2018

ANNUAL REPORT

THE FIRST EQUATOR BANK IN CHINA

30

1988-2018

兴业银行

INDUSTRIAL BANK CO.,LTD.

股票代码: 601166

Important Notice

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

The Company's 2018 annual report and its abstract were reviewed and approved at the 14th meeting of the 9th session of the Board of Directors on April 29, 2019.

The financial data and indicators contained in this annual report were prepared in compliance with the PRC Generally Accepted Accounting Principles. Unless otherwise specified, they represented the consolidated data. The monetary sums expressed in RMB in this annual report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the Company's 2018 financial statements in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditors' report with unqualified opinions.

The Company's chairman Gao Jianping, president Tao Yiping and general manager of the financial department Lai Furong hereby warrant that the financial statements in the 2018 annual report are true, accurate and complete.

The plan of dividends distribution for ordinary shares for the reporting period considered by the Board of Directors: based on the total capital of 20,774,190,751 shares, cash dividend of RMB6.9 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: proposed dividends for preferred shares are RMB1.482 billion in total. Of which, the total nominal value of the preferred shares of "Industrial Bank P1" is RMB13 billion, and proposed dividends to be paid for 2018 are RMB780 million with an annual dividend yield of 6%; the total nominal value of the preferred shares of "Industrial Bank P2" is RMB13 billion, and proposed dividends to be paid for 2018 are RMB702 million with an annual dividend yield of 5.40%.

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

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

Chairman's Statement

The year 2018 marks the 40th anniversary of China's reform and opening up, as well as the 30th anniversary of Industrial Bank. In this landmark year, we thought long and hard about our future while relishing the thirtieth birthday of the Bank. Looking back, we believe the best commemoration of the past is to promote transformation and development with greater determination and strength in our quest to become a "first-class bank, everlasting CIB".

History Paves the Way for the Future

Over the past 30 years, Industrial Bank has risen from a grass root company in Southeast China founded in a sparsely decorated office in accordance with an approval letter, with registered capital of RMB500 million and 60 employees, to a major banking group with prominent presence in the financial market of China, ranking among top national joint stock commercial banks in China, top 30 banks in the world, and top 500 companies globally, leaving a bright mark in the history of the rise of China's national financial industry. This feat cannot be achieved without this great era of reform and opening up and the long-standing cares and support of many people, as well as the unwaveringly rational, practical, and aggressive efforts of those at Industrial Bank. We hereby pay our tribute to the great era, and express our sincere gratitude towards our customers, investors, Party and government agencies at all levels, and people from various sectors.

Over the past 30 years, we always rode with the tides and grasped the overall situation, adhered to differentiated development through exploration and innovation, maintained robust and compliant operations, improved ourselves through systematic reforms, and upheld our missions and responsibilities to the country. We have amassed invaluable spiritual and cultural wealth, and given unequivocal answers to the "Questions for CIB". We have become an epitome of the spirit and culture of the era of reform and opening up.

The Present Anchors the Starting Point of the Future Journey

In 2018, upholding our 30 years of sound tradition, we calmly coped with an external situation that was stable but with alarming changes, and continued to maintain a stable and progressive development momentum, steadily growing from "5 x 5" to "6 x 6", i.e. total assets exceeding RMB6 trillion, capital approximating RMB600 billion, net assets exceeding RMB60 billion, the number of employees exceeding 60 thousand, the number of enterprise customers exceeding 600 thousand, and the number of retail customers exceeding 60 million. This achievement adds a highlight to our 30-year history, and builds a higher starting point for our future development.

In 2018, we further adhered to our business direction and returned to the essence of service, and proactively fulfilled our social responsibilities. Financing of private enterprises and micro and small enterprises grew rapidly. Green finance and inclusive finance developed at an accelerated pace. By coordinately utilizing the five systems of "industry-based poverty alleviation, product-based poverty alleviation, channel-based poverty alleviation, targeted poverty alleviation, and education-oriented poverty alleviation", we made constant efforts in projects to improve the wellbeing of the people and in public welfare and charity, thereby consolidating our development foundation.

In 2018, we further optimized our business structure and reformed our business models by steadfastly promoting "commercial banking + investment banking" to improve the overall strength of the Bank. The investment banking and financial market businesses increased financial supply to the real economy to further expand our advantage. The retail business increases rapidly, consolidating our base.

In 2018, we further improved our corporate governance and reformed the institutional systems. We further promoted the concept of "safety first, compliance wins" and established a more rigorous management system for internal control of risks and compliance to continuously tap into our endogenous energy for development.

Strategies Provide Guidance for Our Voyage

A once-in-a-century turbulent situation has just emerged. The call of our era is urging us on. In 2018, we further mapped out our "1234" strategic system, whereas "1" stands for one principal line that is oriented towards light assets, light capital, and high efficiency to strive for improvement while maintaining stability and accelerate transformation; "2" stands for the two major businesses – commercial banking and investment banking, with commercial banking as the main-body and investment banking as the functional arm, carried out in a customer-oriented manner; "3" stands for the three capabilities as a settlement bank, investment bank, and transaction bank to be continuously enhanced; and "4" stands for the four key areas – key branches, key industries, key customers, and key products, the strategic role of which to be strengthened.

The blueprint has been drawn, and the future is around the corner. We will anchor our strategies, and forge ahead with the maturities and poise of a 30-year-old organization to create greater value.

Chairman:

President's Report

In 2018, Industrial Bank adhered to its innate market-oriented nature and persistently developed "commercial banking + investment banking", entering a new stage of transformation and development in the year of its 30th anniversary.

Our operations were stable and growing, with assets growing by 4.59% year-on-year, non-performing loan ratio decreasing by 0.02 percentage point from the beginning of the year, provision coverage ratio stable at over 200%, and net profit increasing by 5.98% year-on-year. The adjustment and optimization of the assets-liabilities structure reflected by the liquidity indicator bore fruits. The non-interest income, which best reflected the effectiveness of "commercial banking + investment banking", increased by 21.56% year-on-year. Its proportion in the operating income increased by 2.76 percentage points to 39.57%, driving the growth rate of operating income from negative growth to positive growth. Our Moody International rating was upgraded. We won the China Banking Social Responsibility Award for eight consecutive years, as well as many other honors such as the Best Green Bank and Best Asset Management Bank. These achievements are not only recognition of our past efforts, but also an impetus for us to work harder in the future.

By honing our capabilities in the market and self-reinvention, our business characteristics are more distinct and our business vitality is more vigorous. The annual sales of wealth management and other non-deposit financial products exceeded RMB6 trillion. The underwriting scale and number of debt financing instruments for non-financial enterprises leapt to rank first in the market. Credit bond investment increased by over 200% year-on-year. The trading volume of interest rate bond remained at the forefront of the interbank market. Assets under management of the Group exceeded RMB3 trillion. The scale of wealth management by the Bank rose against the market trend. Net value product increased by 287.88% year-on-year, with its proportion in non-principal-guarantee wealth management products increasing by 36 percentage points from the beginning of the year to 49.60%. The size of assets under custody reached RMB11.61 trillion. FICC (fixed income, currency & commodity) on behalf of the customer increased by 57.68% year-on-year. Members of the Group worked together to continuously enhance our capabilities and provide integrated financial services to our customers.

We firmly adhered to the core principle of "commercial banking + investment banking" to channel the resources of the financial market into the real economy, growing with customers. The coverage over financial institution customers exceeded 90%. Corporate customers and retail customers increased by 13.38% and 23.51%, respectively, among which private banking customers exceeded 30,000, representing an increase of 32.64%. Loans increased by more than RMB500 billion from the beginning of the year, representing an increase of 20.71%. Inclusive loans to small and micro businesses and private enterprises increased by 61.40% and 23.39%, respectively. Industrial Bank became the first Chinese-funded bank to issue green finance bonds in both domestic and overseas markets, and the commercial financial institute with the largest balance of green finance bonds issued in China, with the balance of green finance exceeding RMB800 billion. With retail credit exceeding RMB1 trillion, customers AUM approximating RMB1.8 trillion, and net operating income increasing by 26.48% year-on-year, retail finance has become an important ballast stone against market volatility.

We embraced technology with an open and win-win mentality. With the first Bank-to-Bank Platform in the industry to transform financial technology into a business model, we have established cooperative relations with 1,906 small and medium-sized financial institutions and invited 288 non-bank financial institutions to register on our cloud fund management platform, thereby building a complete financial ecosystem of "co-construction, co-ownership, sharing, and win-win", enabling resource allocation to be more efficient and financial services to be more inclusive. We fully promoted the construction of an open bank that serves "from B to C, and from one customer to a group of customers". We have become the leading bank in process robots, providing nearly one hundred API services to customers. Through the "Smart City" platform, we have established deep connections with 499 hospitals, 373 tourist attractions, and 1,371 transportation companies, serving more than 181 million consumers on an accumulated basis. The "Hao Xing Dong" APP cooperated with 20,000 merchants and increased the number of customers with bound cards by tenfold in a year.

In 2018, the year of our 30th anniversary, the business practice laid a solid foundation for our stable and long-term development. Faced with the ever-changing landscape and major revolution, we will continue to create and consolidate differentiated business characteristics and enhance our core competitiveness guided by the "1234" strategic system, so as to contribute more value to our customers and the real economy, and achieve glory for Industrial Bank with our efforts and perseverance.

President:

Chairman of the Board of Supervisors : **Jiang Yunming**

Director, Vice President
Chen Jinguang

Vice President
Li Weimin

Director, Vice President,
Secretary of the Board
Chen Xinjian

Vice President
Sun Xiongpeng

Supervisor
Zhang Guoming

Honors and Awards in 2018

- According to the list of "2018 Top 1000 Global Banks" released by the British magazine The Banker, the Company ranked 26th in terms of tier 1 capital and 28th in terms of total assets, up two positions in both categories.

- According to the US magazine Forbes' list of "Top 2000 Global Listed Companies" in 2018, the Company ranked 62nd, placing 12th among Mainland Chinese enterprises on the list and 2nd among joint stock banks on the list.

- According to the list of "2018 Top 500 Financial Brands" released by the British magazine The Banker and the world-renowned brand value research institution Brand Finance, the Company ranked 20th with a brand value of USD11.972 billion, up 13% from the previous year.

- According to the list of "2018 Global Banking & Finance Review Award" published by the internationally prestigious financial magazine Global Banking & Finance Review, the Company won the "2018 Best Retail Bank of China" and the "Best Green Bank of China".

- Mr. Gao Jianping, chairman of the Company, was awarded the title of "40 Most Influential Entrepreneurs in Fujian for the 40th Anniversary of Reform and Opening Up".

- Won the "2018 International Pioneering Financial Institution", "2018 Financial Technology Pioneer Institution", "2018 Pioneer Asset Management Bank" and "2018 Pioneer Credit Card Product Award" in "2018 International Pioneer Financial Institution Summit Forum and Awards Ceremony" organized by the International Financial News. Mr. Gao Jianping, chairman of the Company, was awarded the "2018 Pioneer Leader in the Financial Industry".

- Won the "2018 Largest Issuance of Green Bonds in Emerging Markets" award in the 4th "Green Bond Pioneer Awards" of The Climate Bond Initiative.

- Won the "Payment Innovation Star" award granted by the US magazine Global Finance.

- Won the "2018 Best Innovation Project of China's Financial Industry" elected by the "2018 Transformation and Innovation Summit Forum of China's Financial Industry" organized by the International Data Corporation (IDC).

- Awarded the "Financial Services Bank of the Year for Listed Companies" by the 2018 Evergreen Awards organized by Caijing magazine.

- Won the "2018 Outstanding Contribution Award for Technology Innovation in Financial Industry" in the "2018 China Financial Technology Annual Conference" organized by Financial Computerizing magazine.

- Won the "2018 Excellence Board of Directors of the Year of Listed Companies in China" award in the "2018 Asian Industry and Capital Summit" organized by 21st Century Business Herald.

- At the Thirteenth Asian Annual Finance Summit and Award Ceremony for Asian Financial Competitiveness, the Company ranked 11th in competitiveness among Asian banks for 2018, placing second among joint stock banks in China, and was awarded the "Excellent Commercial Bank in Asia" and "2018 Asset Management Bank of the Year".

Won the "Best Joint Stock Bank of the Year" in the “2018 Golden Dragon Award of Chinese Financial Institution Gold Metal List” granted by Financial Times.

Won the "2018 Financial Holding Group with Excellent Competitiveness” in 2018 Excellent Competitive Financial Institutions elected by China Business News.

Won the "2017-2018 Excellent Joint Stock Bank” in "Excellent Financial Enterprises” elected by the Economic Observer.

At the Fourteenth China Corporate Social Responsibility International Forum organized by China News Service and China Newsweek, the Company retained the "2018 Responsible Enterprise" title.

Awarded the “Sustainable Development Demonstration Enterprise” in the “2018 China Corporate Social Responsibility Summit Forum, 2018CSR Competitiveness – China Corporate Social Responsibility” organized by China Business News.

Won the "Green Finance Award” in "2018 China Small and Medium Commercial Bank Pioneer List” elected by National Business Daily.

Won the “Outstanding Contribution Award by the Green Credit Committee” and the “Special Contribution Unit of the Green Credit Textbook Compilation and Review” elected by the Green Credit Committee of the China Banking Association.

Won the "2018 Best Asset Management Bank" award and "2018 Most Popular Financial Management Product” elected by the 2018 China Asset Management Annual Conference of the 21st Century Business Herald.

Won the "Best Social Responsibility Manager Award of the Year”, the "Green Finance Award of the Year" and the "Special Contribution Outlet of the Year for Social Responsibility” granted by the China Banking Association.

Won the "Best Green Finance Bank of the Year” in the 2018 "China's Excellent Green Finance” elected by Asiamoney.

Won the "Golden Pilot" 2018 Excellent Financial Technology Bank Award and the 2018 Payment Technology Innovation Award in the 2nd China Financial Technology (Golden Pilot) Awards of the 21st Century Business Herald.

Won the "Top Ten Financial Technology Product Innovation Award" and "Top Ten Bank Intelligent Outlet Innovation Award” in "2018 China Financial Innovation Awards" granted by The Banker magazine.

Won the “2018 Junding Award for Investment Bank of All-round Banks in China” and the “2018 Junding Award for Financing Bank of Syndicates in China” by the “2018 Junding Award for Excellent Investment Banks in China” organized by Securities Times.

Won the “2018 Contribution to Ecological Civilization Construction Award” in the first “Green Hills and Clear Waters Forum - Conghua Conference” by the People’s Daily, the State Forestry and Grassland Administration, etc.

