Reverse Repurchase Agreements

Reverse repurchase agreements rose by RMB527,871 million or 112.7% compared with the end of last year to RMB996,333 million, mainly because the Bank had relatively adequate RMB funds and rationally granted more lending on the premise of risk control in order to enhance the fund operating efficiency during the reporting period.

Liabilities

As at the end of 2015, total liabilities of the Bank amounted to RMB20,409,261 million, RMB1,336,612 million or 7.0% higher than that at the end of the previous year.

LIABILITIES

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	16,281,939	79.8	15,556,601	81.6
Due to banks and other financial institutions	2,265,860	11.1	1,539,239	8.1
Repurchase agreements	337,191	1.7	380,957	2.0
Debt securities issued	306,622	1.5	279,590	1.4
Others	1,217,649	5.9	1,316,262	6.9
Total liabilities	20,409,261	100.0	19,072,649	100.0

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of 2015, the balance of due to customers was RMB16,281,939 million, RMB725,338 million or 4.7% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits grew by RMB399,881 million or 5.0%; and the balance of personal deposits increased by RMB412,507 million or 5.7%. In terms of maturity structure, the balance of time deposits grew by RMB202,858 million or 2.6%, while the balance of demand deposits increased by RMB609,530 million or 8.4%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	3,929,353	24.1	3,902,305	25.1
Demand deposits	4,507,661	27.7	4,134,828	26.6
Subtotal	8,437,014	51.8	8,037,133	51.7
Personal deposits				
Time deposits	4,210,600	25.9	4,034,790	25.9
Demand deposits	3,390,514	20.8	3,153,817	20.3
Subtotal	7,601,114	46.7	7,188,607	46.2
Other deposits⁽¹⁾	243,811	1.5	330,861	2.1
Total	16,281,939	100.0	15,556,601	100.0

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

Due to Banks and Other Financial Institutions

Due to banks and other financial institutions scored RMB2,265,860 million, up RMB726,621 million or 47.2% compared with the end of the previous year, mainly because of the third-party custody service expansion.

Shareholders' Equity

As at the end of 2015, shareholders' equity amounted to RMB1,800,519 million in aggregate, RMB263,215 million or 17.1% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB258,615 million or 16.9% to RMB1,789,474 million, which was mainly due to net profit realized and the non-public offering of domestic preference shares.

4.4 Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios in accordance with the Capital Regulation. In accordance with the applicable scope of advanced capital management approaches approved by CBRC, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal models approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. Weighted approach was adopted for credit risk not covered by IRB approach and standardized approach for market risk not covered by IMA.

As at the end of 2015, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Capital Regulation stood at 12.87%, 13.48% and 15.22%, respectively, complying with regulatory requirements. In 2015, the Bank's profits maintained continuous growth and effectively replenished the core tier 1 capital. The Bank proactively carried out external capital replenishments and effectively replenished the additional tier 1 capital and tier 2 capital. Meanwhile, the Bank further reinforced its capital constraint mechanism so that the growth rate of risk-weighted assets was controlled effectively and that the capital adequacy ratio remained at a moderate level.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2015	At 31 December 2014
Core tier 1 capital	1,713,160	1,498,403
Paid-in capital	356,407	353,495
Valid portion of capital reserve	151,963	144,874
Surplus reserve	178,040	150,752
General reserve	246,356	221,622
Retained profits	781,853	650,308
Valid portion of minority interests	4,340	2,191
Others	(5,799)	(24,839)
Core tier 1 capital deductions	11,665	11,670
Goodwill	8,478	8,487
Other intangible assets other than land use rights	1,356	1,279
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,869)	(3,796)
Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700
Net core tier 1 capital	1,701,495	1,486,733
Additional tier 1 capital	79,567	34,500
Additional tier 1 capital instruments and related premium	79,375	34,428
Valid portion of minority interests	192	72
Net tier 1 capital	1,781,062	1,521,233
Tier 2 capital	244,641	306,704
Valid portion of tier 2 capital instruments and related premium	180,242	187,829
Surplus provision for loan impairment	63,398	118,633
Valid portion of minority interests	1,001	242
Tier 2 capital deductions	13,600	15,800
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	13,600	15,800
Net capital base	2,012,103	1,812,137
Risk-weighted assets⁽¹⁾	13,216,687	12,475,939
Core tier 1 capital adequacy ratio	12.87%	11.92%
Tier 1 capital adequacy ratio	13.48%	12.19%
Capital adequacy ratio	15.22%	14.53%

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

Please refer to the 2015 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement of the Bank.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At	At
	31 December 2015	31 December 2014
Net tier 1 capital	1,781,062	1,521,233
Balance of adjusted on- and off-balance sheet assets	23,813,992	23,409,777
Leverage ratio	7.48%	6.50%

Note: Data at the end of 2015 are calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) promulgated by CBRC in 2015. Data at the end of 2014 are calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks promulgated by CBRC in 2011.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	2015	2014	2013
Liquidity ratio (%)	RMB	≥ 25.0	35.5	33.2	30.2
	Foreign currency	≥ 25.0	98.1	91.1	61.0
Loan-to-deposit ratio (%) ⁽²⁾	RMB and foreign currency		71.4	68.4	66.6
Liquidity coverage ratio (%)	RMB and foreign currency	≥ 100.0 ⁽³⁾	145.1	142.4	—
Percentage of loans to single largest customer (%)		≤ 10.0	4.2	4.8	4.2
Percentage of loans to top 10 customers (%)			13.3	14.9	16.2
Loan migration ratio (%)	Pass		4.4	2.7	1.7
	Special mention		29.6	17.2	9.7
	Substandard		38.9	37.4	43.9
	Doubtful		10.5	5.2	9.5

Notes: (1) The regulatory indicators of the current period in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted and restated.

(2) CBRC adjusted the loan-to-deposit ratio from a regulatory indicator to a monitoring indicator in 2015.

- (3) Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

GLOBAL SYSTEMICALLY IMPORTANCE ASSESSMENT INDICATORS OF COMMERCIAL BANKS

Indicator	<i>In RMB millions</i>	
	2015	2014
Balance of adjusted on- and off-balance sheet assets	23,813,992	23,409,777
Intra-financial system assets	1,453,661	2,191,729
Intra-financial system liabilities	2,368,335	1,630,141
Securities and other financing instruments issued	2,338,163	1,937,790
Payments settled via payment systems or correspondent banks	345,214,765	287,748,223
Assets under custody	11,507,109	5,828,863
Underwritten transactions in debt and equity markets	1,192,434	512,679
Notional amount of over-the-counter (OTC) derivatives	4,049,645	2,529,568
Trading and available-for-sale securities	475,562	625,941
Level 3 assets	188,566	155,102
Cross-jurisdictional claims	1,222,353	915,598
Cross-jurisdictional liabilities	1,260,948	1,155,853

4.6 Outlook

In 2016, global economy will experience a mild recovery. Though faced with big downward pressure in the critical period of growth slowdown and structural adjustment, Chinese economy will be able to maintain medium-to-high growth rate as it has great potential, resilience and maneuvering room.

The Bank will embrace the following opportunities. First, supply-side structural reform will optimize the supply-demand structure of the economic system, improve production factor allocation efficiency and play a stronger leveraging role in economic development, thus providing the Bank with favorable conditions for innovative transformation. Second, the implementation of key strategies including “mass entrepreneurship and innovation”, “Internet plus” and “made in China 2025” will guide positive industrial and corporate transformation and offer vaster space for the Bank’s business development. Third, with all-round and thorough implementation of major regional initiatives such as the “One Belt and One Road”, coordinated development of Beijing-Tianjin-Hebei region, and Yangtze River Economic Zone, the Bank will have the opportunity to explore regional growth potential and foster new profit growth drivers. Fourth, China’s new round of opening up and profound financial reform will expand the Bank’s channels for international and diversified development and enhance its cross-border, cross-market service ability and international competitiveness.

The Bank will also face the following major challenges. First, evolution of traditional risks interwoven with new risk factors in the course of economic adjustment will further test the Bank's risk management and quality control capacity. Second, interest rate liberalization will narrow interest rate spread during a certain period of time, requiring the Bank to further optimize and adjust its business structure and step up creating a new profit growth model underpinned by multiple factors. Third, the in-depth integration of Internet and finance will continuously change the financial business format, which requires the Bank to profoundly transform its operation management model and rebuild customer relations and innovative service pattern from new perspectives and with new methods. Fourth, imbalanced global economy recovery and constant fluctuations of international financial market will add to difficulty in the Bank's cross-border operation and global asset and liability management.