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Definitions

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

Industrial Bank/the Company	Industrial Bank Co., Ltd.
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Industrial Financial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
Industrial Futures	Industrial Futures Co., Ltd.
CIB Research	CIB Economic Research and Consulting Co., Ltd.
CIB FINTECH	CIB FINTECH (Shanghai) Co., Ltd.
Industrial Asset Management	China Industrial Asset Management Co., Ltd.
Yuan	RMB Yuan

Corporate Profile and Key Financial Indicators

I. Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

Legal representative: Gao Jianping

Secretary of the Board of Directors: Chen Xinjian

Representative of securities affairs: Lin Wei

Address: 154 Hudong Road, Fuzhou, PRC

Tel: (86) 591-87824863

Fax: (86) 591-87842633

Email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Address: 154 Hudong Road, Fuzhou, PRC

Postal Code: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

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

Location of annual reports filing: the Company's office of the Board of Directors

Company stock brief introduction:

Classes of stock	The stock exchange	Stock abbreviation	Stock code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
Preferred shares	Shanghai Stock Exchange	Industrial P1	360005
Preferred shares	Shanghai Stock Exchange	Industrial P2	360012
Preferred shares	Shanghai Stock Exchange	Industrial P3	360032

Other related information:

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

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

Names of the signing accountants: Hu Xiaojun, Zhang Hua

Sponsor performing continuous monitoring (1): Huatai United Securities Co., Ltd.

Office address: 6 Floor, Block A, Fengming International Building, No. 22 Fengsheng Alley, Xicheng District, Beijing

Names of signing representatives of sponsor: Zhou Jiwei, Chen Shi

Period for continuous monitoring: From April 7, 2017 to September 5, 2018

Sponsor performing continuous monitoring (2): GF Securities Co., Ltd.; Industrial Securities Co., Ltd.

Office address: 43 Floor, Metropolitan Plaza, 183 Tianhe North Road, Tianhe District, Guangzhou; No.268 Hudong Road, Fuzhou

Names of signing representatives of sponsor: Ji Gang, Wu Guangbin; Zhang Jun, Yu Xiaoqun

Period for continuous monitoring: From September 6, 2018 to December 31, 2018

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

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

(I) Key accounting data and financial indicators

Unit: RMB million

Item	2018	2017	Increase/decrease in 2018 compared with 2017 (%)	2016 (Adjusted)
Operating income	**158,287**	139,975	13.08	157,087
Profit before tax	**68,077**	64,753	5.13	63,925
Net profit attributable to the shareholders of the parent company	**60,620**	57,200	5.98	53,850
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**56,041**	54,464	2.90	52,399
Basic EPS (RMB)	**2.85**	2.74	4.01	2.77
Diluted EPS (RMB)	**2.85**	2.74	4.01	2.77
Basic EPS, after deduction of non-recurring gains and losses (RMB)	**2.63**	2.60	1.15	2.69
ROA (%)	**0.93**	0.92	Up 0.01 percentage point	0.95
Weighted average ROE (%)	**14.27**	15.35	Down 1.08 percentage points	17.28
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**13.17**	14.59	Down 1.42 percentage points	16.80
Cost-to-income ratio (%)	**26.89**	27.63	Down 0.74 percentage point	23.39
Cash flows from operating activities	**(356,099)**	(162,642)	Negative in the same period of last year	203,017
Net cash flow per share from operating activities (RMB)	**(17.14)**	(7.83)	Negative in the same period of last year	10.66

Item	December 31, 2018	December 31, 2017	Increase/decrease at the end of 2018 compared with the end of 2017 (%)	December 31, 2016
Total assets	**6,711,657**	6,416,842	4.59	6,085,895
Shareholders' equity attributable to the shareholders of the parent company	**465,953**	416,895	11.77	350,129
Shareholders' equity attributable to the ordinary shareholders of the parent company	**440,048**	390,990	12.55	324,224
Net assets per share attributable to the shareholders of the parent company (RMB)	**21.18**	18.82	12.55	17.02
NPL ratio (%)	**1.57**	1.59	Down 0.02 percentage point	1.65
Provision coverage ratio (%)	**207.28**	211.78	Down 4.50 percentage points	210.51
Provision-to-loan ratio (%)	**3.26**	3.37	Down 0.11 percentage point	3.48

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

2. As at the end of the reporting period, the Company issued an aggregate of RMB26 billion preferred shares (Industrial P1 and Industrial P2) with non-cumulative dividends. The dividends of the preferred shares for 2018 have not yet been distributed, which will be distributed after approval by the general shareholders' meeting.

(II) 2018 quarterly financial data

Unit: RMB million

Item	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	35,332	38,053	41,234	43,668
Net profit attributable to the shareholders of the listed company	17,655	16,002	16,944	10,019
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	16,573	15,092	15,875	8,501
Net cash flow from operating activities	(209,943)	50,691	(216,597)	19,750

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

Unit: RMB million

Item	2018	2017	2016
Gains and losses on the disposal of non-current assets	**20**	70	27
Government grants recognized in profit or loss	**655**	362	340
Write-back of assets written-off in previous years	**5,342**	3,544	1,414
Net non-operating income and expense in addition to the above	**144**	(166)	176
Impact on income tax	**(1,566)**	(1,053)	(501)
Total	**4,595**	**2,757**	**1,456**
Non-recurring gains and losses attributable to the shareholders of the parent company	**4,579**	2,736	1,451
Non-recurring gains and losses attributable to minority shareholders	**16**	21	5

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2018	December 31, 2017	December 31, 2016
Total liabilities	**6,239,073**	5,994,090	5,731,485
Placements from banks and other financial institutions	**220,831**	187,929	130,004
Total deposits	**3,303,512**	3,086,893	2,694,751
Incl: Demand deposits	**1,254,858**	1,310,639	1,184,963
Time deposits	**1,814,016**	1,567,574	1,312,417
Other deposits	**234,638**	208,680	197,371
Total loans	**2,934,082**	2,430,695	2,079,814
Incl: Corporate loans	**1,608,207**	1,482,362	1,271,347
Personal loans	**1,166,404**	910,824	750,538
Discounted bills	**159,471**	37,509	57,929
Loan loss provisions	**95,637**	81,864	72,448

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2018	December 31, 2017	December 31, 2016
Net capital	**577,582**	526,117	456,958
Incl: Core Tier 1 capital	**441,197**	392,199	325,945
Other Tier 1 capital	**25,970**	25,935	25,919
Tier 2 capital	**111,247**	109,057	106,469
Deductions	**832**	1,074	1,376
Total risk weighted assets	**4,734,315**	4,317,263	3,802,734
Capital adequacy ratio (%)	**12.20**	12.19	12.02
Tier 1 capital adequacy ratio (%)	**9.85**	9.67	9.23
Core Tier 1 capital adequacy ratio (%)	**9.30**	9.07	8.55

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

(VI) Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2018	December 31, 2017	December 31, 2016
Loan-to-deposit ratio (converted to RMB)	-	**83.90**	74.80	72.50
Liquidity ratio (converted to RMB)	≥25	**66.52**	60.83	59.35
Proportion of loans to the largest single borrower	≤10	**1.59**	2.84	1.82
Proportion of loans to the top ten borrowers	≤50	**10.99**	14.66	11.38
Migration ratio of normal loans	-	**2.10**	2.17	3.62
Migration ratio of special mention loans	-	**43.90**	26.65	63.69
Migration ratio of substandard loans	-	**61.36**	74.46	86.99
Migration ratio of doubtful loans	-	**21.22**	41.98	16.61

Note: 1. Data in this table are those before consolidation, and data of subsidiaries are not included in this table.
2. Data in this table are calculated based on data reported to regulatory authorities.

(VII) Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Beginning balance	Increase during the period	Decrease during the period	Closing balance
Share capital	20,774	-	-	**20,774**
Preferred shares	25,905	-	-	**25,905**
Capital reserve	75,011	-	-	**75,011**
Other comprehensive income	(1,067)	3,423	-	**2,356**
General reserve	70,611	2,811	-	**73,422**
Surplus reserve	10,684	-	-	**10,684**
Undistributed earnings	214,977	60,620	17,796	**257,801**
Shareholders' equity attributable to the shareholders of the parent company	416,895	66,854	17,796	**465,953**

(VIII) Items measured at fair value

Unit: RMB million

<table>
<tr><th>Item</th><th>December 31, 2017</th><th>Gains and losses in the period from changes in fair value</th><th>Accumulated changes in fair value recognized in equity</th><th>Provision for impairment made in the period</th><th>December 31, 2018</th></tr>
<tr><td>Financial assets at fair value through profit or loss</td><td>362,072</td><td>(320)</td><td>-</td><td>-</td><td>459,598</td></tr>
<tr><td>Precious metals</td><td>29,906</td><td>(360)</td><td>-</td><td>-</td><td>3,185</td></tr>
<tr><td>Derivative financial assets</td><td>28,396</td><td rowspan="2">3,589</td><td>-</td><td>-</td><td>42,092</td></tr>
<tr><td>Derivative financial liabilities</td><td>29,514</td><td>-</td><td>-</td><td>38,823</td></tr>
<tr><td>Available-for-sale financial assets</td><td>502,381</td><td>-</td><td>2,157</td><td>648</td><td>644,886</td></tr>
<tr><td>Financial liabilities at fair value through profit or loss</td><td>6,563</td><td>10</td><td>-</td><td>-</td><td>2,594</td></tr>
</table>

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

2. Precious metals: being subject to the impact of the proprietary precious metal trading strategy and market movement, the Company decreased its spot position of precious metals during the reporting period, and its balance at fair value in domestic precious metals spot trading at the end of the reporting period decreased by RMB26.721 billion compared with that at the beginning of the period.

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

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

5. Financial liabilities at fair value through profit or loss: the Company's financial liabilities at fair value through profit or loss are mainly -structured liabilities linked to dollar bonds.

Business Overview of the Company

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

(I) Main businesses and operation mode

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on the Shanghai Stock Exchange.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other banking activities approved by the China banking regulation and administration agencies.

The Company has been advocating the business philosophy of "Growing Together with Sincere Service" and undertaking the mission of serving the real economy and endeavors to offer comprehensive, diversified, top-quality, and high-efficient financial services for customers. The Company has insisted on the basic keynote of progressing steadily. It developed business stably, fixed shortfalls, promoted reforms and firmly pushed forward business transformation. In addition, the Company continued to optimize its mechanism, dynamically adjusted its business structure, comprehensively strengthened risk management and laid a solid foundation, thus further boosting the efficiency in responsiveness to the market and decision making, and propelling sound and quality development in each business line.

(II) Conditions of the industry and development trend

In 2018, China was still in the transition period between old and new driving forces where the external environment was stable but changing, the economic growth rate slowed down, and the risks and hazards were exposed at an accelerated pace. Coupled with the risk prevention and deleveraging policies issued in the previous stage which still imposed many constraints on the market entities, the lingering uncertainties arising from the US-China economic and trade friction, the slowdown of the growth of the world economy as a whole, and the Fed's continuation of the rate hikes, these factors had a certain impact on the economic fundamentals and posed great challenges to the operations and administration of the banking industry. At the same time, since the fourth quarter of 2018, by introducing a series of cushioning measures such as stabilizing the stock market, bailing out private enterprises, and stimulating consumption, the central government has shifted its policy stance to defensive easing and switched from "reducing leverage" to "stabilizing leverage" for the financial industry on the basis of specifying the overall tone of the "six stables", gradually releasing the effects of policy adjustment. These changes alternated between long-term and short-term and their effects intertwined, creating an obstacle for simultaneously stabilizing growth, promoting transformation, and preventing risks.

Generally, although the challenges facing China's economy are still relatively large in the short term, the general direction and main tone of de-leveraging, strengthening supervision and risk prevention have not wavered. At the industrial level, orienting towards stabilizing investment, the choices for investment of funds have increased. The pattern of continuous withdrawal of backward industries, transformation and upgrading of traditional industries, and accelerated development of emerging industries is still continuing. At the enterprise level, although the macro policy is moderately relaxed, the enterprises still face relatively high level of refinancing risk. Companies with higher debt ratios must be especially vigilant and adhere to the bottom line of compliance. At the financial market level, short-term interest rates in the market have rapidly declined. The liquidity is expected to remain relatively high in the next stage. The long-term interest rate in the market has room to fall, providing a window opportunity for structure adjustment and business development for commercial banks. In terms of business management, enterprises should emphasize the reasonable balance between business development and various new constraints, and continuously improve the differentiated core competitiveness. At the financial institution level, the current policy adjustments are beneficial for the development of financial business, but financial institutions are still in the process of filtering where those who do not advance will be left behind and those who refuse to change will be eliminated. Commercial banks must ride with the tides of development and take advantages of the reform and opening up policies to further consolidate and enhance market advantages, while prudently screening counterparties to prevent cross-contamination.

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

As at the end of the reporting period, the total assets of the Company stood at RMB 6,711.657 billion, up 4.59% from the figure at the beginning of the period, of which loans increased by 20.71% from the figure at the beginning of the period; financial assets held under resale agreements decreased 17.22% from the figure at the beginning of the period; and various net investments were down by 7.31% compared with the figure at the beginning of the period. Refer to “Analysis of Balance Sheets” as discussed and analyzed in “Operation Discussion and Analysis”.

III. Analysis of Core Competitiveness

The Company is committed to becoming an excellent integrated financial service group. It has inherited and promoted the excellent business gene of striving for innovation and fighting spirits. The Company consistently brought its business characters and professional advantages into play, and persisted in differentiating itself from peers. It continued to enhance employees’ expertise, and rely on technology as the guidance, which laid a solid foundation for the Company’s long-term and healthy development and enhanced the Company’s competitiveness.

Promoting standardized operation by improving governance structure. Since its establishment, the Company has been constantly improving its corporate governance in accordance with market-oriented operation mechanism, improving the internal operation efficiency by standardized operation and scientific management, thereby forming a standardized corporate structure system with lean management and efficient specialization. On the strength of the mechanism-based advantages of the Head Office and branches, the Company insisted on the customer-oriented strategy, aligned its management and operation with market conditions and customer needs, and built matrix management mode. Based on the requirements arising from market developments, the Company established a management structure that separates the customer departments from the product departments, and the traditional business from emerging business, and, at the same time, improved business procedures and supporting mechanism to inject new blood into transformation development by continuous changes and by taking the essence and discarding the dregs of itself.

Building service brand which is driven by business innovation. The Company insists in focusing on customer and according to their needs to enhance its scientific technology ability and prominent innovation capability. The Company has built new products and businesses in many segmented business areas and opens its own “blue ocean”, with distinct operation characteristics. The Company has built the Industrial Bank brand by business innovation and established a well-recognized product and service brand system. A batch of products and service brands including “Natural Life”, “Enjoyable Life”, “Universal Life”, “Industrial E Pay”, “Industrial Auto Finance”, “Industrial Quick Credit”, “Industrial Steward”, “Green Finance”, “Bank-to-Bank Platform”, “QianDa Money Manager” and “Direct Banking” are widely recognized in the domestic financial market.

Promote transformation and development through systematic optimization. Adhering to a customer-centered approach and oriented towards light capital, light asset, and high efficiency, the Company constantly optimizes its strategy system, promotes business transformation and development, and continuously optimizes asset-liability structure. By focusing on "commercial banking and investment banking", the Company strengthens its characteristics and advantages of direct financing services in addition to properly carrying out indirect financing services. The Company accelerates the building of a "Three-Type" bank by enhancing the three fundamental capabilities of a settlement, investment, and transaction bank. The Company strengthens the construction of "Four Key Areas" by substantially increasing the contribution of key branches, optimizing the layout in key industries, steadily expanding the sizes of key customers, and consolidating and expanding the advantages of key products.

Opening up new space for development through intra-group integration. The Company has been persisting in the multi- market and comprehensive development. Based on two dimensions of expanding bank business and multi-industry operation, the Company steadily push forward the comprehensive and intra-group integrated process, establishing a multi-industry comprehensive financial service system focusing on banking, through which it has been transformed from a single bank to a modern comprehensive financial service group with banking business as the core, covering business areas including trust, leasing, funds, futures, asset management, consumption finance, internet finance and research and consultation. Centrally using the Group's various licenses and platform resources, the Company continued to promote and improve the Group's operation and management model by deepening institutional and systematic reforms, thereby enhancing the internal cohesiveness of the Group. The synergy between the parent company and subsidiaries and between subsidiaries continued to expand, especially in terms of mutual customer recommendation, channel sharing, product cross-selling, and the construction of the Group's core business portfolio. The Group's overall competitiveness, customer service capabilities and comprehensive business income continued to increase.

Driving digital transformation with science and technology. The Company has always adhered to the strategy of "Building the Bank through Science and Technology". Centering on the Group's development strategy, the Company continuously increased investment in science and technology to achieve digital transformation, so as to create a "Safe, Process-based, Open, and Smart Bank". It focused on eight major technological areas: big data, robotic process automation (RPA), open interfaces, artificial intelligence, user experience, blockchain, cloud services and information security. In 2018, the Company further optimized the information technology management system and mechanism to invigorate science and technology efforts. It established a Digital Center of Excellence and introduced new concepts and methods such as agile models, digital design, and customer journey to deepen the integration of technology and business and further drive business agile innovation.

Building up soft strength through excellent corporate culture. The Company has continuously upheld the core values of rationality, innovation, people-based and sharing, which fostered corporate culture advocating simplicity, harmony and efficiency. In addition, we leveraged such excellent corporate culture to build up a pragmatic and aggressive operating style, which enhanced the cohesiveness of our workforce and supported the Company's long-term development.

Operation Discussion and Analysis

I. Major operations during the reporting period

(I) Overview

1. Overall operations

During the reporting period, the Company maintained the operating strategy of progressing steadily, and actively implemented the national macro-control policies and financial regulatory requirements to serve the real economy, prevent and mitigate risks, effectively promote the further optimization of the asset-liability structure, maintain good development of various businesses, and steadily improve operating performance and operating quality.

(1) Each business developed stably. As at the end of the reporting period, the total assets of the Company reached RMB6,711.657 billion, representing an increase of 4.59% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency deposit was RMB3,303.512 billion, representing an increase of 7.02% from the figure at the beginning of the reporting period; the balance of domestic and foreign currency loan reached RMB2,934.082 billion, representing an increase of 20.71% from the figure at the beginning of the reporting period.

(2) Profitability maintained relatively good status. During the reporting period, the operating income recorded RMB158.287 billion, up 13.08% year-on-year, of which net fee and commission income reached RMB42.978 billion, up 10.94% year-on-year. Net profit attributable to the shareholders of the parent company for the whole year reached RMB60.620 billion, representing a year-on-year increase of 5.98%. During the reporting period, weighted average ROE was 14.27%, representing a year-on-year decrease of 1.08 percentage points, total return on assets reached 0.93%, representing a year-on-year increase of 0.01 percentage point.

(3) The quality of assets was controllable overall. As at the end of the reporting period, the balance of the Company's NPLs stood at RMB46.140 billion, up RMB7.486 billion from the figure at the beginning of the period with NPL ratio of 1.57%, down 0.02 percentage point from the beginning of the period. During the reporting period, the provisions amounted to RMB46.404 billion, representing a year-on-year growth of 30.69%, the provision-to-loan ratio was 3.26% at the end of the reporting period, and the provision coverage ratio was 207.28%.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB158.287 billion, and its operating profit was RMB67.914 billion.

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

Unit: RMB million

Region	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	62,453	22.69	35,915	8.11
Fujian	19,892	13.26	8,201	23.06
Beijing	7,089	(3.67)	4,243	(27.89)
Shanghai	6,340	(18.37)	3,714	(36.61)
Guangdong	9,943	(0.16)	4,069	(25.57)
Zhejiang	3,825	77.66	659	Negative in the same period of last year
Jiangsu	5,988	74.17	2,768	2,062.50
Northeast and other regions	14,243	(0.14)	(1,856)	(153.21)
Western China	14,486	27.00	4,829	Negative in the same period of last year
Central China	14,028	(7.49)	5,372	(3.26)
Total	**158,287**	**13.08**	**67,914**	**4.78**

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

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	124,819	37.01	19.15
Interest income from placements	2,707	0.80	102.47
Interest income from amount due from the Central Bank	6,545	1.94	(3.93)
Interest income from deposits in banks and other financial institutions	2,949	0.87	48.12
Interest income from resale agreements	2,824	0.84	(1.91)
Gain and loss, and interest income from investment	150,263	44.55	12.91
Fee and commission income	47,062	13.95	11.98
Interest income from financing lease	5,717	1.69	4.48
Other income	(5,594)	(1.65)	(161.50)
Total	**337,292**	**100**	**9.70**

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2018	December 31, 2017	Increase/ decrease over previous year-end (%)	Brief description
Total assets	**6,711,657**	6,416,842	4.59	Steady and healthy development of various asset businesses due to the control of growth rate of assets and optimization of asset structure
Total liabilities	**6,239,073**	5,994,090	4.09	Steady and healthy development of various liability businesses due to the optimization of liability structure
Shareholders' equity attributable to the shareholders of the parent company	**465,953**	416,895	11.77	Transfer-in of the profit earned in the current year
Item	**2018**	2017	Increase/ decrease over previous year (%)	Brief description
Net profit attributable to the shareholders of the parent company	**60,620**	57,200	5.98	Stable growth in interest-bearing assets, interest margin increased year-on-year, revenue from intermediate business maintained steady growth; cost growth was reasonably controlled and adequate provisions were made
Weighted average ROE (%)	**14.27**	15.35	Down 1.08 percentage points	The growth in net profit was slower than the growth in weighted net assets, resulting in decrease in return on net assets
Cash flows from operating activities	**(356,099)**	(162,642)	Negative in the same period of last year	Assets and liabilities were restructured, more efforts were paid to originate on-balance sheet loans and standardized assets; non-standard assets investments were downsized

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

Unit: RMB million

Main accounting item	December 31, 2018	December 31, 2017	Increase/decrease over previous year-end (%)	Brief description
Amount due from banks and other financial institutions	**53,303**	77,559	(31.27)	Decrease in short-term external deposits
Precious metals	**3,350**	30,053	(88.85)	Decrease in holding of precious metals
Placements with banks and other financial institutions	**98,349**	31,178	215.44	Increased short-term placements with banks and other financial institutions
Taxes payable	**11,297**	8,128	38.99	Increase in enterprise income tax and VAT
Other comprehensive income	**2,356**	(1,067)	Negative in the same period of last year	Increased balance of change in fair value of available-for-sale financial assets included in other comprehensive income

Main accounting item	2018	2017	Increase / Decrease YoY (%)	Brief description
Investment gains (losses)	**26,482**	4,514	486.66	Being fairly interrelated, the overall gains of these three items after consolidation amounted to RMB18.103 billion, representing a year-on-year increase of 60.52%, mainly due to the increase in investment gains such as fund dividends
(Losses) gains from changes in fair value	**2,919**	(622)	Negative in the same period of last year	
Foreign exchange gains (losses)	**(11,298)**	7,386	(252.97)	
Impairment loss of assets	**46,404**	35,507	30.69	Increased impairment loss of loans made
Business tax and surcharges	**1,408**	975	44.41	Increase in tax and surcharges as a result of growth of business scale
Net amount of other comprehensive income, after tax	**3,352**	(2,167)	Negative in the same period of last year	The comprehensive income from the changing of available-for-sale fair value increased year-on-year during the reporting period

(II) Analysis of the balance sheet

1.Asset

As at the end of the reporting period, the total assets of the Company stood at RMB6,711.657 billion, up 4.59% from the figure at the beginning of the period, of which loans increased by RMB503.387 billion or 20.71% from the figure at the beginning of the period; financial assets held under resale agreements decreased by RMB16.036 billion or 17.22% compared with the figure at the beginning of the period; and various net investments decreased by RMB227.950 billion or 7.31% compared with the figure at the beginning of the period. The composition of the total assets of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**2,838,445**	**42.29**	2,348,831	36.60
Investment note (1)	**2,892,216**	**43.09**	3,120,166	48.62
Financial assets held under resale agreements	**77,083**	**1.15**	93,119	1.45
Finance lease receivables	**104,253**	**1.55**	103,495	1.61
Due from banks	**53,303**	**0.79**	77,559	1.21
Placements with banks and other financial institutions	**98,349**	**1.47**	31,178	0.49
Cash and balances with central bank	**475,781**	**7.09**	466,403	7.27
Others note (2)	**172,227**	**2.57**	176,091	2.75
Total	**6,711,657**	**100**	**6,416,842**	**100**

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

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

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2018	December 31, 2017
Corporate loans	**1,608,207**	1,482,362
Personal loans	**1,166,404**	910,824
Discounted bills	**159,471**	37,509
Total	**2,934,082**	**2,430,695**

As at the end of the reporting period, corporate loans accounted for 54.81%, down 6.18 percentage points as compared with the figure at the beginning of the period; personal loans accounted for 39.75%, up 2.28 percentage points as compared with that at the beginning of the period; and discounted bills accounted for 5.44%, up 3.90 percentage points as compared with the figure at the beginning of the period. During the reporting period, the Company proactively grasped the changes in economic situation and rationally determined the credit layout of mainstream business and continued to maintain a steady and balanced development of key businesses.

(2) Loan distribution by industry

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

Unit: RMB million

Industry	December 31, 2018			December 31, 2017		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**6,967**	**0.23**	**0.66**	6,958	0.29	0.89
Mining	**59,421**	**2.03**	**3.39**	65,503	2.69	3.71
Manufacturing	**359,593**	**12.26**	**3.79**	335,445	13.80	3.55
Production and supply of power, heat, gas and water	**77,948**	**2.66**	**0.61**	72,413	2.98	0.25
Construction	**95,487**	**3.25**	**1.30**	89,581	3.69	1.61
Transportation, logistics and postal service	**79,355**	**2.70**	**1.15**	69,794	2.87	1.13
Information transmission, software and IT service	**18,046**	**0.62**	**1.96**	18,083	0.73	0.33
Wholesale and retail	**224,723**	**7.66**	**6.98**	223,649	9.20	5.34
Accommodation and catering	**3,183**	**0.11**	**0.54**	3,068	0.13	4.10
Finance	**21,537**	**0.73**	**0.18**	23,865	0.98	0.16
Real estate	**195,490**	**6.66**	**1.21**	151,488	6.23	0.66
Leasing and commercial services	**263,411**	**8.98**	**0.55**	226,770	9.34	0.41
Scientific research and technical service	**8,524**	**0.29**	**1.85**	4,641	0.19	5.26
Water conservation, environment and public facility administration	**173,268**	**5.91**	**0.09**	163,577	6.73	0.10
Residential services, repair and other related services	**1,469**	**0.05**	**1.93**	2,704	0.11	1.04
Education	**898**	**0.03**	**0.56**	1,349	0.06	0.00
Sanitation and social services	**8,427**	**0.29**	**0.57**	10,848	0.45	0.06
Culture, sporting and entertainment	**6,539**	**0.22**	**0.19**	7,057	0.29	0.12
Public administration, social security and social organizations	**3,825**	**0.13**	**0.00**	5,478	0.23	0.00
International organization	**96**	**0.00**	**0.00**	91	0.00	0.00
Personal loans	**1,166,404**	**39.75**	**0.64**	910,824	37.47	0.80
Discounted bills	**159,471**	**5.44**	**0.00**	37,509	1.54	0.00
Total	**2,934,082**	**100**	**1.57**	**2,430,695**	**100**	**1.59**

During the reporting period, the Company continued to implement differentiated credit granting policy of “ensuring credit supply to some, controlling supply to some and cutting supply to some”, actively supporting China’s major strategic planning, including major strategic planning areas such as the Beijing-Tianjin-Hebei region, the construction of the Xiong’an New District, the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and credit funding needs of areas in relation to the “Belt and Road”, the Free Trade Zone, and the new urbanization construction. The Company continued to increase support for the areas of people’s livelihood and consumption upgrades, with a focus on supporting weak-cycle industries such as medicine, education, tourism, and communications. It actively responded to the requirements of the transformation from “high growth to high quality”, supporting emerging industries under national strategies such as optimization and upgrade of traditional industries, high-end manufacturing, new generation information technology and new energies that are in line with national policy orientation, in rapid development stage, and have broad market prospects. In addition, the Company continued with the green finance principle and supported eco-friendly industries that generate evident social benefits, adopt mature technologies and have commercialized operations. We also fully authorized employees and took full advantage of the guiding function of the credit granting policy. Based on the general principle of “Precisely Managing and Accurately Controlling”, we effectively controlled regional, systematic, industry and concentration risks, and drove reasonable business layout and balanced development across different industries, customer categories and products.

During the reporting period, due to slowing economic growth, industry structure adjustment, and de-leveraging of the macro economy, the Company faced certain pressure from credit risks. However, the Company maintained the intensity of control over asset quality and strengthened the disposal of NPL and strictly control new risk exposure. As a result, the NPL ratio declined as compared with the beginning of the period.