In 2015, the Bank launched a new round of ten-year outline and three-year planning, firmly implemented development strategies of the new era, overcame numerous difficulties and successfully achieved goals for the year. 2016 is the starting year of the new round of "13th Five-Year Plan" and also a critical year for the Bank's transformation and development. The Bank will, persistently guided by strategies of the new era, focus on quality stability, structure adjustment, innovation and reform, to ensure development with higher quality and efficiency.

Strengthen asset quality management and keep risks under control. Towards enhancing prudential operation culture and implementing substantial risk control, the Bank will reform its credit framework and procedures, coordinate credit increment and existing credit management, accelerate application of big data and information technology in credit management and establish a whole-process lifecycle credit management system. In addition, the Bank will explore such innovative methods as investment banking, asset securitization and Internet platforms to improve the efficiency and professionalism of non-performing asset disposal. Furthermore, the Bank will make an overall arrangement for prevention of credit and non-credit, on- and off-balance sheet and domestic and overseas risks and keep improving the risk management system at the Group and corporate level, so as to effectively control cross-sector, cross-border and cross-market risks on the whole.

Deepen business transformation and further improve its ability to serve real economy. By seizing major new opportunities in supply-side structural reform and implementation of China's key regional initiatives, the Bank will strengthen credit support to environment-friendly sector, strategic emerging sector, modern service sector and Internet-based sector, thus optimizing credit allocation structure. Taking opportunities arising from increase of wealth management clients, steady growth of consumption demand and in-depth transformation of consumption model under the new normal, the Bank will comprehensively enhance its abilities in innovative retail banking growth, integrated services, value creation and continuous competition and build up a mega retail landscape featuring customer need satisfaction, information resource sharing, marketing service synergy and business and product integration. Rising to the occasion of direct financing market development, the Bank will build a mega retail management system across the value chain, improve specialized operation of mega asset management business and establish an integrated risk management system of mega asset management.

Accelerate innovation reform and foster new advantages in competitive development. The Bank will further propel development of the Internet financial business, and continue to improve its ICBC Mall, ICBC Mobile and ICBC Link and reinforce three major product lines, namely internet-based payment, financing and wealth management and investment, so as to consolidate its leading position among peers in terms of internet-based finance. It will also fully leverage the internet to implement customer-centric reform on business procedures and management mode, striving to build new-type customer relations. Besides, the Bank will promote the application of big data in operation and management and build a highly aggregated information system focusing on customers, to improve the accuracy of risk management and marketing services in an all-round manner. The Bank will vigorously promote standard and intelligent outlet transformation and keep expanding the access of connecting online and offline channels, making full efforts to shape a new channel network featuring online and offline integration.

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

5.1 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 624,193 ordinary shareholders and no holders of preference shares with voting rights restored, including 134,869 holders of H shares and 489,324 holders of A shares. As at the end of the month immediate before the release day of this Results Announcement (29 February 2016), the Bank had a total number of 634,877 ordinary shareholders and no holders of preference shares with voting rights restored.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK (The following data are based on the register of shareholders as at 31 December 2015)

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	<i>Unit: Share</i>
						Increase/ decrease of share during the reporting period
Central Huijin Investment Ltd.	State-owned	A share	34.71	123,717,852,951	None	-438,000,000
Ministry of Finance of the People's Republic of China	State-owned	A share	34.60	123,316,451,864	None	—
Hong Kong Securities Clearing Company Limited/HKSCC Nominees Limited ⁽³⁾	Foreign legal person	A share H share	0.09 24.15	308,324,177 86,059,557,613	None Unknown	-316,704,584 38,517,695
China Securities Finance Co., Ltd.	State-owned legal person	A share	1.23	4,374,260,086	None	4,170,647,177
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A share	1.21	4,322,828,137	None	-180,943,273
Sycamore Investment Platform Co., Ltd.	State-owned legal person	A share	0.40	1,420,781,042	None	1,420,781,042
Central Huijin Asset Management Co., Ltd. ⁽⁴⁾	State-owned legal person	A share	0.28	1,013,921,700	None	1,013,921,700
Anbang Life Insurance Co., Ltd. — Conservative investment portfolio	Other entities	A share	0.11	390,487,231	None	390,487,231
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A share	0.09	317,038,827	None	—
GIC PRIVATE LIMITED	Foreign legal person	A share	0.07	264,466,161	None	209,964,262

Notes: (1) Particulars of shareholding of H shareholders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

(2) The Bank had no shares subject to restrictions on sales.

(3) Hong Kong Securities Clearing Company Limited held 308,324,177 A shares and HKSCC Nominees Limited held 86,059,557,613 H shares.

(4) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

5.2 Particulars of Substantial Shareholders

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

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

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

As at 31 December 2015, the Bank received notices from the following persons about their interests or short positions held in the Bank's shares and relevant shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Interests or short positions of ordinary shares of the Bank:

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

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2015, Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2015, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
SSF	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	8,682,954,081	Long position	10.00	2.44
JPMorgan Chase & Co.	Beneficial owner	957,009,506	Long position	1.10	0.27
	Investment manager	504,502,036	Long position	0.58	0.14
	Trustee (excluding bare trustee)	90,880	Long position	0.00	0.00
	Custodian/ approved lending agent	3,734,395,964	Shares available for lending	4.30	1.05
	Total	5,195,998,386		5.99	1.46
	Beneficial owner	214,762,754	Short position	0.25	0.06
BlackRock, Inc.	Interest of controlled corporations	5,189,411,277	Long position	5.98	1.46
		9,616,000	Short position	0.01	0.00

5.4 Conversion and Redemption of Convertible Bonds

As at 12 February 2015, a total amount of RMB24,985,764,000 ICBC Convertible Bonds were converted into A shares of the Bank, and the remaining RMB14,236,000 ICBC Convertible Bonds were fully redeemed by the Bank. The redemption payment date was 26 February 2015 and the delisting date of ICBC Convertible Bonds was 26 February 2015. For the redemption results, payment and delisting details, please refer to the Announcement on Results of Redemption and Delisting of ICBC Convertible Bonds issued by the Bank on 16 February 2015.

5.5 Preference Shares

- **Issuance and Listing of Preference Shares in Latest Three Years**

Upon approval by CBRC pursuant to Yin Jian Fu [2014] No. 801 and by CSRC pursuant to Zheng Jian Xu Ke [2014] No. 1229, the Bank privately offered non-cumulative, non-participating and perpetual offshore preference shares in U.S. dollar, Euro and Renminbi on 10 December 2014 (please see the table below for details). The offshore preference shares issued by the Bank were listed on SEHK on 11 December 2014. Each offshore preference share had a nominal value of RMB100. The USD offshore preference shares, EUR offshore preference shares and RMB offshore preference shares were fully paid and issued in U.S. dollar, Euro and Renminbi. The offshore preference shares had no maturity. They had no less than six qualified placees. They were offered to professional investors only rather than retail investors and transferred privately in the OTC market only.

In accordance with the reference price of RMB exchange rate on 10 December 2014 published by the China Foreign Exchange Trade System, total proceeds from the issuance of offshore preference shares amounted to approximately RMB34.55 billion. After deduction of commissions and offering expenses, net proceeds from the issuance amounted to around RMB34.43 billion. All proceeds after deduction of the expenses relating to the issuance will be used to replenish additional tier 1 capital and increase capital adequacy ratio.

Type of offshore preference share	Stock code	Dividend rate	Total amount	Full amount of proceeds per share	Number of issued shares
USD preference shares	4603	6%	USD2,940,000,000	USD20	147,000,000
EUR preference shares	4604	6%	EUR600,000,000	EUR15	40,000,000
RMB preference shares	84602	6%	RMB12,000,000,000	RMB100	120,000,000

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015 upon the approval by CBRC pursuant to Yin Jian Fu [2015] No. 189 and by CSRC pursuant to Zheng Jian Xu Ke [2015] No. 1023. Each domestic preference share had a nominal value of RMB100 and were issued at nominal value. The coupon rate, as determined by benchmark rate plus a fixed spread, shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the benchmark rate shall be readjusted once every 5 years during which the coupon rate shall remain unchanged. The coupon rate for the Domestic Preference Shares is determined at 4.50% through price discovery. The dividends of the domestic preference shares will be non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed coupon rate, and are not entitled to any distribution of residual assets of the Bank together with the holders of ordinary shares. Upon approval by SSE pursuant to Shang Zheng Han [2015] No. 2391, the domestic preference shares were listed on the integrated trading platform of SSE for transfer as of 11 December 2015 (stock name: ICBC Preference Share

1, stock code: 360011). Total proceeds from the issuance amounted to RMB45.0 billion, net proceeds from the issuance amounted to around RMB44.95 billion. All proceeds after deduction of the expenses relating to the issuance will be used to replenish additional tier 1 capital.