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2018		December 31, 2017	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**307,847**	**10.49**	196,298	8.08
Fujian	**313,459**	**10.68**	302,458	12.44
Guangdong	**328,717**	**11.20**	250,615	10.31
Jiangsu	**265,858**	**9.06**	206,352	8.49
Zhejiang	**208,879**	**7.12**	161,574	6.65
Shanghai	**115,511**	**3.94**	121,291	4.99
Beijing	**181,167**	**6.17**	154,237	6.35
Northeast and other regions	**408,533**	**13.93**	341,530	14.04
Western China	**376,378**	**12.83**	315,413	12.98
Central China	**427,733**	**14.58**	380,927	15.67
Total	**2,934,082**	**100**	**2,430,695**	**100**

The Company’s loan distribution by geographical region remained stable. The Company’s operations are mainly in Guangdong, Fujian, Jiangsu, Zhejiang, Beijing, Shanghai and other economically developed regions. Implementing the regionally differentiated policy combining support and control based on the principal of supporting over-performers and eliminating under-performers, the Company gave play to the advantages in terms of resources, market environment, industrial cluster, etc. of various regions, formulated credit policy with regional characteristics, and gave priority to principal businesses with regional advantages. Meanwhile, the Company prioritized resources inclination and realized coordination of key businesses in accordance with national key strategic layout and specific implementation plan.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2018		December 31, 2017	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**728,050**	**24.81**	585,734	24.10
Guaranteed loans	**625,002**	**21.30**	582,000	23.94
Secured by mortgage	**1,150,190**	**39.20**	977,266	40.21
Secured by collateral	**271,369**	**9.25**	248,186	10.21
Discounted bills	**159,471**	**5.44**	37,509	1.54
Total	**2,934,082**	**100**	**2,430,695**	**100**

As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 0.71 percentage point as compared with the figure at the beginning of the period; the proportion of guaranteed loans decreased by 2.64 percentage points as compared with that at the beginning of the period; the proportion of loans secured by mortgage and collateral decreased by 1.97 percentage points as compared with the figure at the beginning of the period, while the proportion of loans secured by discounted bills increased by 3.90 percentage points as compared with the figure at the beginning of the period.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2018	Percentage in total loans (%)
Customer A	8,610	0.29
Customer B	8,299	0.28
Customer C	5,899	0.20
Customer D	5,808	0.20
Customer E	5,800	0.20
Customer F	5,400	0.18
Customer G	5,000	0.17
Customer H	5,000	0.17
Customer I	4,980	0.17
Customer J	4,728	0.16
Total	**59,524**	**2.02**

The loan balance of the Company's largest single borrower as at the end of the period was RMB8,610 million, accounting for 1.59% of the Company's net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2018			December 31, 2017		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**749,360**	**64.25**	**0.31**	603,047	66.21	0.30
Personal business loans	**63,978**	**5.49**	**2.08**	41,004	4.50	4.65
Credit cards	**271,960**	**23.32**	**1.06**	186,256	20.45	1.29
Others	**81,106**	**6.94**	**1.21**	80,517	8.84	1.45
Total	**1,166,404**	**100**	**0.64**	**910,824**	**100**	**0.80**

Personal housing and commercial housing loans decreased by 1.96 percentage points compared with the beginning of the period. Personal business loans increased by 0.99 percentage point compared with the beginning of the period. Credit card balances increased by 2.87 percentage points compared with the beginning of the period. As at the end of the reporting period, the NPL ratio of personal loans slightly declined by 0.16 percentage point, reflecting overall controllable risk.

The Company further strengthened risk prevention and control of personal loan business. First, the Company promoted the retail credit factory mode across the board. Retail credit business process was reengineered to centralize, streamline and standardize middle and back-stage business processing and risk management. Second, the Company effectively used big data technology to enrich personal credit risk assessment metrics, and fully enhance the level of intelligence in retail banking risk management. Third, the Company conducted risk check and post-loan assessment in key areas, timely optimized and adjusted credit granting policies, and accelerated risk elimination and disposal procedures.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the Company's net investment declined by RMB227,950 million or 7.31% to RMB2,892,216 million from the figure at the beginning of the period. The specific composition of investment is set out as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Financial assets at fair value through profit or loss	**459,598**	**15.89**	362,072	11.60
Available-for-sale	**647,102**	**22.37**	504,221	16.16
Receivables	**1,387,150**	**47.96**	1,913,382	61.32
Held-to-maturity	**395,142**	**13.66**	337,483	10.82
Long-term equity investments	**3,224**	**0.11**	3,008	0.10
Total	**2,892,216**	**100**	**3,120,166**	**100**

During the reporting period, the Company's investment decreased and the number of receivables was large, primarily due to reduced investments in non-standard assets.

② Classification based on issuer

Unit: RMB million

Type	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**920,255**	**31.82**	824,587	26.43
Central bank bills and financial bonds	**115,417**	**3.99**	198,694	6.37
Corporate bonds	**320,828**	**11.09**	277,841	8.90
Other investments	**1,532,492**	**52.99**	1,816,036	58.20
Long-term equity investments	**3,224**	**0.11**	3,008	0.10
Total	**2,892,216**	**100**	**3,120,166**	**100**

During the reporting period, the Company further optimized the investment asset structure by overweighting government bonds maintaining the scale of standard investments such as bonds and interbank deposits. The scale of non-standard investments such as wealth management products, trusts and other income rights decreased by RMB463.826 billion, mainly because the Company actively reduced the scale of interbank assets, leading to significant reduction of the scale of interbank specialized non-standard investments.

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB3, 224 million, and the details are set out as follows:

① The Company held 294.40 million shares of Jiujiang City Commercial Bank Co., Ltd. with a proportion of equity interest of 12.23% and a book value of RMB2,892 million.

② CIB Wealth Management Co., Ltd. held the book value of other long-term equity investment of RMB280 million in total at the end of the reporting period.

③ CIB Guoxin Asset Management Co., Ltd. held the book value of other long-term equity investment of RMB52 million in total at the end of the reporting period.

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

As at the end of the reporting period, the Company had a balance of RMB53, 319 million in deposits with banks and other financial institutions, decreased RMB24,256 million or 31.27% from the figure at the beginning of the period. The main reason is that the company decreased deposits with domestic banks.

Unit: RMB million

Type	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**29,316**	**54.98**	61,425	79.18
Deposits with other domestic financial institutions	**5,236**	**9.82**	4,232	5.46
Deposits with foreign banks	**18,694**	**35.06**	11,918	15.36
Deposits with other foreign financial institutions	**73**	**0.14**	-	-
Total	**53,319**	**100**	**77,575**	**100**

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

As at the end of the reporting period, the Company recorded a balance of RMB77.416 billion in financial assets held under resale agreements, representing a decrease of RMB15.703 billion or 16.86% compared with the beginning of the period, mainly due to the reduction in the financial assets held under resale agreements as the Company adjusted asset allocation.

Unit: RMB million

Type	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**76,098**	**98.30**	88,684	95.24
Bills	**1,318**	**1.70**	333	0.36
Trusts and other beneficial interests	**-**	**-**	4,102	4.40
Total	**77,416**	**100**	**93,119**	**100**

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB6,239,073 million, representing an increase of RMB244,983 million or 4.09% from the figure at the beginning of the period.

The composition of the total liabilities of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Due to banks and other financial institutions	**1,344,883**	**21.56**	1,446,059	24.12
Placements from banks and other financial institutions	**220,831**	**3.54**	187,929	3.14
Financial assets sold under repurchase agreements	**230,569**	**3.70**	229,794	3.83
Due to customers	**3,303,512**	**52.95**	3,086,893	51.50
Bonds payable	**717,854**	**11.51**	662,958	11.06
Other liabilities note	**421,424**	**6.74**	380,457	6.35
Total	**6,239,073**	**100**	**5,994,090**	**100**

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

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

As at the end of the reporting period, the Company's balance of customer deposits was RMB3,303,512 million, an increase of RMB216,619 million or 7.02% compared with the figure at the beginning of the period.

Unit: RMB million

Item	December 31, 2018		December 31, 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits	**1,254,858**	**37.98**	1,310,639	42.46
Incl: Corporate	**1,001,358**	**30.31**	1,083,505	35.10
Personal	**253,500**	**7.67**	227,134	7.36
Time deposits	**1,814,016**	**54.92**	1,567,574	50.78
Incl: Corporate	**1,541,943**	**46.68**	1,373,402	44.49
Personal	**272,073**	**8.24**	194,172	6.29
Other deposits	**234,638**	**7.10**	208,680	6.76
Total	**3,303,512**	**100**	**3,086,893**	**100**

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

As at the end of the reporting period, the Company had a balance of RMB1,344,883 million in deposits from banks and other financial institutions, a decrease of RMB101,176 million or 7.00% from the figure at the beginning of the period. The Company rationally adjusted the asset-liability structure based on the circumstances of external market and reduced interbank deposits.

Unit: RMB million

Transaction counterparty	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**416,471**	**30.97**	396,646	27.43
Deposits from other financial institutions	**928,412**	**69.03**	1,049,413	72.57
Total	**1,344,883**	**100**	**1,446,059**	**100**

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

As at the end of the reporting period, the Company recorded a balance of RMB230,569 million in financial assets sold under repurchase agreements, representing an increase of RMB775 million or 0.34% from the figure at the beginning of the period.

Unit: RMB million

Type	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**181,969**	**78.92**	209,658	91.24
Bills	**48,600**	**21.08**	20,136	8.76
Total	**230,569**	**100**	**229,794**	**100**

(III) Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in daily average interest-bearing assets. The net interest margin recorded a year-on-year increase; there was a sustained growth in fee and commission income. The cost-to-income ratio was under control at a relative low level; various provisions were made sufficiently; and the net profit attributable to shareholders of the parent company reached RMB60,620 million, up 5.98% year-on-year.

Unit: RMB million

Item	2018	2017	Increase/Decrease YoY (%)
Operating income	**158,287**	139,975	13.08
Net interest income	**95,657**	88,451	8.15
Net non-interest income	**62,630**	51,524	21.56
Business tax and surcharges	**(1,408)**	(975)	44.41
Operating and administrative expense	**(42,064)**	(38,130)	10.32
Impairment loss of assets	**(46,404)**	(35,507)	30.69
Other operating costs	**(497)**	(550)	(9.64)
Net non-operating income and expense	**163**	(60)	Negative in the same period of last year
Profit before tax	**68,077**	64,753	5.13
Income tax	**(6,832)**	(7,018)	(2.65)
Net profit	**61,245**	57,735	6.08
Profit and loss of minority shareholders	**625**	535	16.82
Net profit attributable to the shareholders of the parent company	**60,620**	57,200	5.98

1. Net interest income

During the reporting period, the net interest income of the Company was RMB95,657 million, representing an increase of RMB7,206 million or 8.15% year-on-year. The business maintained a steady and rapid growth, daily average scale of interest-bearing assets up 2.46% year-on-year. The net interest margin recorded a year-on-year increase of 10 BP.

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

Unit: RMB million

Item	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**121,266**	**44.82**	103,610	41.00
Interest income from discounted bills	**3,553**	**1.31**	1,150	0.46
Interest income from investments	**123,781**	**45.75**	128,567	50.88
Interest income from the amount due from the Central Bank	**6,545**	**2.42**	6,813	2.70
Interest income from placements with banks and other financial institutions	**2,707**	**1.00**	1,337	0.53
Interest income from resale agreements	**2,824**	**1.04**	2,879	1.14
Interest income from deposits in banks and other financial institutions	**2,949**	**1.09**	1,991	0.79
Interest income from financing lease	**5,717**	**2.11**	5,472	2.17
Other interest income	**1,236**	**0.46**	825	0.33
Subtotal of interest income	**270,578**	**100**	252,644	100
Interest expense				
Interest expense on loans from the Central Bank	**8,639**	**4.94**	7,105	4.33
Interest expense on deposits	**69,985**	**40.01**	54,891	33.43
Interest expense on bonds issuance	**27,707**	**15.84**	28,390	17.29
Interest expense on deposits from banks and other financial institutions	**55,205**	**31.56**	64,123	39.04
Interest expense on placements from banks and other financial institutions	**8,899**	**5.09**	6,185	3.77
Interest expense on repurchase agreements	**4,259**	**2.43**	3,358	2.05
Other interest expenses	**227**	**0.13**	141	0.09
Subtotal of interest expense	**174,921**	**100**	164,193	100
Net interest income	**95,657**		**88,451**	

The Company's net interest spread was 1.54%, representing an increase of 10 BP year-on-year; the net interest margin was 1.83%, representing an increase of 10 BP year-on-year. The daily average balance, annualized average yield and cost rate of the Company's asset and liability items are as follows:

Unit: RMB million

Item	2018		2017	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	**2,686,176**	**4.69**	2,280,316	4.59
Based on loan type:				
Corporate loans	**1,667,424**	**4.82**	1,459,103	4.72
Personal loans	**1,018,752**	**4.48**	821,213	4.37
Based on loan term:				
General short-term loans	**1,139,365**	**4.51**	934,716	4.43
Medium and long-term loans	**1,460,677**	**4.87**	1,306,980	4.76
Discounted bills	**86,134**	**4.12**	38,620	2.98
Investments	**2,577,388**	**4.80**	2,877,800	4.50
Deposits in the Central Bank	**425,645**	**1.54**	452,719	1.50
Deposits in and placements with banks and other financial institutions (including financial assets held under resale agreements)	**291,577**	**2.91**	213,334	3.58
Financial leasing	**109,533**	**5.22**	120,194	4.55
Total	**6,090,319**	**4.44**	**5,944,363**	**4.25**

Item	2018		2017	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Due to customers	**3,201,074**	**2.19**	2,903,175	1.89
Corporate deposits	**2,719,409**	**2.25**	2,509,352	1.93
Demand deposits	**1,073,591**	**0.75**	1,064,045	0.68
Time deposits	**1,645,818**	**3.22**	1,445,307	2.84
Personal deposits	**481,665**	**1.84**	393,823	1.67
Demand deposits	**246,033**	**0.30**	222,692	0.30
Time deposits	**235,632**	**3.44**	171,131	3.45
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,872,021**	**3.66**	1,989,098	3.71
Borrowings from the Central Bank	**262,826**	**3.29**	228,526	3.11
Bonds payable	**693,831**	**3.99**	719,230	3.95
Total	**6,029,752**	**2.90**	**5,840,029**	**2.81**
Net interest spread		**1.54**		**1.44**
Net interest margin		**1.83**		**1.73**

Standard for measuring net interest margin: gains deriving from monetary funds and bond fund investment business shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB62,630 million, accounting for 39.57% of the operating income, representing an increase of RMB11,106 million or 21.56% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2018	2017
Net fee and commission income	**42,978**	38,739
Gain and loss from investment	**26,482**	4,514
Gain and loss from changes in fair value	**2,919**	(622)
Gain and loss from exchange	**(11,298)**	7,386
Gain from disposal of asset	**19**	69
Other income	**637**	257
Income from other businesses	**893**	1,181
Total	**62,630**	**51,524**

During the reporting period, the Company realized fee and commission income of RMB42,978 million, up RMB4,239 million or 10.94% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value and gain and loss from exchange were highly interrelated. After consolidation, the overall profit and loss reached RMB18,103 million, representing an increase of RMB6,825 million year-on-year, mainly due to the increase in gains from investment, such as fund dividends.

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

Unit: RMB million

Item	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**1,682**	**3.57**	1,190	2.83
Fee income from bank cards	**21,408**	**45.49**	13,228	31.48
Fee income from agency business	**2,670**	**5.67**	3,059	7.28
Fee income from guarantee commitment	**1,526**	**3.24**	1,673	3.98
Fee income from trading business	**942**	**2.00**	602	1.43
Fee income from custody business	**3,405**	**7.24**	4,063	9.67
Fee income from consulting service	**11,124**	**23.64**	14,416	34.30
Fee income from trust business	**2,118**	**4.50**	1,631	3.88
Fee income from lease business	**1,053**	**2.24**	1,060	2.52
Other fee income	**1,134**	**2.41**	1,105	2.63
Sub-total	**47,062**	**100**	42,027	100
Fee and commission expense	**4,084**		3,288	
Net fee and commission income	**42,978**		**38,739**	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB42,064 million, up RMB3,934 million or 10.32% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**26,229**	**62.35**	23,787	62.38
Depreciation and amortization	**2,423**	**5.76**	2,052	5.38
Lease expense	**3,003**	**7.14**	2,889	7.58
Research and development expense	**630**	**1.50**	457	1.20
Other general and administrative expenses	**9,779**	**23.25**	8,945	23.46
Total	**42,064**	**100**	**38,130**	**100**

During the reporting period, centering on the financial resources allocation principle of “steady progress, transformation and innovation”, the Company increased expenses for key areas including expansion of core liabilities and business transformation. Operating expenses increased and the cost-to-income ratio was 26.89%, maintaining at a low level.