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

• **Changes in Preference Shares**

As at the end of the reporting period, the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders. As at the end of the month immediate before the release day of this Results Announcement (29 February 2016), the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK (The following data are based on the register of offshore preference shareholders as at 31 December 2015)

							<i>Unit: Share</i>	
No.	Name of shareholder	Nature of shareholder	Type of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
1	Cede & Co.	Foreign legal person	USD offshore preference shares	—	147,000,000	47.9	—	Unknown
2	The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB offshore preference shares	—	120,000,000	39.1	—	Unknown
			EUR offshore preference shares	—	40,000,000	13.0	—	Unknown

Notes: (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.

(2) As the issuance was private offering, the register of preference shareholders presented the information on proxies of placees.

(3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shares and top 10 ordinary shareholders.

(4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK (The following data are based on the register of domestic preference shareholders as at 31 December 2015)

No.	Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	<i>Unit: Share</i>	
							Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
1	China Mobile Communications Corporation	Other entities	Domestic preference shares	200,000,000	200,000,000	44.4	—	None
2	China National Tobacco Corporation	Other entities	Domestic preference shares	50,000,000	50,000,000	11.1	—	None
3	China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	35,000,000	35,000,000	7.8	—	None
4	Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	30,000,000	30,000,000	6.7	—	None
5	CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	15,000,000	15,000,000	3.3	—	None
6	BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	15,000,000	15,000,000	3.3	—	None
7	China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	15,000,000	15,000,000	3.3	—	None
8	BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	15,000,000	15,000,000	3.3	—	None
9	China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	10,000,000	10,000,000	2.2	—	None
	China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	10,000,000	10,000,000	2.2	—	None
	Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	10,000,000	10,000,000	2.2	—	None

Notes: (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shares and top 10 ordinary shareholders.

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

- **Dividend Distribution of Preference Shares**

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the first dividend distribution plan in respect of the Bank's offshore preference shares at the meeting of its Board of Directors on 30 October 2015. Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. The dividends of the Bank's offshore preference shares will be non-cumulative. The Bank's offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual assets of the Bank together with the ordinary shares. According to the dividend distribution plan in the offshore preference share issuance proposal, the Bank will distribute a dividend of USD196,000,000, EUR40,000,000 and RMB800,000,000 on the offshore preference shares (pre-tax), aggregating to approximately RMB2,331 million. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank will pay the relevant taxes, in addition to the dividends for offshore preference shares.

For particulars of the Bank's distribution of dividends on offshore preference shares, please refer to the announcements of the Bank on the websites of SSE, SEHK and the Bank. The afore-said dividends have been fully paid in cash on 10 December 2015.

During the reporting period, the Bank did not distribute any dividend on domestic preference shares.

In 2015, distribution of dividends on preference shares by the Bank is shown as follows:

Type of preference share	Dividend rate	2015
		Dividend distributed (pre-tax, in RMB millions)
Offshore preference shares	6%	2,331
Domestic preference shares	4.5%	—

- **Redemption or Conversion of Preference Shares**

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

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

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

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

According to the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by Ministry of Finance of the People's Republic of China as well as other accounting standards and main issuance clauses of the Bank's preference shares, issued and existing preference shares of the Bank excluded contractual obligations of cash on delivery or other financial assets and contractual obligations of settlement by delivering variable equity instruments, and shall be calculated as other equity instruments.

6. Material Assets Acquisition, Sale and Merger

- **Acquisition of 60% Shares in Standard Bank PLC**

On 29 January 2014, the Bank entered into a share purchase agreement to acquire 60% of the existing issued shares in Standard Bank PLC (“Target Bank”) from Standard Bank London Holdings Limited (“SBLH”). In addition, the Bank also has a five-year option to acquire additional 20% of the existing issued shares of Target Bank exercisable from the second anniversary of the date that the transaction is completed (the “Call Option”). SBLH will have a put option, exercisable six months following the date on which the Bank’s Call Option is exercised, to require the Bank to purchase all shares of the Target Bank that are held by SBLH and its related parties. This transaction was completed on 1 February 2015 (Beijing time) after obtaining approval from domestic and overseas regulatory authorities and complying with relevant preconditions for completion. The Bank officially became a controlling shareholder of the Target Bank. After going through relevant approval procedures of regulatory authorities, Standard Bank PLC was renamed ICBC Standard Bank PLC.

- **Acquisition of Majority Stake in Tekstilbank**

On 29 April 2014, the Bank entered into a share purchase agreement to acquire 75.5% of the existing issued shares in Tekstilbank from GSD Holding A.Ş. of Turkey. This transaction was completed on 22 May 2015 (Beijing time) after obtaining approval from domestic and overseas regulatory authorities and complying with relevant preconditions for completion. According to the capital markets law of Turkey, this transaction triggered the provision that a mandatory tender offer shall be issued to purchase all the remaining shares of Tekstilbank that are traded on the Istanbul Stock Exchange. The Board of Directors of the Bank authorized the Bank to issue a mandatory tender offer for the remaining shares at a proper time. Upon the approval of relevant regulatory authorities, the Bank completed the tender offer and purchased additional shares of Tekstilbank with the total nominal value of TRY72,730,110.49 from 20 July 2015 to 14 August 2015. After the tender offer, 92.8169% of the issued shares of Tekstilbank are held by the Bank. After going through relevant approval procedures of regulatory authorities, Tekstilbank was officially renamed ICBC Turkey Bank A.Ş..

- **Termination of the Acquisition of 20% shares in Bank SinoPac**

On 2 April 2013, the Bank, SinoPac Financial Holdings Co., Ltd. (“SinoPac Holdings”) and Bank SinoPac Co., Ltd. (“Bank SinoPac”) entered into a share subscription agreement by the Bank of 20% shares of SinoPac Holdings or Bank SinoPac. On 27 February 2014 and 1 April 2015, the Bank, SinoPac Holdings and Bank SinoPac entered into two supplemental agreements to extend the transaction waiting period to 1 October 2015. As at the end of the transaction waiting period, as the Cross-Strait Service Trade Agreement was still not passed by Taiwan, the limit of percentage of outstanding voting shares or capital held by a commercial bank from Mainland China in a Taiwan financial institution was not relaxed to 20%. The Bank, SinoPac Holdings and Bank SinoPac, upon consultation, unanimously agreed not to further extend the transaction waiting period. Termination of the acquisition of SinoPac Holdings or Bank SinoPac will not have a significant impact on the future operation of the Bank.

7. Other Information

7.1 Compliance with the Corporate Governance Code

During the reporting period, the Bank fully complied with the code provisions and the recommended best practices as stipulated in the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules.

7.2 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries with all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the year ended 31 December 2015.

7.3 Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Auditors' Report and Financial Statements of the Annual Report.

Upon the approval at the Annual General Meeting for the Year 2014 held on 19 June 2015, the Bank has distributed cash dividends of approximately RMB91,026 million, or RMB2.554 per ten shares (pre-tax), for the period from 1 January 2014 to 31 December 2014 to the ordinary shareholders whose names appeared on the share register after the close of market on 6 July 2015.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.333 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2015, totaling RMB83,150 million. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2015. Once approved, the abovementioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 7 July 2016. The register of transfers of H shares will be closed from 1 July 2016 to 7 July 2016 (both days inclusive). In order to qualify for the proposed distribution of cash dividends, holders of H shares are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited located at Rooms 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on 30 June 2016. Pursuant to relevant regulatory requirements and operational rules, dividends of A shares and H shares will be paid on 8 July 2016 and 17 August 2016, respectively.

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

Item	2015	2014	2013
Dividend per ten shares (pre-tax, in RMB yuan)	2.333	2.554	2.617
Cash dividends (pre-tax, in RMB millions)	83,150	91,026	91,960
Percentage of cash dividends ⁽¹⁾ (%)	30.3	33.0	35.0

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

According to the terms in respect of dividend payment as agreed on the issuance proposal for offshore preference shares, the Bank totally paid approximately RMB2,331 million equivalent dividends of offshore preference shares. For details on the dividends of preference shares of the Bank, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Particulars of Preference Shares”.

7.4 Purchase, Sale or Redemption of Securities

For details on the redemption of ICBC Convertible Bonds, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Conversion and Redemption of Convertible Bonds”. Save as disclosed above, during the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

8. Financial Report

8.1 Audit Opinions

The 2015 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG, respectively. KPMG Huazhen LLP and KPMG have expressed unqualified opinions in the independent auditor’s report.

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

8.2.1 Consolidated Statement of Profit or Loss

Year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	2015	2014
Interest income	871,779	849,879
Interest expense	(363,912)	(356,357)
NET INTEREST INCOME	507,867	493,522
Fee and commission income	161,670	146,678
Fee and commission expense	(18,279)	(14,181)
NET FEE AND COMMISSION INCOME	143,391	132,497
Net trading income	4,227	1,745
Net loss on financial assets and liabilities designated at fair value through profit or loss	(5,953)	(10,024)
Net gain on financial investments	4,920	1,803
Other operating income, net	14,281	15,315
OPERATING INCOME	668,733	634,858
Operating expenses	(220,835)	(218,674)
Impairment losses on:		
Loans and advances to customers	(86,022)	(56,267)
Others	(971)	(462)
OPERATING PROFIT	360,905	359,455
Share of profits of associates and joint ventures	2,330	2,157
PROFIT BEFORE TAXATION	363,235	361,612
Income tax expense	(85,515)	(85,326)
PROFIT FOR THE YEAR	277,720	276,286
Attributable to:		
Equity holders of the parent company	277,131	275,811
Non-controlling interests	589	475
Profit for the year	277,720	276,286
EARNINGS PER SHARE		
— Basic (RMB yuan)	0.77	0.78
— Diluted (RMB yuan)	0.77	0.78

8.2.2 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	2015	2014
Profit for the year	277,720	276,286
Other comprehensive income (after tax, net):		
Items that will not be reclassified to profit or loss:		
Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit or loss	(8)	—
Items that may be reclassified subsequently to profit or loss:		
Net gain from change in fair value of available-for-sale financial assets	25,745	34,550
Effective hedging portion of gains or losses arising from cash flow hedging instruments	(88)	110
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	156	80
Foreign currency translation differences	(5,400)	(2,173)
Subtotal of other comprehensive income for the year	20,405	32,567
Total comprehensive income for the year	298,125	308,853
Total comprehensive income attributable to:		
Equity holders of the parent company	297,024	308,122
Non-controlling interests	1,101	731
	298,125	308,853

8.2.3 Consolidated Statement of Financial Position

31 December 2015

(In RMB millions, unless otherwise stated)

	31 December 2015	31 December 2014
ASSETS		
Cash and balances with central banks	3,059,633	3,523,622
Due from banks and other financial institutions	683,793	782,776
Financial assets held for trading	132,838	34,373
Financial assets designated at fair value through profit or loss	210,434	312,455
Derivative financial assets	78,870	24,048
Reverse repurchase agreements	996,333	468,462
Loans and advances to customers	11,652,812	10,768,750
Financial investments	4,666,691	4,086,409
Investments in associates and joint ventures	24,185	28,919
Property and equipment	224,426	199,280
Deferred income tax assets	21,066	24,758
Other assets	458,699	356,101
TOTAL ASSETS	22,209,780	20,609,953
LIABILITIES		
Due to central banks	210	631
Financial liabilities designated at fair value through profit or loss	303,927	589,385
Derivative financial liabilities	76,826	24,191
Due to banks and other financial institutions	2,265,860	1,539,239
Repurchase agreements	337,191	380,957
Certificates of deposit	183,352	176,248
Due to customers	16,281,939	15,556,601
Income tax payable	63,266	60,666
Deferred income tax liabilities	995	451
Debt securities issued	306,622	279,590
Other liabilities	589,073	464,690
TOTAL LIABILITIES	20,409,261	19,072,649
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	356,407	353,495
Other equity instrument	79,375	34,428
Including: Preference shares	79,375	34,428
Equity component of convertible bonds	—	388
Reserves	571,704	492,312
Retained profits	781,988	650,236
	1,789,474	1,530,859
Non-controlling interests	11,045	6,445
TOTAL EQUITY	1,800,519	1,537,304
TOTAL EQUITY AND LIABILITIES	22,209,780	20,609,953

8.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company														Total equity
	Equity component of			Reserves								Retained profits	Non-controlling interests		
	Issued share capital	Other equity instrument	of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
												Total			
Balance as at 1 January 2015	353,495	34,428	388	144,424	150,752	221,622	4,809	(26,103)	(3,853)	661	492,312	650,236	1,530,859	6,445	1,537,304
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	277,131	277,131	589	277,720
Other comprehensive income	—	—	—	—	—	—	25,147	(5,329)	(73)	148	19,893	—	19,893	512	20,405
Total comprehensive income	—	—	—	—	—	—	25,147	(5,329)	(73)	148	19,893	277,131	297,024	1,101	298,125
Dividends — ordinary shares 2014 final	—	—	—	—	—	—	—	—	—	—	—	(91,026)	(91,026)	—	(91,026)
Dividends — preference shares	—	—	—	—	—	—	—	—	—	—	—	(2,331)	(2,331)	—	(2,331)
Appropriation to surplus reserve (i)	—	—	—	—	27,288	—	—	—	—	—	27,288	(27,288)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	—	24,734	—	—	—	—	24,734	(24,734)	—	—	—
Capital injection by other equity holder	—	44,947	—	—	—	—	—	—	—	—	—	—	44,947	—	44,947
Conversion of convertible bonds	2,912	—	—	7,761	—	—	—	—	—	—	7,761	—	10,673	—	10,673
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	3,438	3,438
Change in share holding in subsidiaries	—	—	—	(159)	—	—	—	—	—	—	(159)	—	(159)	(339)	(498)
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	323	323
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(8)	(8)
Conversion and redemption of equity component of convertible bonds	—	—	(388)	—	—	—	—	—	—	—	—	—	(388)	—	(388)
Others	—	—	—	—	—	—	—	—	—	(125)	(125)	—	(125)	85	(40)
Balance as at 31 December 2015	<u>356,407</u>	<u>79,375</u>	<u>—</u>	<u>152,026</u>	<u>178,040</u>	<u>246,356</u>	<u>29,956</u>	<u>(31,432)</u>	<u>(3,926)</u>	<u>684</u>	<u>571,704</u>	<u>781,988</u>	<u>1,789,474</u>	<u>11,045</u>	<u>1,800,519</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB71 million and RMB890 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,303 million.

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

	Equity component			Reserves								Subtotal	Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Other equity instrument	of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves						
Balance as at 1 January 2014	351,390	—	1,960	138,852	123,870	202,940	(29,379)	(24,038)	(3,961)	551	408,835	511,949	1,274,134	4,329	1,278,463	
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	275,811	275,811	475	276,286	
Other comprehensive income	—	—	—	—	—	—	34,188	(2,065)	108	80	32,311	—	32,311	256	32,567	
Total comprehensive income	—	—	—	—	—	—	34,188	(2,065)	108	80	32,311	275,811	308,122	731	308,853	
Dividends — ordinary shares 2013 final	—	—	—	—	—	—	—	—	—	—	—	(91,960)	(91,960)	—	(91,960)	
Appropriation to surplus reserve (i)	—	—	—	—	26,882	—	—	—	—	—	26,882	(26,882)	—	—	—	
Appropriation to general reserve (ii)	—	—	—	—	—	18,682	—	—	—	—	18,682	(18,682)	—	—	—	
Capital injection by other equity holder	—	34,428	—	—	—	—	—	—	—	—	—	—	34,428	—	34,428	
Conversion of convertible bonds	2,105	—	—	5,572	—	—	—	—	—	—	5,572	—	7,677	—	7,677	
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	1,393	1,393	
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(8)	(8)	
Conversion of equity component of convertible bonds	—	—	(1,572)	—	—	—	—	—	—	—	—	—	(1,572)	—	(1,572)	
Others	—	—	—	—	—	—	—	—	—	30	30	—	30	—	30	
Balance as at 31 December 2014	<u>353,495</u>	<u>34,428</u>	<u>388</u>	<u>144,424</u>	<u>150,752</u>	<u>221,622</u>	<u>4,809</u>	<u>(26,103)</u>	<u>(3,853)</u>	<u>661</u>	<u>492,312</u>	<u>650,236</u>	<u>1,530,859</u>	<u>6,445</u>	<u>1,537,304</u>	

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB114 million and RMB345 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB520 million.