4. Impairment loss of assets

During the reporting period, the Company’s impairment loss of assets was RMB46,404 million, up RMB10,897 million or 30.69% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**38,067**	**82.03**	28,621	80.61
Impairment loss on investment in accounts receivable	**5,409**	**11.66**	6,290	17.71
Impairment loss on available-for-sale financial assets	**648**	**1.40**	(598)	(1.68)
Impairment loss on financial leasing receivable	**1,128**	**2.43**	462	1.30
Impairment loss on other assets	**1,152**	**2.48**	732	2.06
Total	**46,404**	**100**	**35,507**	**100**

During the reporting period, the Company accrued a loan impairment loss of RMB38,067 million, up RMB9,446 million year-on-year. Mainly due to the growth of loan scale, the loan scale at the end of the year increased by RMB503.387 billion compared with the beginning of the period, representing an increase of 20.71%.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 10.04%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2018
Profit before tax	**68,077**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**17,019**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(12,105)**
Non-deductible items	**1,867**
Adjustment on the tax of previous years	**51**
Income tax expense	**6,832**

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2018	2017
Cash flows from operating activities	**(356,099)**	(162,642)
Cash flows from investing activities	**422,390**	268,261
Cash flows from financing activities	**10,436**	(67,067)

During the reporting period, the net cash outflows from operating activities was RMB356,099 million, representing an increase of RMB193,457 million as compared with last year, mainly due to the increased efforts in loan issuance.

Net cash inflows from investing activities was RMB422,390 million, representing an increase of RMB154,129 million as compared with previous year, mainly due to the reduction of non-standard investment which resulted in a decrease in the increment of investment business.

Net cash inflows from financing activities were RMB10,436 million, representing an increase of RMB77,503 million as compared with previous year, mainly due to the year-on-year increase in interbank deposit business.

(V) Capital management

1. Capital management overview

During the reporting period, the Company had conscientiously implemented the capital management policy according to the Capital Rules for Commercial Banks (Provisional) of CBIRC. As per "2016-2020 Group Development Plan" and "Industrial Bank Medium-term Capital Management Planning (2018-2020)", the Company will achieve healthy and sustainable development as well as make sure capital adequacy ratio meet requirements by well performing capital management policies.

In 2018, the Company realized the endogenous, balanced development of capital without external capital replenishment. In accordance with regulatory policies on external capital, it fully demonstrated the necessity and feasibility of external capital replenishment based on the actual needs of the Group's future business development. In 2018, the Company's general meeting and the Board of Directors considered and approved plans to issue RMB30 billion of preferred shares and RMB50 billion of secondary capital bonds. So far, RMB30 billion of preferred shares have been issued. Upon the implementation of the above capital replenishment plan, the Company's capital strength will be further increased, and its ability to resist risks and serve the real economy will be further enhanced.

In 2018, the Company continued to implement a capital-efficient operational and management mode. Based on the annual business operation plan, the Company's capital retaining abilities and its assets and liabilities management strategy, the Company has reasonably arranged and controlled the bank-wide risk-weighted assets scale. The Company continued to optimize risk-weighted asset quota allocation and control mechanism, as well as the assessment of rates of return on capital on each branch or subsidiary, thereby reasonably adjusting the asset structure and promoting coordinated development of on-balance sheet and off-balance sheet businesses. More emphasis is placed on the effective use of capital and the value creation of unit risk-weighted asset inputs to ensure a stable return on capital.

2. Implementation of the New Capital Accord

Since the official issuance of the Capital Rules for Commercial Banks (Provisional), the Company has steadily and orderly advanced various implementation tasks. At present, a relatively complete first pillar framework system under the New Capital Accord has been constructed, which has effectively improved the risk and capital management capability.

In terms of policy system construction, the Company has established a relatively complete organizational framework and institutional framework under the New Capital Accord, covering such areas as capital adequacy ratio management, internal rating management, exposure classification, slow mitigation determination, model measurement, system verification, rating application, stress testing, and data governance. The Company continued to carry out internal training to cultivate the business philosophy of restricting risk with capital and promote the implementation of the New Capital Accord system.

In terms of project implementation, the Company has launched non-retail internal rating, retail internal rating, credit risk-weighted assets (RWA) and market risk management systems. It has completed the optimization of retail internal score pooling model, pre-production verification and system deployment. Also, it has completed the optimization of the non-retail internal rating model and pre-production verification, and started the third-phase system upgrade.

In terms of the application of measurement tools, the Company continued to promote the application of internal rating results. Core applications mainly included authorization management, credit approval, industry limit management, and customer quotas. Advanced applications mainly included risk-adjusted return on capital (RAROC), capital measurement model construction, risk impairment test for credit assets, stress test, asset quality management, risk preference setting, comprehensive evaluation and provision, risk capital allocation management under the internal evaluation method and risk alert model for credit assets.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2018	December 31, 2017
Total capital	**578,414**	527,191
1. Core Tier 1 capital	**441,197**	392,199
2. Other Tier 1 capital	**25,970**	25,935
3. Tier 2 capital	**111,247**	109,057
Capital deductions	**832**	1,074
1. Amount of deduction from core Tier 1 capital	**832**	774
2. Amount of capital instruments mutually possessed by two or more than two commercial banks under agreement, or amount of capital investment taken by CBRC as watered capital that should be deducted from corresponding regulatory capital	**-**	-
3. The part of small amount minority capital investment of financial institutions not consolidated exceeding 10% of the core Tier 1 net capital that should be deducted from corresponding regulatory capital	**-**	-
4. The part of large amount minority capital investment of financial institutions not consolidated exceeding 10% of the core Tier 1 net capital that should be deducted from corresponding core Tier 1 capital	**-**	-
5. The part of other Tier 1 capital investment and Tier 2 capital investment in large amount minority capital investment of financial institutions not consolidated that should be deducted from corresponding regulatory capital	**-**	300
6. The part of net deferred tax assets exceeding 10% of the core Tier 1 net capital based on the future profit of commercial banks that was deducted from core Tier 1 capital	**-**	-
7. The part of the total of large amount minority capital investment of financial institutions and corresponding net deferred tax assets exceeding 15% of the core Tier 1 net capital that was not deducted from core Tier 1 capital	**-**	-
Net capital	**577,582**	526,117
Minimum capital requirement	**378,745**	345,381
Reserve capital and counter-cyclical capital requirement	**118,358**	107,932
Additional capital requirement	**-**	-
Core Tier 1 capital adequacy ratio (before consolidation) (%)	**9.03**	8.86
Tier 1 capital adequacy ratio (before consolidation) (%)	**9.61**	9.50
Capital adequacy ratio (before consolidation) (%)	**12.01**	12.10
Core Tier 1 capital adequacy ratio (after consolidation) (%)	**9.30**	9.07
Tier 1 capital adequacy ratio (after consolidation) (%)	**9.85**	9.67
Capital adequacy ratio (after consolidation) (%)	**12.20**	12.19

(1) The table above and data hereof were prepared in accordance with relevant requirements in the Notice of China Banking Regulatory Commission on New CAR Reporting, with the capital adequacy ratio.

The calculation range for the consolidated capital adequacy ratio of the Company included the Industrial Bank Co., Ltd.

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

(2) The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of CBIRC, the Company recorded total consolidated overdue loans of RMB61,740 million and total NPLs of RMB48,439 million, the balance of actual accrued provision for loan impairment was RMB98,757 million, the book value of long-term equity-interest investment was RMB3,224 million, the total credit risk exposure was RMB7,189,897 million, and the credit risk weighted assets reached RMB4,322,530 million, up 9.04% year-on-year, among which the balance of securitized assets was RMB142,203 million, the credit risk exposure was RMB141,849 million and the credit risk weighted assets reached RMB57,985 million.

As at the end of the reporting period, the Company adopted the standard approach for market risk measurement. The amount of market risk-weighted assets was RMB10,680 million, which was 12.5 times of the total market risk capital requirement of RMB133,494 million.

As at the end of the reporting period, the Company adopted the basic indicator approach for operating risk measurement. The amount of operating risk-weighted assets was RMB22,263 million, which was 12.5 times of the total operating risk capital requirement of RMB278,291 million.

4. Leverage ratio

As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Net Tier 1 capital	466,335	454,789	437,227	436,305
Balance of on- and off-balance sheet assets after adjustment	7,617,291	7,516,220	7,374,858	7,168,455
Leverage ratio (%)	6.12	6.05	5.93	6.09

5. Liquidity coverage ratio

As at the end of the reporting period, in accordance with the Measures for Information Disclosure regarding Liquidity Coverage of Commercial Banks, information about the Company's liquidity coverage ratio was as follows:

Unit: RMB million

Item	December 31, 2018
Qualified high-quality current assets	9,571.42
Net cash outflow during the next 30 days	6,737.05
Liquidity coverage ratio (%)	142.07

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

II. Discussion and analysis on future development

(I) Industrial pattern and trends

In 2019, the operating environment of commercial banks is still complicated, the policy bottom is basically clear, but the economic bottom and market bottom are still uncertain. There are both the general challenges brought about by the economic slowdown and the structural opportunities arising from policy relaxation. Specifically:

Firstly, the economic growth rate declines first and then stabilizes. Looking outward, it is expected that the Fed will continue to raise interest rates, Europe will start a rate hike process, and emerging markets will face greater pressure of capital outflow, which will have negative impact on China's economic development and financial market stability. Looking inward, China is still in the period of transition between new and old drivers, and the risk prevention and deleveraging policies issued in the previous stage still impose many constraints on the market entities. China-US trade frictions present great uncertainties. Real estate investment, manufacturing investment, exports, and consumption growth are expected to slow down. At the same time, effects of policy adjustment will gradually be released, to the benefit of the economic growth. As a result, it is expected that China's GDP will decline slightly from 2018, showing a trend of declining first and then stabilizing. This will pose challenges for business management work of commercial banks such as business development and risk prevention and control.

Secondly, regulatory policies slightly relax though remain stringent. The basic condition of risk prevention and strict regulation will continue. Moreover, faced with economic growth pressure, economic and financial policies are expected to be continuously adjusted and improved, including: comprehensive and rapid de-leveraging will be shifted to structural de-leveraging and stabilizing leverage; fiscal policies are expected to become more pro-active; the Central Bank will reduce the deposit reserve ratio by such means as target reserve ratio reduction through inclusive financing, reserve ratio reduction, MLF, and TMLF to drive the transition from "relaxing currency" to the "relaxing credit", allowing the exchange rate to fluctuate to a larger extent to release the depreciation pressure; the financial regulation policy will be more gradual and pragmatic; and the policies issued will focus on "compensating for shortcomings" in compliance with international regulatory rules. Commercial banks are gradually getting out of the bottom of the policy impacts. They meet the basic conditions for steady development, and are expected return to rationality with the help of policies and achieve better development of some businesses.

Thirdly, changes in the financial market give rise to opportunities. Given the above economic and policy situation, liquidity is expected to remain reasonably abundant. However, against the backdrop of financial disintermediation and de-leveraging, the "shortfall" in deposits is even more pronounced. The overall market interest rate may drop slightly compared to 2018. The short-term interest rate is basically in place, the term spreads have declined, and the credit spreads have improved overall. At the same time, interest rate gap between China and the US may "be inverted", increasing exchange rate fluctuation. In addition, the sentiment of the stock market is extremely pessimistic, and underpinned by policies such as resolving the risks associated with stock pledge, the probability of future reversal will increase. In this condition, it is expected that the price of capital will remain relatively low. It will be good opportunities for the investment, transaction, and structure optimization of bonds. There will be more business opportunities in the foreign exchange market and the stock market.

(II) Development strategy of the Company

In pro-actively response to the new economic normal of the "13th Five-Year Plan" period and the impact of the new financial landscape on the development of banks, the Company has developed a "1234" complete strategic system through gradually exploration, whereas "1" stands for one principal line of improvement while maintaining stability and accelerated transformation that oriented towards light assets, light capital, and high efficiency; "2" stands for the two major businesses – commercial banking and investment banking, with commercial banking as the main-body and investment banking as the functional arm, carried out in a customer-oriented manner; "3" stands for the three capabilities as a settlement bank, investment bank, and transaction bank to be continuously enhanced, emphasizing the balanced development of various business functions. We will work hard in the field of investment banking with distinctive characteristics and consolidate and enhance our advantages, while also remedy our shortcomings in commercial banking sector where the foundation is weak, so that the shortcomings are overcome; and "4" stands for the four key areas – key branches, key industries, key customers, and key products. By integrating industry resources, we will concentrate our superior strengths and precisely allocate limited resources to key areas with high development potential and good comprehensive returns.

(III) Business objectives for 2019

1. The Group's total assets to increase by 3%-5%;
2. The balance of customer deposits to increase by approximately RMB320 billion;
3. The balance of loans to increase by approximately RMB450 billion;
4. The net profit attributable to the shareholders of the parent company to increase by approximately 4% year-on-year.

III. Business overview of the Company

(I) Business institutions

1. Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	-	4,401	2,852,988
Financial Markets	168 Jiangning Road, Shanghai	-	93	678,692
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	-	1,050	271,001
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	76	2,760	554,680
Tianjin Branch	219 Yong'an Blvd., Hexi District, Tianjin	88	1,294	95,052
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	68	2,109	92,722
Taiyuan Branch	209 Fudong Street, Taiyuan	80	1,579	101,077
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	45	1,363	54,909
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	44	1,321	64,162
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	27	571	26,845
Changchun Branch	309 Changchun Avenue, Changchun	27	1,112	57,243
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	29	977	48,433
Shanghai Branch	168 Jiangning Road, Shanghai	76	2,153	384,671
Nanjing Branch	2 Changjiang Road, Nanjing	109	3,314	297,607
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	16	600	62,253
Hangzhou Branch	40 Qingchun Road, Hangzhou	108	2,543	214,140
Ningbo Branch	905 Baizhang East Road, Ningbo	33	762	40,596
Hefei Branch	99 Fuyang Road, Hefei	38	1,132	86,412
Fuzhou Branch	32 Wuyi Middle Road, Fuzhou	63	1,408	205,773
Xiamen Branch	78 Hubin North Road, Xiamen	29	1,295	106,612
Putian Branch	22 Xueyuan South Road, Chengxiang District, Putian	12	365	19,837
Sanming Branch	Building 362, New Qianlong Village, Meilie District, Sanming	13	389	13,481
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	51	1,349	88,018
Zhangzhou Branch	27 Shengli West Road, Zhangzhou	20	576	32,424
Nanping Branch	399 Binjiang Middle Road, Nanping	17	362	14,177
Longyan Branch	46 Jiuyi South Road, Longyan	13	432	18,728
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	310	18,821

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	48	933	41,763
Ji'nan Branch	86 Jingqi Road, Ji'nan	112	3,141	182,349
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	22	620	38,223
Zhengzhou Branch	288 Jinshui Road, Zhengzhou	51	1,544	82,683
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	69	1,444	113,722
Changsha Branch	192 Shaoshan North Road, Changsha	43	1,473	125,240
Guangzhou Branch	101 Tianhe Road, Guangzhou	132	3,705	415,317
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	49	1,615	276,368
Nanning Branch	146 Minzu Boulevard, Qingxiu District, Nanning	31	1,144	61,060
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	12	434	19,820
Chongqing Branch	1 Honghuang Road, Hongqihegou Jiangbei District, Chongqing	63	1,199	116,284
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	120	1,950	118,413
Guiyang Branch	45 Zhonghua South Road, Guiyang	15	691	23,324
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	28	889	39,082
Xi'an Branch	1 Tangyan Road, Xi'an	79	1,268	94,120
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	15	387	12,308
Xining Branch	54 Wusi West Road, Xining	4	257	15,683
Urumqi Branch	37 Renmin Road, Urumqi	40	775	49,371
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	2	181	5,044
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	1	94	2,394
Hong Kong Branch	3 Garden Road, Central, Hong Kong	1	295	181,839
Netting and summation adjustment within the system				(1,966,329)
Total		**2,032**	**59,659**	**6,549,432**

Note: Data in the table above do not include subsidiaries. Only Tier 1 branches (sorted by the administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of Tier 2 branches and other sub-branches are included in the data of Tier 1 branches according to the management structure.