8.2.5 Consolidated Statement of Cash Flows

Year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	363,235	361,612
Adjustments for:		
Share of profits of associates and joint ventures	(2,330)	(2,157)
Depreciation	18,049	16,094
Amortisation	2,295	2,211
Amortisation of financial investments	(1,422)	(102)
Impairment losses on loans and advances to customers	86,022	56,267
Impairment losses on assets other than loans and advances to customers	971	462
Unrealised foreign exchange gains	(7,494)	(476)
Interest expense on debt securities issued	13,349	11,705
Accreted interest on impaired loans	(4,156)	(2,779)
Gain on disposal of available-for-sale financial assets, net	(4,765)	(1,626)
Net trading gain on equity investments	(33)	(24)
Net loss on financial assets and liabilities designated at fair value through profit or loss	5,953	10,024
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(848)	(944)
Dividend income	(155)	(177)
	<u>468,671</u>	<u>450,090</u>
Net decrease/(increase) in operating assets:		
Due from central banks	442,973	(223,291)
Due from banks and other financial institutions	(91,173)	3,069
Financial assets held for trading	(98,020)	(6,047)
Financial assets designated at fair value through profit or loss	103,856	35,022
Reverse repurchase agreements	130,224	(173,890)
Loans and advances to customers	(924,231)	(1,121,840)
Other assets	(774,096)	(143,088)
	<u>(1,210,467)</u>	<u>(1,630,065)</u>
Net (decrease)/increase in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	(284,962)	33,136
Due to central banks	(421)	(93)
Due to banks and other financial institutions	703,298	260,411
Repurchase agreements	(43,766)	81,653
Certificates of deposit	1,136	43,147
Due to customers	688,632	920,197
Other liabilities	896,426	130,182
	<u>1,960,343</u>	<u>1,468,633</u>

	2015	2014
Net cash flows from operating activities before tax	1,218,547	288,658
Income tax paid	<u>(86,783)</u>	<u>(87,201)</u>
Net cash flows from operating activities	<u>1,131,764</u>	<u>201,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(42,297)	(53,957)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	3,481	3,802
Purchases of financial investments	(2,007,160)	(1,109,178)
Proceeds from sale and redemption of financial investments	1,378,079	1,011,771
Investments in associates and joint ventures	(158)	(324)
Dividends received	<u>1,094</u>	<u>1,145</u>
Net cash flows from investing activities	<u>(666,961)</u>	<u>(146,741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of preference shares	45,000	34,549
Capital injection by non-controlling shareholders	323	1,393
Proceeds from issuance of debt securities	116,214	95,554
Interest paid on debt securities	(10,325)	(11,278)
Repayment of other debt securities	(94,205)	(54,594)
Acquisitions of non-controlling interests	(374)	—
Dividends paid on ordinary shares	(91,026)	(91,960)
Dividends paid on preference shares	(2,331)	—
Dividends paid to non-controlling shareholders	<u>(8)</u>	<u>(8)</u>
Net cash flows from financing activities	<u>(36,732)</u>	<u>(26,344)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	428,071	28,372
Cash and cash equivalents at beginning of the year	994,264	957,402
Effect of exchange rate changes on cash and cash equivalents	<u>18,963</u>	<u>8,490</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>1,441,298</u></u>	<u><u>994,264</u></u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	864,899	836,797
Interest paid	<u>(338,014)</u>	<u>(315,230)</u>

8.3 Revised International Financial Reporting Standards that are Effective in 2015 and Relevant to the Group

The IASB has issued the following amendments to IFRSs (including International Accounting Standards (“IASs”)) that are effective in 2015 and relevant to the Group’s operation.

Amendments to IAS 19 *Employee benefits “Defined benefit plans: Employee contributions”*
Annual Improvements to IFRSs 2010–2012 Cycle
Annual Improvements to IFRSs 2011–2013 Cycle

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

Amendments to IAS 19 Employee benefits “Defined benefit plans: Employee contributions”

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient (by meeting the criteria set out in the amendments), a company is permitted (but not required) to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation.

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

Annual Improvements to IFRSs 2010-2012 Cycle and 2011–2013 Cycle

The 2010–2012 cycle of annual improvement contains amendments to seven standards with consequential amendments to other standards and interpretations including IFRS 2 Share based payment, IFRS 3 Business combinations, IFRS 8 Operating segments, IFRS 13 Fair value measurement, IAS 24 Related party disclosures, IAS 16 Property, plant and equipment and IAS 38 Intangible assets.

The 2011–2013 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 3 Business combinations, IFRS 13 Fair value measurement, IAS 40 Investment property.

The adoption of these annual improvements does not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation or amendments.

8.4 Notes to Financial Statements

(In RMB millions, unless otherwise stated)

8.4.1 Net Interest Income

	2015	2014
Interest income on:		
Loans and advances to customers	616,541	615,488
— Corporate loans and advances	421,877	437,789
— Personal loans	174,503	164,612
— Discounted bills	20,161	13,087
Financial investments	170,833	159,262
Due from central banks	47,867	48,384
Due from banks and other financial institutions	36,538	26,745
	<u>871,779</u>	<u>849,879</u>
Interest expense on:		
Due to customers	(298,010)	(298,941)
Due to banks and other financial institutions	(49,801)	(42,801)
Debt securities issued	(16,101)	(14,615)
	<u>(363,912)</u>	<u>(356,357)</u>
Net interest income	<u>507,867</u>	<u>493,522</u>

8.4.2 Net Fee and Commission Income

	2015	2014
Bank card business	37,684	35,133
Personal wealth management and private banking services	35,910	20,676
Settlement, clearing business and cash management	27,986	30,422
Investment banking business	26,791	30,474
Corporate wealth management services	18,305	14,929
Asset custody business	5,544	5,923
Guarantee and commitment business	4,687	4,614
Trust and agency services	1,979	2,019
Others	2,784	2,488
	<u>161,670</u>	<u>146,678</u>
Fee and commission income	161,670	146,678
Fee and commission expense	(18,279)	(14,181)
	<u>(18,279)</u>	<u>(14,181)</u>
Net fee and commission income	<u>143,391</u>	<u>132,497</u>

8.4.3 Net Trading Income

	2015	2014
Debt securities	4,444	1,103
Equity investments	33	24
Derivatives	(250)	618
	<u>4,227</u>	<u>1,745</u>

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

	2015	2014
Financial assets	14,320	16,158
Financial liabilities	(20,273)	(26,182)
	<u>(5,953)</u>	<u>(10,024)</u>

8.4.5 Net Gain on Financial Investments

	2015	2014
Dividend income from unlisted investments	125	145
Dividend income from listed investments	<u>30</u>	<u>32</u>
Dividend income	155	177
Gain on disposal of available-for-sale financial assets, net	<u>4,765</u>	<u>1,626</u>
	<u><u>4,920</u></u>	<u><u>1,803</u></u>

8.4.6 Other Operating Income, Net

	2015	2014
Insurance net income	34	590
Gain from foreign exchange and foreign exchange products, net	1,894	3,673
Leasing income	5,866	6,722
Net gain on disposal of property and equipment, repossessed assets and others	1,664	1,319
Sundry bank charge income	212	303
Gain on acquisition of subsidiary	487	—
Others	<u>4,124</u>	<u>2,708</u>
	<u><u>14,281</u></u>	<u><u>15,315</u></u>

8.4.7 Operating Expenses

	2015	2014
Staff costs:		
Salaries and bonuses	72,721	70,284
Staff benefits	27,563	28,541
Post-employment benefits — defined contribution plans	13,889	13,197
	<u>114,173</u>	<u>112,022</u>
Premises and equipment expenses:		
Depreciation	14,560	16,094
Lease payments under operating leases in respect of land and buildings	7,349	6,543
Repairs and maintenance charges	3,515	3,556
Utility expenses	2,690	2,705
	<u>28,114</u>	<u>28,898</u>
Amortisation	2,295	2,211
Other administrative expenses	21,219	23,709
Business tax and surcharges	42,320	41,351
Others	12,714	10,483
	<u>220,835</u>	<u>218,674</u>

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

	2015	2014
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	111	8
Financial investments:		
Held-to-maturity investments	(25)	3
Available-for-sale financial assets	(4)	163
Others	889	288
	<u>971</u>	<u>462</u>

8.4.9 Income Tax Expense

(a) Income tax

	2015	2014
Current income tax expense:		
Mainland China	86,541	88,981
Hong Kong and Macau	1,837	1,613
Overseas	2,238	2,151
	<u>90,616</u>	<u>92,745</u>
Adjustments in respect of income tax of prior years	(1,232)	254
Deferred income tax credit	(3,869)	(7,673)
	<u>85,515</u>	<u>85,326</u>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2015	2014
Profit before taxation	<u>363,235</u>	<u>361,612</u>
Tax at the PRC statutory income tax rate	90,809	90,403
Effects of different applicable rates of tax prevailing in other countries/regions	(511)	(575)
Non-deductible expenses	5,774	3,937
Non-taxable income	(10,256)	(9,081)
Profits attributable to associates and joint ventures	(582)	(539)
Adjustment in respect of income tax of prior years	(1,232)	254
Others	1,513	927
	<u>85,515</u>	<u>85,326</u>
Income tax expenses	<u>85,515</u>	<u>85,326</u>