2. Overview of major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	9,000	128,135	15,361	2,850	1,852	1,386
China Industrial International Trust Limited	5,000	37,605	17,542	3,592	1,806	1,360
CIB Fund Management Co., Ltd.	1,200	3,264	2,752	1,097	521	414
Industrial Consumer Finance Co., Ltd.	1,200	22,262	1,944	2,448	651	512

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

Industrial Bank Financial Leasing Co., Ltd. is a wholly-owned subsidiary of the Company with registered capital of RMB9 billion. Business scope includes financial leasing, selling and buying of financial leasing asset, fixed-income security investment, acceptance of lessee's lease deposits, setting up project companies in domestic bonded areas to engage in finance lease business, among others.

As at the end of the reporting period, Industrial Leasing has total assets of RMB128.135 billion and total liabilities of RMB112.775 billion. Owners' equity amounted to RMB15.361 billion. Total leasing assets on balance sheet amounted to RMB115.132 billion, which included RMB109.775 billion financing leasing assets and RMB5.357 billion operating leasing assets. During the reporting period, operating income was RMB2.850 billion, operating profit was RMB1.852 billion, and the net profit after tax was RMB1.386 billion.

Industrial Leasing has focused on key business areas that it specializes in. It has enhanced environmental impact database for the green leasing projects, allocated more resources to green leasing business, and promoted the building of a green leasing business structure. During the reporting period, Industrial Leasing has completed 37 green leasing projects with a total value of RMB9.12 billion. As at the end of the reporting period, Industrial Leasing has RMB47.7 billion worth of green leasing assets. Industrial Leasing continued to promote the aviation leasing business. When further exploring domestic market, Industrial Leasing achieved a breakthrough in overseas market. It has signed operating leasing agreements for five Q400 aircrafts with SpiceJet. Industrial Leasing also actively explored the possibility of building a strategic alliance for asset pool trading, and laid a sound foundation for global development of its aviation leasing business.

Industrial Leasing strengthened its coordination with other group members and strived to facilitate the overall development of the Group. In line with the group strategy of "four priorities" and "commercial bank + investment bank", Industrial Leasing has explored markets with local characteristics and refined its professional positioning in the leasing market. It worked with other group members to provide integrated financial service to key customers from key industries. In addition, Industrial Leasing strengthened its cooperation with other industries as well as peers in the leasing industry. It focused on industrial leaders and leasing companies with industrial background or professional characteristics, so as to serve the key customers of the group and facilitate the transformation in the real economy.

Industrial Leasing has raised funds from diversified channels. First, Industrial Leasing focused on capital borrowing, and used capital lending as a complementary tool. It enriched its trading operations and built an RMB and foreign currency-denominated trading system with diversified counterparties. Industrial leasing also strengthened liquidity management so as to ensure it can repay funds at critical time and its projects' capital demand can be met. Second, Industrial Leasing actively promoted the diversification of its counterparties, channels and products. It actively sought nonbanking counterparties, and strived to cover all state-owned banks, policy banks, joint-stock banks, major municipal commercial banks, rural commercial banks, foreign banks and some nonbanking financial institutions. Third, Industrial Leasing has adopted the principle of sharing concepts, complementing each other and achieving win-win results in the asset trading operations. It traded leasing assets with financial leasing companies that are controlled by central government-owned enterprises or large financial groups, have strong core businesses and are able to generate synergies with their parents. Fourth, Industrial Leasing managed to make progress in the capital market business. During the reporting period, Industrial Leasing issued three tranches of financial debts with a total amount of RMB10 billion, and a three-year syndicated loan with an amount of USD80 million. These moves strongly supported business development of Industrial Leasing.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with a registered capital of RMB5 billion and the Company holds 73% of the capital contribution. The business covers fund trust, movable property trust, immovable property trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the CBIRC.

Industrial Trust has insisted on the strategy of improving efficiency, promoting transformation, adjusting structure and preventing risks. It actively shifted back to the very basic business model of trust companies, and enhanced its risk management. It vigorously promoted the active management business and steadily cut the scale of its passage business, thereby further advancing business transformation and structure adjustment, and enhancing the abilities of serving the real economy. Industrial Trust saw steady improvement in its business performance. As at the end of the reporting period, Industrial Trust's fixed assets amounted to RMB37.605 billion, up 4.47% from the beginning of the period, owners' equity was RMB17.542 billion, up 5.12% from the beginning of the period, and the asset under management was RMB891.299 billion. During the reporting period, the realized revenue was RMB3.592 billion, the realized total profit was RMB1.806 billion, and the net profit was RMB1.360 billion. Asset quality remained stable and all indicators met regulatory requirements.

During the reporting period, Industrial Trust continued to shift towards the active management business, and the proportion of the collective trust business continued to increase and Industrial Trust's business mix continued to optimize. As at the end of the reporting period, the business size of subsisting trust of Industrial Trust reached RMB725.625 billion, with collective trust business accounting for 39.47%, up 7 percentage points from the beginning of the period. During the reporting period, Industrial Trust becomes the first trust company that is allowed to underwrite the new nonfinancial corporate debt financing vehicles by the National Association of Financial Market Institutional Investors. Industrial Trust commenced many innovative trust businesses, including the industry's first note products backed by actively-managed assets. Such efforts lowered the direct financing thresholds and funding costs of small businesses, and protected investors' rights and interests. In addition, Industrial Trust actively built green trust brand, and continued to promote business innovation. The size of its green trust business continued to grow and asset returns further hiked. As at the end of the reporting period, Industrial Trust's subsisting green trust assets reached RMB59.671 billion, up 20.09% from the beginning of the period. In addition, Industrial Trust started to fully standardize the open-ended cash management product Yuanfeng according to the new rules governing asset management business of China. As at the end of the reporting period, the subsisting assets of Yuanfeng

amounted to RMB8.220 billion, up 281.70% from the end of June 2018 when the standardization project was completed.

(3) CIB Fund Management Co., Ltd.

With a registered capital of RMB1.2 billion, of which the shareholding of the Company reaches 90%, CIB Fund Management Co., Ltd., a holding subsidiary of the Company, is principally engaged in fundraising, sales agency services, asset management for specific clients, asset management and other business as permitted by the CSRC. As at the end of the reporting period, CIB Fund has established 15 branches across the nation, including Shanghai, Beijing and Shenzhen as well as the wholly-owned fund subsidiary CIB Wealth Management Co., Ltd.

During the reporting period, CIB Fund witnessed smooth development with respect to various businesses, with its market image and brand position continuously improving. As at the end of the reporting period, the total assets of CIB Fund reached RMB3.264 billion, representing an increase of 14.97% as compared to the beginning of the period; owner's equity was RMB2.752 billion, representing an increase of 49.08% as compared to the beginning of the period. During the period, it recorded operating revenue of RMB1.097 billion, net profit of RMB414 million and a ROE of 18.02%. Total asset scale under management at the end of the reporting period was RMB378.833 billion, of which mutual fund reached RMB164.769 billion. Size of specific accounts of the fund company reached RMB32.077 billion, and size of specific accounts of the branch companies reached RMB181.988 billion.

CIB Fund has adhered to the strategic goal of "focusing on market demand, pursuing innovation, delivering sound performance and ensuring compliance". It has focused on enhancing its expertise, operated in a market-oriented manner and strived to differentiate its businesses. Moreover, CIB Fund actively shifted back to the basic business model of fund companies, promoted its business transformation, enhanced active management capabilities and accelerated its development in equity businesses. During the reporting period, CIB Fund launched the first equity fund and was granted the approval to issue ETF equity funds and pension target FOF funds, which enabled CIB Fund to establish a foothold in equity fund, index fund and FOF fund businesses, and further enrich its product portfolio. In addition, CIB Fund has facilitated the implementation of the Group's "commercial bank + investment bank" strategy, and has initiated joint equity investment business with corporate partners, and built a three-party joint operation platform for capitals, products and funds. By doing this, CIB Fund established a sound cooperation mode and achieved steady business development. During the reporting period, CIB Fund undertook 16 projects, including the commencement of projects with J&H Biotechnology and Shenzhen Capital Group. In addition, it broadened the capital raising channels for equity assets of the Group. In line with the strategy of "four priorities", CIB Fund strengthened its cooperation with other members of the Group. Through convertible bonds, exchangeable bonds and ABS, CIB Fund engaged in a loan-investment joint operation mechanism where investors can help investees get loans and lenders can help borrowers get investments. By doing this, CIB Fund helped enrich the product portfolio of the Group. CIB Fund also actively cooperated with key customers of the Group, focused on key industries and strengthened its ties with key branches. It cooperated with listed industry leaders with strong performances and their shareholders to establish merger & acquisition funds.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company. It has a registered capital of RMB1.2 billion, of which the Company had a stake of 66%. It is engaged in provision of personal finance loans, deposit-taking from shareholders' domestic subsidiaries as well as domestic shareholders, lending to domestic financial institutions, issuance of financial debts, domestic interbank lending, advisory and agency services related to consumer finance, fixed income securities investment and other business approved by the former CBRC.

Industrial Consumer Finance has strived to build strong creditability and offer loans with high integrity standards. It has aligned itself with China's policy of consumption upgrading and the latest development trend in the consumer finance industry. Through various measures, Industrial Consumer Finance managed to enhance its core competency. As at the end of the reporting period, Industrial Consumer Finance has total financial assets of RMB22.262 billion. During the reporting period, Industrial Consumer Finance recorded an operating income of RMB2.448 billion and a net profit of RMB512 million. Industrial Consumer Finance has strived to expand both online and offline. It has leveraged the network of the Company to expand nationwide, and strengthened its cooperation with community branches. Since its opening, Industrial Consumer Finance has referred nearly 400,000 debit card customers to the Company. Meanwhile, Industrial Consumer Finance has actively promoted its Internet finance business. It started from the "Kong Shou Dao" APP and created a series of convenient online products, which supplemented its offline operations.

Industrial Consumer Finance continued to revamp its risk management mechanism. It focused on building a full-process risk management system that covers processes before, during and after lending. First, Industrial Consumer Finance standardized the work procedures, and required in-house customer managers to inspect and visit in person, and talk and sign face to face. The offline operation has not detected any identity fraud until now. Second, Industrial Consumer Finance jointly used the traditional and emerging credit information. It attached high importance to application of frontline risk control technologies, and used machine learning algorithm to improve model development technologies and construct automatic loan approval system, which enhanced approval efficiency and risk-adjusted returns.

During the reporting period, Industrial Consumer Finance completed capital increase, and managed to grow its registered capital to RMB1.2 billion. In addition, Industrial Consumer Finance actively explored other financing channels. First, it was allowed to enter the interbank lending market, and successfully raised the first syndicated loan with a total amount of RMB933 million. Second, it made breakthroughs in asset securitization business. In December, it issued the first ABS with the value of RMB1.925 billion.

Other Important Subsidiaries

(5) Industrial Futures Co., Ltd.

China Industrial Futures Limited is a holding subsidiary of the Company with a registered capital of RMB0.5 billion. Business scope includes: commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management business. Industrial Futures is a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and Shanghai International Energy Exchange, and is also a transaction settlement member of China Financial Futures Exchange.

During the reporting period, Industrial Futures demonstrated strong growth momentum, and further enhanced its industrial positions and reputation in the market. In terms of aggregate customers' equity value, Industrial Futures ranked No.32 among the 149 futures companies nationwide. As at the end of the reporting period, Industrial Futures has total assets of RMB3.952 billion, up 16.86% year on year. Its aggregate customers' equity amounted to RMB3.315 billion, up 13.71% year on year.

Industrial Futures adhered to the operating principles of "high starting points, standardization, first-class services and customer-oriented". On the back of the advantages of its banking parent, Industrial Futures focused on its core business of traditional brokerage, and further promoted the business of risk management, asset management and financial futures. It strengthened risk management, advocated investing in a scientific manner, operated in a standardized way and managed in a strict style. It has strong reputation and is one of the relatively influential futures companies in the market. At present, Industrial Futures has established a wholly-owned risk management subsidiary - Industrial Yinxin Capital

Management Co., Ltd. It has 17 branches, including subsidiaries in Shanghai, Beijing, Zhejiang, Fujian, Guangdong, Shenzhen, Henan, Dalian, among others, and 5 Futures Business Departments and Asset Management Departments directly managed by the Head Office. It has built a nationwide presence in major economic centers of China and established footholds in areas that it specializes in. In addition, Industrial Futures has effectively integrated technological, R&D, trading, compliance and internal control resources, and explored futures brokerage, investment advisory, asset management, risk management, internationalization and other innovative businesses. It is moving towards its goal of becoming a leading national integrated financial derivative services operator and provider.

(6) CIB Economic Research and Consulting Co., Ltd.

CIB Research is a wholly-owned subsidiary of the Company with a registered capital of RMB0.6 billion. Its business scope includes: researches on macro economy, asset allocation strategy, fixed income, overseas studies, green finance, exchange rate and commodities, fund research, equity research, industry research, credit rating and research services in other areas.

CIB Research adhered to the principle of “creating value through researching”. It focused on financial asset pricing and continuously enhanced its researching capabilities. It also consistently enhanced its product portfolio. Internally, CIB Research strived to facilitate the transformation and development of the Group, and actively provided research support for the Company’s development strategy of “commercial bank + investment bank”. Externally, CIB Research has served other market players and strived to provide professional and quality research services and products based on the practices of China’s financial reform and development. During the reporting period, CIB Research has provided various research and product support for internal customers. It carried in-depth analysis into key issues such as group strategy, transformation of asset management business, coordinated development of subsidiaries, among others. Based on such analysis, CIB Research provided various topical research reports and strategies. Externally, CIB Research entered into cooperation agreements with over 70 customers, including banks, non-banking financial institutions, government agencies, businesses and other market participants. These efforts made CIB Research an even more influential player in the industry and enhanced CIB Research’s brand reputation.