8.4.10 Dividends

	2015	2014
Dividends on ordinary shares declared and paid:		
Final dividend on ordinary shares for 2014: RMB0.2554 per share (2013: RMB0.2617 per share)	<u>91,026</u>	<u>91,960</u>
Dividends on preference shares declared and paid:		
Final dividend for 2015	<u>2,331</u>	<u>—</u>
	2015	2014
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final dividend on ordinary shares for 2015: RMB0.2333 per share (2014: RMB0.2554 per share)	<u>83,150</u>	<u>91,026</u>

8.4.11 Earnings Per Share

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

	2015	2014
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	<u>274,800</u>	<u>275,811</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,027</u>	<u>351,438</u>
Basic earnings per share (RMB yuan)	<u>0.77</u>	<u>0.78</u>

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per ordinary share is based on the following:

	2015	2014
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	274,800	275,811
Add: Interest expense on convertible bonds (net of tax)	<u>13</u>	<u>447</u>
Profit used to determine diluted earnings per share	<u><u>274,813</u></u>	<u><u>276,258</u></u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	356,027	351,438
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u>—</u>	<u>2,916</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u><u>356,027</u></u>	<u><u>354,354</u></u>
Diluted earnings per share (RMB yuan)	<u><u>0.77</u></u>	<u><u>0.78</u></u>

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As approved by the CBRC and the China Securities Regulatory Commission, the Bank issued RMB25 billion A share convertible bonds on 31 August 2010. As of the end of the financial reporting period, the balance of outstanding convertible bonds of the bank is nil.

8.4.12 Derivative Financial Instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 31 December 2015, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB65,861 million and RMB64,354 million respectively, and the net derivative assets and net derivative liabilities were RMB39,774 million and RMB38,267 million respectively.

At the end of the reporting period, the Group had derivative financial instruments as follows:

Group

	2015						
	Notional amounts with remaining life of				Fair values		
	Within three months	Over Three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,211,545	1,309,472	139,060	4,290	2,664,367	35,533	(37,722)
Option contracts purchased	39,851	65,470	778	—	106,099	1,074	—
Option contracts written	50,866	53,240	283	—	104,389	—	(1,203)
	<u>1,302,262</u>	<u>1,428,182</u>	<u>140,121</u>	<u>4,290</u>	<u>2,874,855</u>	<u>36,607</u>	<u>(38,925)</u>
Interest rate contracts:							
Swap contracts	209,289	373,438	647,015	161,450	1,391,192	26,769	(28,079)
Forward contracts	69,289	193,918	322,529	—	585,736	119	(111)
Option contracts purchased	5,386	28	8,059	—	13,473	101	—
Option contracts written	5,386	—	7,383	16	12,785	—	(46)
	<u>289,350</u>	<u>567,384</u>	<u>984,986</u>	<u>161,466</u>	<u>2,003,186</u>	<u>26,989</u>	<u>(28,236)</u>
Commodity derivatives and others	<u>691,028</u>	<u>266,823</u>	<u>44,352</u>	<u>1,460</u>	<u>1,003,663</u>	<u>15,274</u>	<u>(9,665)</u>
	<u><u>2,282,640</u></u>	<u><u>2,262,389</u></u>	<u><u>1,169,459</u></u>	<u><u>167,216</u></u>	<u><u>5,881,704</u></u>	<u><u>78,870</u></u>	<u><u>(76,826)</u></u>
	2014						
	Notional amounts with remaining life of				Fair values		
	Within three months	Over Three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,015,906	753,091	92,944	4,237	1,866,178	19,068	(20,281)
Option contracts purchased	12,670	32,181	301	—	45,152	165	—
Option contracts written	9,564	6,919	99	—	16,582	—	(140)
	<u>1,038,140</u>	<u>792,191</u>	<u>93,344</u>	<u>4,237</u>	<u>1,927,912</u>	<u>19,233</u>	<u>(20,421)</u>
Interest rate contracts:							
Swap contracts	70,707	88,816	152,041	33,598	345,162	2,408	(2,382)
Forward contracts	5,198	11,219	819	—	17,236	2	(5)
	<u>75,905</u>	<u>100,035</u>	<u>152,860</u>	<u>33,598</u>	<u>362,398</u>	<u>2,410</u>	<u>(2,387)</u>
Commodity derivatives and others	<u>185,228</u>	<u>52,507</u>	<u>1,304</u>	<u>219</u>	<u>239,258</u>	<u>2,405</u>	<u>(1,383)</u>
	<u><u>1,299,273</u></u>	<u><u>944,733</u></u>	<u><u>247,508</u></u>	<u><u>38,054</u></u>	<u><u>2,529,568</u></u>	<u><u>24,048</u></u>	<u><u>(24,191)</u></u>

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

Group

	2015				Fair values		
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over Three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	265	503	10,406	2,192	13,366	201	(32)
Currency swap contracts	2,347	1,018	790	—	4,155	20	(30)
Equity derivative instruments	77	84	104	—	265	—	(60)
	<u>2,689</u>	<u>1,605</u>	<u>11,300</u>	<u>2,192</u>	<u>17,786</u>	<u>221</u>	<u>(122)</u>

	2014				Fair values		
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over Three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	318	378	1,778	3,734	6,208	190	(31)
Currency swap contracts	3,022	6,508	—	—	9,530	98	—
Currency forward contracts	—	25	—	—	25	—	—
	<u>3,340</u>	<u>6,911</u>	<u>1,778</u>	<u>3,734</u>	<u>15,763</u>	<u>288</u>	<u>(31)</u>

There is no ineffectiveness recognised in profit or loss that arises from the cash flow hedge for the current year (2014: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. Interest rate swaps and currency swaps are used as hedging instruments to hedge the interest risk and currency risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the year is presented as follows:

	Group	
	2015	2014
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	91	136
— Hedged items attributable to the hedged risk	(73)	(129)
	18	7

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

Group

	2015						
	Notional amounts with remaining life of				Fair values		
	Within three months	Over Three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	279	339	18,828	2,896	22,342	311	(133)
	<u>279</u>	<u>339</u>	<u>18,828</u>	<u>2,896</u>	<u>22,342</u>	<u>311</u>	<u>(133)</u>
	2014						
	Notional amounts with remaining life of				Fair values		
	Within three months	Over Three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	69	—	—	69	16	—
Interest rate swap contracts	470	837	8,748	3,688	13,743	51	(217)
	<u>470</u>	<u>906</u>	<u>8,748</u>	<u>3,688</u>	<u>13,812</u>	<u>67</u>	<u>(217)</u>

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

	Group	
	2015	2014
Counterparty credit default risk-weighted assets	45,372	24,882
Currency derivatives	24,281	22,676
Interest rate derivatives	3,819	1,631
Credit derivatives	75	—
Commodity derivatives and others	7,207	565
Netting Settled credit default risk-weighted assets	9,990	10
Credit value adjustment	20,332	17,717
	65,704	42,599

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

8.4.13 Financial Investments

	Group	
	2015	2014
Receivables	352,143	331,731
Held-to-maturity investments	2,870,353	2,566,390
Available-for-sale financial assets	1,444,195	1,188,288
	4,666,691	4,086,409

8.4.14 Components of Other Comprehensive Income

	2015	2014
Items that will not be reclassified to profit or loss:		
Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit or loss	(8)	—
Items that may be reclassified subsequently to profit or loss:		
Net gain from Change in fair value of available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	36,956	43,992
Less: Transfer to profit or loss arising from disposal/impairment	(2,357)	1,602
Income tax effect	(8,854)	(11,044)
	<u>25,745</u>	<u>34,550</u>
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
(Loss)/gain during the year	(88)	122
Less: Income tax effect	—	(12)
	<u>(88)</u>	<u>110</u>
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	<u>156</u>	<u>80</u>
Foreign currency translation differences	<u>(5,400)</u>	<u>(2,173)</u>
	<u><u>20,405</u></u>	<u><u>32,567</u></u>

8.4.15 Commitments and Contingent Liabilities

(a) Capital commitments

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

	Group	
	2015	2014
Authorised, but not contracted for	719	850
Contracted, but not provided for	22,081	28,738
	22,800	29,588

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group leased certain office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	Group	
	2015	2014
Within one year	5,516	5,210
Over one year but within five years	11,093	12,389
Over five years	2,369	580
	18,978	18,179

Operating lease commitments – Lessor

At the end of the reporting period, the Group leased certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

	Group	
	2015	2014
Within one year	10,198	6,156
Over one year but within five years	39,463	23,987
Over five years	39,344	25,198
	89,005	55,341

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	Group	
	2015	2014
Bank acceptances	339,494	348,924
Guarantees issued:		
Financing letters of guarantees	61,839	33,369
Non-financing letters of guarantees	281,804	274,186
Sight letters of credit	27,148	56,096
Usance letters of credit and other commitments	219,199	334,838
Loan commitments:		
With an original maturity of under one year	102,375	235,664
With an original maturity of one year or over	727,316	584,362
Undrawn credit card limit	538,709	474,684
	<u>2,297,884</u>	<u>2,342,123</u>

	Group	
	2015	2014
Credit risk-weighted assets of credit commitments (i)	<u>1,071,193</u>	<u>1,014,045</u>

(i) Internal Ratings-Based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the CBRC, and others were calculated by weighted approach.