CIB Research further transformed its products and services. It teamed up with Shanghai Clearing House (SCH) to launch CIB Research SCH 3-5 Years Middle to High-Grade Select Credit Bond Index. This is the first credit bond index that incorporates the internal credit ratings of a third party. CIB Research has accelerated the construction of its credit product system. It seized market opportunities, acted with foresight and managed to build a comprehensive, multi-layer and standardized credit product and service portfolio that is accessible to all debt issuers in the market. It also actively organized on-site company visits to key regional debt issuers, thereby facilitating the communication between enterprises and capital market, and better serving the real economy.

CIB Research grasped the development trends in financial market. In response to customers’ demand, CIB Research has issued about 2,000 research reports, including about 1,000 highly customized reports and over 740 VIP reports. These reports covered areas including macro-economic conditions, asset-liability strategy, credit rating, fixed income, exchange rates and precious metals, green finance, industry researches and others. CIB Research’s green finance research team prepared and issued CIB Green Finance Prosperity Index (GPI) to reflect the first-hand information in development of green industry and provide guidance for development of green finance business in financial institutions. CIB Research’s exchange rate and precious metal research team focused on predicting exchange rate trends, and managed to identify the inflection points in RMB/USD exchange rates, crude oil prices and gold prices. The team has formulated VIP reports that forecast market trends, and built a research chain that projects market trends, interprets policies and introduces related products. CIB Research’s asset-liability strategy research team focused on studying banks’ asset-liability management, and constructed an analysis system that covers liability and liquidity management, capital management and asset allocation. CIB Research’s fixed income research team has correctly forecasted the market movements and corrections in the bond market, and thus enhanced its reputation and became an influential player in the fixed income field.

(7) CIB FINTECH (Shanghai) Co., Ltd.

CIB FINTECH (Shanghai) Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB0.5 billion. Business scope includes financial data cloud service and open bank integrated financial services. CIB FINTECH is a pioneer in fintech, and has established two major development courses since its establishment. The first is continuously developing and building a strong financial cloud so as to provide comprehensive financial cloud services for small and medium-sized banks and non-banking financial institutions. The second is to make breakthroughs and innovate so as to build an open banking platform, and become a connecter between the “Bank End” and “Customer End” through open banking service API and micro innovation.

CIB FINTECH’s financial cloud business continued to make progress in customer base expansion and product upgrading. As at the end of the reporting period, the financial cloud has 178 customers that operate online. In terms of customer base expansion, the financial cloud has managed to expand its customer base from municipal commercial banks, private-sector banks and rural banks to foreign banks, financial companies and financial leasing companies. In terms of product upgrading, the new generation of banking information system (including core systems) is already operational at municipal commercial banks and rural banks. In addition, CIB FINTECH has introduced disaster recovery cloud products to provide data-level and application-level disaster recovery services to financial customers. CIB FINTECH actively took part in the formulation of various industry standards, including the Financial Application Standards for Cloud Computing Technology – Technology Architecture/Safety Technology Requirements/Disaster Recovery (issued by the Financial Standards Committee) and the Reliable Financial Cloud Services – Banks (issued by the Ministry of Industry and Information Technology), among others.

In terms of innovative businesses, the open banking platform has provided 72 API services to external customers, which involved users, accounts, information, payment, security, socializing, wealth management, among others. These open APIs were connected to business ecosystems and generated new accounts, settlement deposits and other benefits for the Group and customers. As at the end of the reporting period, the open banking platform has completed 135 million transactions, which had a total value of RMB154.4 billion and introduced 179,400 customers to the bank-end. CIB FINTECH is also making breakthroughs in RPA (robotic process automation). It has developed over 10 process robots that generate good benefits in retail, auto finance, marketing and operational management. In addition, CIB FINTECH has built a sharing mechanism with leading incubators, and introduced industrial and technological partners to drive innovation. These efforts created a financial ecosystem that generates win-win results. CIB FINTECH also provided innovative incubation advisory services to external customers.

(8) China Industrial Asset Management Co., Ltd.

China Industrial Asset Management Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB1.95 billion. Industrial Asset Management was registered with the approval of the People’s Government of Fujian Province and the former CBRC on February 20, 2017, and has the qualification to massively acquire and dispose non-performing assets of financial institutions as a provincial asset management company. Its business scope includes: participating in massive acquisition, transferring and disposal of financial institutions’ non-performing assets within Fujian Province; acquiring, transferring and disposing nonfinancial institutions’ non-performing assets; debt restructuring and corporate restructuring; debt-to-equity swap, managing, investing in and disposing equity assets; bankruptcy management; investment and asset management; asset securitization; fund custody management, among others.

During the reporting period, Industrial Asset Management adhered to the strategic goal of “building first-class integrated special asset service provider in China”. It insisted on the operating principle of “winning by compliance and expertise”, and ensured its business grew in a standardized manner. Thanks to its efforts, Industrial Asset Management made breakthrough in the business of acquiring nonperforming assets, and steadily developed the business of massive disposal of nonperforming assets. Its operating results increased at a steady and rapid pace. As at the end of the reporting period, Industrial Asset Management has total assets of RMB13.376 billion, representing a growth of RMB3.766 billion from the beginning of the period. Total liabilities amounted to RMB10.234 billion, representing a growth of RMB3.662 billion from the beginning of the period. Owners' equity hit RMB3.142 billion, representing a growth of RMB105 million from the beginning of the period. During the reporting period, its operating income reached RMB182 million, total profits amounted to RMB134 million and net profit hit RMB104 million.

Taking root in Fujian and facing the nationwide market, Industrial Asset Management will fully leverage its local AMC license to continuously explore the non-performing assets disposal business. Industrial Asset Management reinforced its role as a "financial stabilizer and safety network" for local economic development, and solidified its leading position in regional market. During the reporting period, Industrial Asset Management acquired a total of 41 non-performing asset debt packages with a total debt value of RMB15.516 billion. As at the end of the reporting period, it held 44 non-performing asset debt packages with a total debt value of RMB19.137 billion, increasing by 23 and RMB6.838 billion from the beginning of the period, respectively. During the reporting period, Industrial Asset Management acquired 19 primary-market non-performing asset packages in Fujian Province, with a debt principal of RMB6.71 billion. Industrial Asset Management has owned nearly 30% share in Fujian market, which is one of the highest in the region.

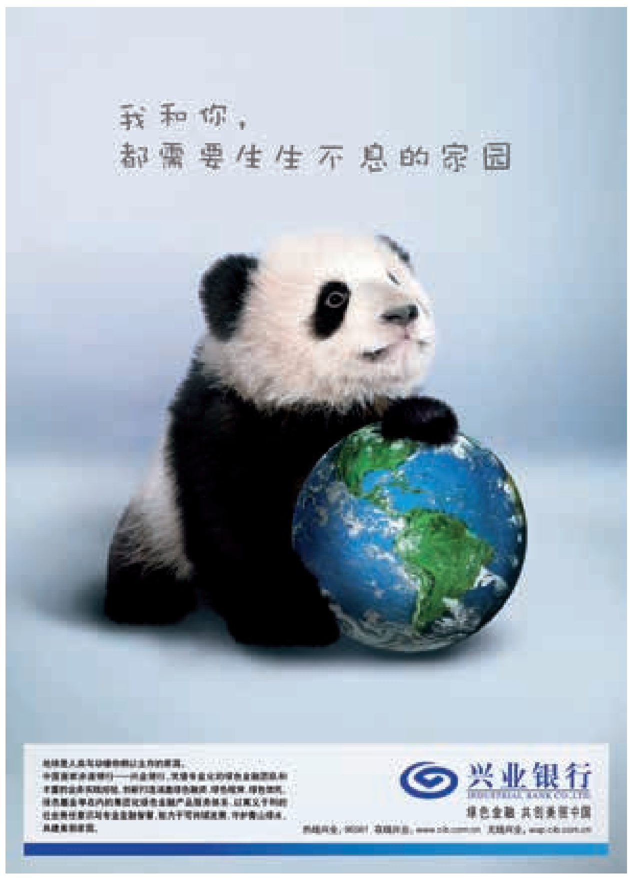
(II) Business analysis

1. Customer lines

Corporate finance business

(1) General information

The corporate finance business has followed the Chinese government's requirements of "stabilization in six aspects", and centered on the basic keynote of progressing steadily. It implemented the strategy of "1234" by exploring new markets and improving internal management. These efforts promoted development in all aspects of the corporate finance business. First, the business' assets and liabilities increased in a balanced manner. As at the end of the reporting period, the corporate deposits amounted to RMB2,772.903 billion, increasing by RMB114.415 billion from the beginning of the period. Corporate loans reached RMB1,771.182 billion, increasing by RMB249.241 billion from the beginning of the period. Second, the business' customer base expanded and customer quality improved. As of the end of the reporting period, the corporate finance business has a total of 704,000 customers, up by 83,100 from the beginning of the period. The corporate finance business' value and core customers aggregated at 96,000, up by 14,000 from the beginning of the period. The customer mix has met the regulatory requirements of "two increases and two controls". The small business loan customers in the inclusive finance business aggregated at 36,000, up by 10,200 from the beginning of the period. Third, the corporate finance business stepped up its efforts in exploring key business areas. During the reporting period,



the business issued RMB60 billion green finance debts in domestic market, and USD938 million green bonds in overseas markets. It is the biggest green bond issuer in the market. The corporate finance business also made breakthroughs in the note financing business. All 43 branches of the Company completed the digitalization of electronic note financing operation. The supply chain finance business expanded its scale, and characteristic branches set good examples. The corporate finance business also enhanced its image as a facilitator of “smart city” building, and significantly expanded its business coverage in this regard. The cross-border settlement amount also increased significantly, and related product portfolio was further enhanced.

(2) Large customer business

During the reporting period, the large customer business focused on building a sound customer service system, expanding its customer base, enhancing customer quality, and strengthening its presence in key industries. The large customer business completed all operating goals and laid a sound foundation for the transformation of the corporate finance business.

First, customer number steadily increased. As at the end of the reporting period, the number of large corporate customers reached 39,799, up by 3,669 from the beginning of the period. The number of subsidiaries of Head Office-level key customers that cooperated with the Company reached 8,249, up by 799 from the beginning of the period. 2,952 companies that are already or plan to be listed were cooperating with the Company, up by 275 from the beginning of the period.

Second, the large customer business established the strategic customer center, which optimized the operational and organizational structure of the large customer business. In addition, the large customer business optimized the key corporate customer screening standards, expanded the screening scope of customers, implemented a budget-based management and launched key products. The large customer business kept strengthening its cooperation with large customers, especially key customers. As at the end of the reporting period, large customer corporate loans (including discounted bills) reached RMB876.383 billion, increasing by RMB111.412 billion from the beginning of the period. Daily average deposits of subsidiaries of Head Office-level key customers reached RMB496.954 billion, increasing by RMB114.197 billion from the beginning of the period. Corporate loans (including discounted bills) reached RMB385.729 billion, increasing by RMB32.871 billion from the beginning of the period. Daily average deposits of listed or to-be-listed companies that cooperated with the Company reached RMB197.486 billion, increasing by RMB48.707 billion from the beginning of the period. Financing balance reached RMB346.657 billion, increasing by RMB96.209 billion from the beginning of the period.

Third, the large customer business achieved steady growth in institutional business and auto finance business through special marketing campaigns. The institutional business for the first time was granted the qualification to act as a centralized payment agency for the central government’s national treasury. It has actively explored the agency business and strived to serve downstream customers. In the institutional business, the Company adopted marketing sand-tables for different customer categories. It adopted precision marketing measures for existing and new customers, including business bidding, system promotion, among others. This boosted the marketing efficiency and ensured high quality growth in liabilities. As at the end of the reporting period, the Company has 26,850 institutional customers, increasing by 2,082 from the beginning of the period. Daily average deposits reached RMB 692.979 billion, increasing by RMB61.760 billion from the beginning of the period. In the auto finance market, the Company strengthened marketing activities targeting key customers, accelerated the use of customized products for auto finance and promoted construction and development of “Xing Che Rong” platform. The Company is cooperating with key passenger vehicle makers, dealership groups, auto part makers, commercial vehicle makers and important construction machinery makers in China in the financial field. The Company achieved strong growth in each business indicator of the auto finance business. As of the end of the reporting period, the auto finance business has 7,895 customers, increasing by 803 from the beginning of the period. Daily average deposits reached RMB95.805 billion, increasing by RMB12.013 billion from the beginning of the period.

(3) Medium and small enterprise business

The business focused on middle-sized strategic partner customers, small credit customers, as well as technological innovation finance customers. By “building platform and sand-tables, and stepping up marketing efforts”, the Company ensured quality business development. As at the end of the reporting period, the Company had 637 thousand medium and small enterprise customers, representing an increase of 77 thousand compared with the beginning of the period; the balance of medium and small enterprise loans reached RMB760.635 billion, representing an increase of RMB115.653 billion compared with the beginning of the period. Customer number and quality continued to improve, and business size steadily expanded.

First, the Company has enhanced the efficiency of the customer acquisition platform according to its business focus. The Company followed six key directions. It served supply chain clusters, provided mortgages to industrial park and plant clusters, shared risks with the government and other parties, provided financing solutions in electronic form, built non-credit customer acquisition platform, and established platform to work with equity institutions to acquire customers. Thanks to these efforts, the business’ customer acquisition channels are optimized. As of the end of the reporting period, the Company is serving 468 small enterprise clusters, with nearly 8,000 credit customers and RMB35.109 billion loan balance. Second, the Company has made steady progress in strengthening its cooperation with middle-sized strategic customers. It used big data technology to acquire new customers and pursue new opportunities from its existing customer base. Leveraging the customized products for small businesses, the Company strived to serve corporate customers who have leading positions in their niches. As at the end of the reporting period, the Company has 1,333 middle-sized strategic partner customers, and 1,658 potential strategic partner customers. Third, the Company shifted the business focus toward the lower tier of enterprises and enhanced its capability of serving small businesses. It offered guidance and industry researches on key business investment, and continuously enhanced its product portfolio. The Company also explored online financing solutions for small businesses so that it can extend more loans to small businesses and fulfill the regulatory requirements of “two increases and two controls”. As at the end of the reporting period, the small business loan customers in inclusive finance business aggregated at 36,000, up by 10,200 from the beginning of the period. Loan balances amounted to RMB91.998 billion, up by RMB34.991 billion from the beginning of the period. The loan growth rate and completion rate are among the best in the industry. Fourth, the Company transformed its business model and continued to build a technological innovation finance service system. It has improved its product and service system at faster paces, commenced the intellectual property pledge business, and enhanced the products that combine investment and loans. The Company constructed the “Zhi Ma Kai Hua – Industrial Investment” online business-matching platform, which helped technological innovation companies acquire customers and transform business models. As at the end of the reporting period, the Company has 20,200 technological innovation finance customers, up 5,631 from the beginning of the period.

(4) Transaction bank business

The transaction bank business has continued to return to the basic nature of financial services and transform its business model. It has strengthened its presence in bill business, supply chain finance, cross-border finance and cash management business. It further moved towards the goal of becoming a settlement bank. In addition, it beefed up product innovation and optimization and strengthened its ability of serving the real economy. During the reporting period, the transaction bank unit saw steady growth in all businesses.