(d) Legal proceedings

As at 31 December 2015, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,715 million (31 December 2014: RMB3,001 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2015, the Bank had underwritten and sold bonds with an accumulated amount of RMB97,477 million (31 December 2014: RMB90,874 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The Ministry of Finance of the People's Republic of China will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2015, the Group had no unexpired securities underwriting obligations (31 December 2014: Nil).

8.4.16 Segment Information

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Year ended 31 December 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	287,137	26,963	193,767	—	507,867
Internal net interest (expense)/income	(45,613)	152,758	(107,145)	—	—
Net fee and commission income	78,211	64,709	471	—	143,391
Other income, net	6,179	539	5,519	5,238	17,475
Operating income	325,914	244,969	92,612	5,238	668,733
Operating expenses	(93,129)	(100,962)	(20,633)	(6,111)	(220,835)
Impairment losses on:					
Loans and advances to customers	(63,752)	(22,270)	—	—	(86,022)
Others	(200)	(1)	(202)	(568)	(971)
Operating profit/(loss)	168,833	121,736	71,777	(1,441)	360,905
Share of profits of associates and joint ventures	—	—	—	2,330	2,330
Profit before taxation	168,833	121,736	71,777	889	363,235
Income tax expense					(85,515)
Profit for the year					<u>277,720</u>
Other segment information:					
Depreciation	6,534	5,109	2,625	292	14,560
Amortisation	1,053	704	474	64	2,295
Capital expenditure	25,873	20,045	10,394	1,189	57,501

	As at 31 December 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>8,427,930</u>	<u>3,587,372</u>	<u>10,075,355</u>	<u>119,123</u>	<u>22,209,780</u>
Including: Investments in associates and joint ventures	—	—	—	24,185	24,185
Property and equipment	89,197	69,444	35,629	30,156	224,426
Other non-current assets	18,472	7,148	5,077	11,083	41,780
Segment liabilities	<u>9,073,983</u>	<u>7,843,009</u>	<u>3,379,557</u>	<u>112,712</u>	<u>20,409,261</u>
Other segment information:					
Credit commitments	<u>1,759,175</u>	<u>538,709</u>	—	—	<u>2,297,884</u>

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh and Istanbul).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office (“HO”): the HO business division (including institutions directly controlled by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;

Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

Year ended 31 December 2015

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	210,421	56,386	47,333	24,031	49,421	78,677	17,092	24,506	—	507,867
Internal net interest (expense)/income	(135,954)	26,121	10,207	76,079	13,620	3,182	8,185	(1,440)	—	—
Net fee and commission income	4,639	35,803	22,685	24,685	21,179	20,588	5,751	8,167	(106)	143,391
Other (expense)/income, net	(2,146)	(649)	1,082	6,209	227	1,811	(131)	11,072	—	17,475
Operating income	76,960	117,661	81,307	131,004	84,447	104,258	30,897	42,305	(106)	668,733
Operating expenses	(19,094)	(35,297)	(25,271)	(37,297)	(34,545)	(39,482)	(14,593)	(15,362)	106	(220,835)
Impairment losses on:										
Loans and advances to customers	(6,047)	(24,946)	(20,546)	(11,034)	(9,080)	(10,984)	(1,769)	(1,616)	—	(86,022)
Others	(185)	(113)	(176)	(24)	(7)	(21)	(2)	(443)	—	(971)
Operating profit	51,634	57,305	35,314	82,649	40,815	53,771	14,533	24,884	—	360,905
Share of profits of associates and joint ventures	—	—	—	—	—	—	—	2,330	—	2,330
Profit before taxation	51,634	57,305	35,314	82,649	40,815	53,771	14,533	27,214	—	363,235
Income tax expense										(85,515)
Profit for the year										<u>277,720</u>
Other segment information:										
Depreciation	1,823	2,178	1,435	2,131	2,528	2,968	1,117	380	—	14,560
Amortisation	779	267	104	144	261	372	68	300	—	2,295
Capital expenditure	2,488	6,026	1,081	1,906	2,727	3,649	1,137	38,487	—	57,501

As at 31 December 2015

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	9,142,237	4,862,465	3,366,173	3,633,597	2,216,719	2,819,807	1,069,622	2,450,563	(7,372,469)	22,188,714
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	24,185	—	24,185
Property and equipment	14,164	29,480	11,843	18,844	19,906	24,329	10,771	95,089	—	224,426
Other non-current assets	10,717	5,839	3,086	4,031	5,610	7,209	1,318	3,970	—	41,780
Unallocated assets										21,066
Total assets										<u>22,209,780</u>
Liabilities by geographical areas	7,568,090	4,995,033	3,497,543	4,799,262	2,289,592	2,732,706	1,024,661	810,582	(7,372,469)	20,345,000
Unallocated liabilities										64,261
Total liabilities										<u>20,409,261</u>
Other segment information:										
Credit commitments	558,184	398,045	250,410	415,973	149,897	207,604	54,608	263,163	—	2,297,884

Year ended 31 December 2014

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	189,569	62,596	47,949	29,633	48,166	75,409	18,613	21,587	—	493,522
Internal net interest (expense)/income	(134,777)	21,946	9,293	70,935	15,274	7,669	9,127	533	—	—
Net fee and commission income	4,532	32,565	22,016	22,364	20,643	19,403	5,143	6,150	(319)	132,497
Other income/(expense), net	11,915	(2,221)	(197)	(8,272)	(312)	110	(168)	7,984	—	8,839
Operating income	71,239	114,886	79,061	114,660	83,771	102,591	32,715	36,254	(319)	634,858
Operating expenses	(21,206)	(35,353)	(25,307)	(36,334)	(33,689)	(38,735)	(14,525)	(13,844)	319	(218,674)
Impairment losses on:										
Loans and advances to customers	(3,727)	(15,641)	(11,495)	(6,806)	(7,574)	(7,131)	(2,637)	(1,256)	—	(56,267)
Others	(67)	(49)	7	(25)	(52)	3	(11)	(268)	—	(462)
Operating profit	46,239	63,843	42,266	71,495	42,456	56,728	15,542	20,886	—	359,455
Share of profits of associates and joint ventures	—	—	—	—	—	—	—	2,157	—	2,157
Profit before taxation	46,239	63,843	42,266	71,495	42,456	56,728	15,542	23,043	—	361,612
Income tax expense										(85,326)
Profit for the year										<u>276,286</u>
Other segment information:										
Depreciation	1,809	2,252	1,469	2,016	2,440	2,806	1,083	2,219	—	16,094
Amortisation	859	202	125	137	263	385	66	174	—	2,211
Capital expenditure	2,413	4,795	1,376	3,033	3,246	4,007	1,317	35,917	—	56,104

As at 31 December 2014

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	8,820,680	4,680,319	3,342,070	3,394,573	2,008,309	2,579,889	1,001,247	1,919,486	(7,161,378)	20,585,195
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	28,919	—	28,919
Property and equipment	14,363	26,113	12,294	19,086	19,839	24,204	10,748	72,633	—	199,280
Other non-current assets	11,274	5,986	2,691	3,631	5,307	5,674	1,326	3,092	—	38,981
Unallocated assets										24,758
Total assets										<u>20,609,953</u>
Liabilities by geographical areas	7,431,623	4,693,296	3,457,784	4,344,494	1,983,382	2,555,769	959,520	747,042	(7,161,378)	19,011,532
Unallocated liabilities										61,117
Total liabilities										<u>19,072,649</u>
Other segment information:										
Credit commitments	469,704	438,216	319,851	419,494	129,088	158,055	58,811	348,904	—	2,342,123

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

9.1 Capital Adequacy Ratio

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

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

- **Results of Capital Adequacy Ratio Measurement**

In RMB millions, except for percentages

Item	At 31 December 2015		At 31 December 2014	
	Group	Parent Company	Group	Parent Company
Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional):				
Net core tier 1 capital	1,701,495	1,571,403	1,486,733	1,393,120
Net tier 1 capital	1,781,062	1,650,778	1,521,233	1,427,548
Net capital base	2,012,103	1,869,237	1,812,137	1,699,357
Core tier 1 capital adequacy ratio	12.87%	12.88%	11.92%	12.05%
Tier 1 capital adequacy ratio	13.48%	13.53%	12.19%	12.35%
Capital adequacy ratio	15.22%	15.32%	14.53%	14.70%
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:				
Core capital adequacy ratio	11.83%	12.09%	11.49%	11.82%
Capital adequacy ratio	14.75%	14.67%	14.29%	14.35%

Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio” for details on the capital adequacy ratio calculation at the end of 2015.

- **Measurement of Risk-Weighted Assets**

Item	<i>In RMB millions</i>	
	At	At
	31 December	31 December
	2015	2014
Credit risk-weighted assets	11,864,984	11,091,736
Parts covered by internal ratings-based approach	8,617,028	7,478,053
Parts uncovered by internal ratings-based approach	3,247,956	3,613,683
Market risk-weighted assets	199,557	79,189
Parts covered by internal model approach	139,840	68,888
Parts uncovered by internal model approach	59,717	10,301
Operational risk-weighted assets	1,152,146	1,068,357
Risk-weighted assets increased due to applying capital floor	—	236,657
Total	<u>13,216,687</u>	<u>12,475,939</u>

9.2 Credit Risk

- **Credit Risk Exposure**

EXPOSURE AT DEFAULT COVERED BY INTERNAL RATINGS-BASED APPROACH

Item	<i>In RMB millions</i>	
	At	At
	31 December	31 December
	2015	2014
Corporate risk exposure	8,074,651	7,027,466
Retail risk exposure	3,499,277	3,041,593
Total	<u>11,573,928</u>	<u>10,069,059</u>

RISK EXPOSURE UNCOVERED BY INTERNAL RATINGS-BASED APPROACH

In RMB millions

Item	At	At
	31 December 2015	31 December 2014
On-balance sheet credit risk	11,594,300	11,415,730
Including: Cash assets	3,035,242	3,562,770
Claims on the central governments and central banks	1,405,285	1,304,337
Claims on Chinese financial institutions	3,955,725	3,357,016
Asset Securitization	6,725	4,853
Off-balance sheet credit risk	506,009	771,816
Counterparty credit risk	1,393,646	92,946
Total	13,493,955	12,280,492

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

MEASUREMENT RESULTS OF NON-RETAIL CREDIT RISK UNDER FOUNDATION IRB

In RMB millions, except for percentages

At 31 December 2015

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk- weighted assets	Average risk weight
Level 1	996,557	0.10%	44.83%	311,555	31.26%
Level 2	996,964	0.22%	43.64%	467,325	46.87%
Level 3	1,471,063	0.67%	43.27%	1,107,657	75.30%
Level 4	2,162,706	1.63%	42.70%	2,099,956	97.10%
Level 5	1,206,955	2.62%	41.20%	1,234,017	102.24%
Level 6	743,222	3.72%	41.41%	856,067	115.18%
Level 7	168,677	5.28%	40.01%	204,194	121.06%
Level 8	34,759	7.20%	40.69%	49,568	142.60%
Level 9	54,405	9.60%	42.12%	92,499	170.02%
Level 10	13,497	18.00%	42.83%	28,556	211.56%
Level 11	35,421	56.00%	41.90%	63,441	179.11%
Level 12	190,425	100.00%	43.38%	647,834	340.20%
Total	8,074,651	—	—	7,162,669	88.71%

At 31 December 2014

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	758,094	0.32%	44.69%	441,657	58.26%
Level 2	831,252	0.50%	44.25%	583,329	70.17%
Level 3	1,399,419	0.74%	43.64%	1,119,323	79.98%
Level 4	1,960,177	1.17%	42.78%	1,744,549	89.00%
Level 5	1,183,950	2.09%	41.25%	1,149,614	97.10%
Level 6	598,129	3.29%	41.76%	660,682	110.46%
Level 7	158,268	4.46%	40.31%	184,321	116.46%
Level 8	24,935	6.06%	41.98%	33,969	136.23%
Level 9	11,892	8.22%	41.58%	17,595	147.96%
Level 10	7,464	13.97%	41.29%	13,551	181.55%
Level 11	10,516	20.00%	39.91%	20,452	194.48%
Level 12	83,370	100.00%	44.07%	214,824	257.68%
Total	7,027,466	—	—	6,183,866	88.00%

MEASUREMENT RESULTS OF RETAIL CREDIT RISK UNDER IRB

In RMB millions, except for percentages

At 31 December 2015

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Personal residential mortgages	2,484,108	1.93%	23.68%	621,278	25.01%
Eligible revolving retail loans	442,892	4.26%	61.03%	122,896	27.75%
Other retail loans	572,277	7.97%	37.50%	222,429	38.87%
Total	3,499,277	—	—	966,603	27.62%

At 31 December 2014

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Personal residential mortgages	2,045,644	1.61%	23.32%	540,492	26.42%
Eligible revolving retail loans	394,118	3.39%	53.05%	95,029	24.11%
Other retail loans	601,831	5.65%	35.01%	235,380	39.11%
Total	3,041,593	—	—	870,901	28.63%

9.3 Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	At	At
	31 December 2015	31 December 2014
Parts covered by internal model approach	11,187	5,511
Parts uncovered by internal model approach	4,778	824
Interest rate risk	2,691	824
Commodity risk	2,016	0
Stock risk	0	—
Option risk	71	—
Total	15,965	6,335

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

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

VALUE AT RISK (VAR)

In RMB millions

Item	2015			
	Period end	Average	Maximum	Minimum
VaR	1,580	1,269	1,747	757
Interest rate risk	203	244	389	98
Currency risk	1,564	1,273	1,715	817
Commodity risk	28	69	216	8
Stressed VaR	1,821	1,835	2,216	1,367
Interest rate risk	265	200	345	103
Currency risk	1,776	1,795	2,261	1,354
Commodity risk	80	100	262	11

Item	2014			
	Period end	Average	Maximum	Minimum
VaR	750	554	773	426
Interest rate risk	171	107	205	25
Currency risk	811	558	830	402
Commodity risk	53	31	184	11
Stressed VaR	1,375	1,050	1,428	754
Interest rate risk	109	91	152	43
Currency risk	1,394	1,041	1,464	789
Commodity risk	73	44	133	22

9.4 Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of 2015, the capital requirement for operational risk was RMB92,172 million.

9.5 Other Risks

- **Interest Rate Risk in the Banking Book**

As at the end of 2015, under the assumption that the overall interest rate in the market moves in parallel without taking into account the risk management actions that the Management may take to mitigate interest rate risk, the Bank's interest rate sensitivity analysis is set out below:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

Changes of interest rate in basis points	At 31 December 2015		At 31 December 2014	
	Impact on net interest income	Impact on equity	Impact on net interest income	Impact on equity
Increase by 100 basis points	(5,926)	(38,609)	(1,635)	(30,483)
Decrease by 100 basis points	5,926	41,729	1,635	32,354

• Equity Risk in the Banking Book

In RMB millions

Equity type	At 31 December 2015			At 31 December 2014		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealized potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealized potential gains (losses) ⁽²⁾
Financial institution	21,551	964	173	28,049	840	506
Corporate	2,639	3,329	1,309	2,789	3,127	1,267
Total	24,190	4,293	1,482	30,838	3,967	1,773

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

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

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

This Results Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc-ltd.com) simultaneously. The 2015 Annual Report prepared in accordance with IFRSs and the 2015 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc-ltd.com). Specifically, the 2015 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2015 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2015 Capital Adequacy Ratio Report will be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

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

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

30 March 2016

As at the date of this announcement, the board of directors comprises Mr. JIANG Jianqing, Mr. YI Huiman, Mr. ZHANG Hongli and Mr. WANG Xiquan as executive directors, Ms. WANG Xiaoya, Ms. GE Rongrong, Mr. FU Zhongjun, Mr. ZHENG Fuqing, Mr. FEI Zhoulun and Mr. CHENG Fengchao as non-executive directors, Sir Malcolm Christopher McCARTHY, Mr. Kenneth Patrick CHUNG, Mr. OR Ching Fai, Mr. HONG Yongmiao, Mr. YI Xiqun and Mr. Anthony Francis NEOH as independent non-executive directors.