As at the end of the reporting period, bill acceptance transaction amount reached RMB821.104 billion, up by RMB211.229 billion or 34.63% year on year. In terms of revenue, the bill business' revenue was less than RMB1 billion in 2016, and this figure exceeded RMB4 billion in 2018, realizing explosive growth. Balance of supply chain finance business reached RMB115.899 billion, nearly four times of that in 2016. Local and foreign currency cross-border settlement amount reached USD151.023 billion, up by USD35.86 billion or 31.14% year on year. Daily average foreign-currency deposits of domestic enterprises reached USD21.766 billion, up by USD4.344 billion or 24.93% from the beginning of the period. Based on data from the PBOC about foreign currency deposits and loans, the Company ranked No.1 among joint-stock banks in terms of foreign currency deposits and loans since April 2018. Cash management customer account transaction amount for key products reached RMB24.45 trillion. The Company also helped build the nationwide medical reform system platform, and has started from the medical system in Fujian Province. The Company became the sole strategic cooperation bank of the Medical Reform Office of Fujian Province. Number of business customers in Internet payment business increased to 31,269 in 2018 from 3,215 in 2016, a nearly 900% growth.

(5) Green finance business

In accordance with the requirements of "becoming a first-class integrated green finance service provider and a market-leading green finance group", with the mid-term target of "Two Ten-Thousands" (i.e. the financing balance of green finance reached RMB1 trillion and the number of customers of green finance reached ten thousand) at the center, and focusing on key areas such as the development and utilization of water resource and air pollution prevention and treatment, solid waste disposal, rail public transportation, and green buildings, the green finance continued to strengthen the support of finance services to ensure the healthy and rapid development of the green finance business, further enhance its market influence and solidify its leading position in the market.

First, the green finance business developed steadily, rapidly and healthily. As at the end of the reporting period, the balance of green finance financing was RMB844.9 billion, representing an increase of RMB164.3 billion from the beginning of the period. The number of green finance customers was 12,143, which was 2,253 higher than that at the beginning of the year. The approved quota of domestic green finance bonds was RMB80 billion, and RMB60 billion was issued in the same year, with an accumulated issued amount of RMB110 billion. The total issue amount of overseas green bonds approved USD938 million, making the Company the largest green bond issuer on the market. Second, the green finance business provided even stronger expertise support and further enhanced its influence. The Company was invited to join the Green Finance Standardization Working Group of China Financial Standardization Technical Committee and the "Belt and Road" International Alliance for Green Development, and the Green Bond Standards Committee, and became the Deputy Director of the Green Finance Cooperation Committee of the Asian Financial Cooperation Association. It was invited to participate in the index planning and design for the inclusion of green credit into the MPA assessment, the update of green credit guidelines standards and the development of green industry directory. It entered into green finance strategic cooperation agreements with the governments of Gansu, Qinghai and Jilin Provinces. It entered into green finance inter-industry cooperation agreements with several local urban commercial banks and rural commercial banks such as Huzhou Bank and Anji Rural Commercial Bank to give full play to the professional advantages of green finance and promote interbank business cooperation. Third, environmental benefits are more obvious. As of the end of the reporting period, green finance support projects achieved annual savings of 29.79 million tonnes of standard coal, the annual reduction of carbon dioxide of 84.1687 million tonnes, the annual reduction of chemical oxygen demand (COD) of 3.9834 million tonnes, annual comprehensive utilization of solid waste of 45.4375 million tonnes, and annual water saving of 409.7819 million tonnes. The above volume of energy-saving emission reduction is equivalent to the closure of 193 thermal power stations of 100MW and 100 thousand taxis parking for 40 years. Fourth, brand reputation of the Company's green finance business achieved significant results. The Company won many awards, including the "Best

Green Bank of the Year" by Asiamoney and "Best Green Finance" by China Banking Association. It carried out the green finance special promotion campaign on the World Environment Day (5 June) in Hefei and Wuhan, organized "Virtuous Benefits – Green Finance Summit Forum", compiled and published Virtuous Benefits - Exploration and Practice of Green Finance of Commercial Banks, and exclusive supported the charity event "Green Finance Media Workshop".

Retail finance business

(1) General information

During the reporting period, the number of valuable retail customers increased rapidly, the scale of comprehensive financial assets of retail customers continued to increase, the operating efficiency increased steadily, and the proportion of retail business net operating income significantly increased. As at the end of the reporting period, the number of retail banking customers (including credit cards) was 68.5723 million, an increase of 13.0526 million over the beginning of the period. The balance of financial assets of retail customers totaled RMB1,771.4 billion, a year-on-year increase of RMB272.6 billion. During the reporting period, the income of the retail intermediary business was RMB26.977 billion, an increase of 38.22% year-on-year. Net income of retail banking was RMB45.146 billion, up 26.48% year-on-year.

(2) Asset and liability management

In respect of retail liabilities, the Company continued to give priority to deposits, vigorously developing the retail liabilities, especially statutory deposit. The scale and market share of the Company's retail liabilities continued to increase. As at the end of the reporting period, the balance of personal deposits was RMB531.160 billion, representing an increase of RMB101.729 billion from the beginning of the period, of which savings deposits amounted to RMB458.184 billion, representing an increase of RMB80.337 billion from the beginning of the period.

In respect of retail credit business, in addition to standardizing residential mortgage loan business, the Company continued to expand inclusive finance business. As at the end of the reporting period, the balance of personal loans (excluding credit cards) was RMB873.750 billion, up 22.25% from the beginning of the year. The total amount of personal loans issued during the reporting period was RMB357.533 billion, up 38.55% year-on-year.

(3) Retail wealth management business

In respect of wealth management business, the Company actively responded to new regulatory requirements and dauntlessly innovated. It boosted the sales of bank wealth management products through net-value transformation, focusing on both the growth of scale and sales transformation. It strengthened market analysis, actively adjusted product supply strategy, and promoted the custody sales of funds, insurance and trust products. It also strengthened the coordination of the product supply of the Group's pan-wealth management businesses. As at the end of the reporting period, the retail wealth management financial assets totaled at RMB1,280 billion, increasing by 14% year-on-year. The retail wealth management intermediate business recorded an income of RMB5.126 billion.

(4) Bank card business

The Company performed well in the innovation and management of debit card products, further consolidating the personal debit card and account base, improving service quality and ensuring compliant operations. As at the end of the reporting period, there were 52.55 million debit cards issued, an increase of 6.0160 million from the beginning of the period. The number of debit card customers was 45.5645 million, and the per capita debit card number was 1.15. The cumulative development of acquiring merchants was 992,200.

The Company strengthened the construction of the Internet platform and drove the rapid development of integrated finance business with merchants. It launched WeChat public account for merchant services which supported such functions as merchant binding, real-time push of transaction information, transaction detail inquiry, and credit card application. It deepened the construction of the payment environment by creating a demonstration project for convenient mobile payment to vigorously promote the application of mobile payment in the field of convenient payment. It launched the UnionPay Standard Condensation Code product, introduced Sunmi Industry Application Platform, and completed the upgrade of the commissioned logistics platform to maintain the competitiveness of acquiring products. During the reporting period, the Company's express payment product bundled a total of 26.7554 million customers, recording a total transaction number of 1.996 billion and transaction value of RMB741.69 billion. The Company developed nearly 5.8557 million mobile payment customers of UnionPay cloud flash payment. The business indicators ranked top among peer banks. The Company participated in the assessment of the PBOC with the branch of Fujian Province as a key demonstration area. In the assessment, the Company's card issue side and acquiring side in the fourth quarter of 2018 ranked first in the industry.

(5) Credit card business

As at the end of the reporting period, the Company issued 42.7128 million credit cards in aggregate, and 11.6662 million new cards were issued during the period, up 14.10% year-on-year; and a total transaction amount of RMB1,518.495 billion was achieved during the reporting period, up 53.30% year-on-year.

Seizing the historical opportunity arising from the transformation of China's economic growth model to a consumption-driven model, the Company used financial technology to build the abilities of accurate customer acquisition, refine operations and intensive operations for credit cards. Firstly, the Company relied on its "big retail" system to actively promote the coordinated development of debit card and credit card, activate business drivers, and further explore the construction of systems and mechanisms that were compatible with the development of financial technology and highly integrated with the features of the credit card business. In response to customer needs and preferences, it improved the interest-bearing product system and the scenario system, and built a business model with refined customer tiers driven by data, achieving precise resources allocation. Secondly, the Company strengthened channel construction, optimized the card issuance structure, and improved the ability to acquire customers through marketing. It deepened the brand connotation of "Dynamic Life" through such activities as establishing strategic cooperation with Jingdong on "sports + finance" brand and carry out joint marketing, and cooperated with head websites of Internet vertical segmentation such as Mango TV and PP video on joint cards to consolidate the Company's image of youthful vitality and as a pioneer straddling sports and finance. It accelerated the construction of the "Hao Xing Dong" APP platform, deeply optimized the customer journey, vigorously expanded O2O merchant scenarios, and explored the integrated business model of retail business based on various real-life consumption scenarios. Thirdly, it adhered to the technology-driven approach and completed the upgrade of the new generation of credit card issuing system, significantly improving system functions and performance, and further strengthening the foundation of credit card technologies. It introduced third-party big data scoring, multiple borrowing, real-time positioning and other Internet data products to enhance the ability of big data risk control and build a digital multi-dimensional risk prevention and control system with linkage between the headquarters and the branches. Fourthly, it strengthened the internal control management of compliance by carrying out key tasks such as financial chaos management and anti-money laundering and establishing a normalized self-examination and self-correction and supervision and rectification tracking mechanism to ensure the development of business in a compliant manner.

(6) Private banking business

Centering on the “Customer Relation Management Department”, the private banking business implemented the overall planning of the “commercial banking + investment banking” and “Four Key Areas” strategies and promoted the healthy and orderly development of private banking work in combination with the management concept of “differentiated product strategy + characteristic value-added services + professional consultant driven”, achieving positive results and rapidly expanding customer base. As at the end of the reporting period, the private banking customers was 30,590, up 33% from the beginning of the period, and the consolidated finance assets of private banking customers amounted to RMB377.0 billion, up 16% from the beginning of the period. The balance of wealth management products of private banking customers was RMB268.2 billion, representing an increase of RMB57.2 billion or 27% from the beginning of the period. Sales of trust products of private banking grew rapidly. During the reporting period, sales of trusts to private banking customers exceeded RMB52.8 billion, accounting for 66% of the total trust sales of the Bank. The private banking business successfully issued private equity investment funds, archiving a product system with diversified asset allocation.

The Company returned to the source of “entrusted asset management” of private banking, officially launched private banking exclusive services including family trust, Enjoyable Trust and discretionary trust. The business insisted on in-depth market researches and used the research results to guide its asset and wealth management. It persevered in producing and publishing daily market commentary “Si Hang Zao Zhi Dao”, and original information “Shi Shi Dian Ping” and “Shi Shi Jian Ping”, and held many topical symposiums, interbank communications, and other events during the reporting period. It promoted the refine management of private banking and regulated the daily work of account managers of private banking. It also streamlined its value-added services. Under the brand element of “Affluent and Wise Life, and Accumulating Wealth Properly”, the business rolled out four product systems, including “Angel Club”, “Gardener Club”, “Universal Life” and “Enjoyable Life”. Together with the Italian Embassy, it launched the market-specific “Meeting on Italian Red Carpet Project” to meet needs for convenient visa obtaining of high-end customers who traveled to and from Europe frequently for many years. It launched overseas high-end hotel reservation services, extending and enriching the value-added services of private banking customers. It improved the high-end professional service system of private banking and held hundreds of high-end professional services in 40 branches, which enhanced brand reputation and customer stickiness.

(7) Channel and brand construction

The Company continued to improve the functions of self-service channels and effectively improved the operation efficiency of the channels. On-line ATM self-service machines are equipped with a unified monitoring system, complete intelligent counter, retail mobile marketing PAD, ATM machine and other system functions. As at the end of the reporting period, there were 6,527 ATM machines running online and 4,864 intelligent counter machines.

The Company continued to promote innovation in retail Internet financial products. During the reporting period, mobile banking and online banking launched three new service areas, including private banking, overseas finance, and “Users Recommending Users”, and added a number of retail business functions and services such as courtesy certificate of deposit, third-pillar pensions, and donation of VIP points. To support the key tasks of the retail business and with the goal of increasing the monthly number of active customers of the Internet finance per, the Company implemented special operations in various forms such as key recommendation, advertisement placement, transaction guidance, and white list push on mobile banking and online banking, thereby continuously boosting customer activities in the Internet channel.

As at the end of the reporting period, the monthly number of active customers of mobile banking was 12.5703 million, representing an increase of 99.5% from the beginning of the period. The number of followers of “Industrial Bank” WeChat public account was 7.713 million, representing an increase of 24.8% from the beginning of the period.

In respect of brand building, “Dynamic Life” credit card brand continued to use the Shanghai International Marathon Series and the Youth International Football Tournament to further implement the crossover marketing strategy with “sports, health, environmental protection and public welfare” as the entry point. It expanded the crossover cooperation landscape by co-sponsoring the special show of the 2019 Shanghai Spring/Summer Fashion Week by the upcoming designer SHUSHU/TONG with VISA, taking the CIB art-themed credit card products as the entry point to highlight the characteristic proposition of the “Finance + Fashion” brand and enrich the brand connotation of “Vibrant Life”. “Universal Life” created the first “Universal Life” one-stop international education platform in China and launched the “Belt and Road • Inclusive Overseas Study” personal overseas study program, combining traditional media and online media for concerted promotion. It released the “White Paper on Job Hunting in the US for Chinese Overseas Students” through Sina online live broadcast, thereby enhancing the influence of CIB overseas finance in the field of international education and enhancing the brand influence of “Universal Life”. “Wealthy Life” created a sub-brand of “China’s first cultural and creative savings product for etiquette culture – Fujin series courtesy certificate of deposit”. It promoted unified design in outlets across China through product launches and the “Financial Start of the Chinese New Year with IB” event and developed wealth business such as wealth management products for celebrities to build up the brand of characteristic businesses and further enhance the brand value. At the same time, it continuously strengthened the brand’s visual system and the promotion through all-media channels including the “Industrial Bank Wealth Management Center” public account, increased brand influence by leveraging its rich wealth management products, professional team training and hardware facilities, selected high-quality financial institutions, created a financial supermarket for commission sales of quality products, continued to promote the construction of “Wealthy Life” wealth management studio, and constantly enriched the brand connotation of “Wealthy Life”. “Enjoyable Life” continuously optimized the pension financial service system, continuously promoted the construction of the “Enjoyable Life” College, optimized the “Enjoyable Life” club, actively developed products such as pension savings and old-age wealth management, vigorously pushed forward the pilot of the third pillar of pension insurance, promoted the account management business employee benefit plan, relying on the joint efforts of the group to enhance the company’s service capability in the construction of multi-level social pension security system.

Interbank finance business

(1) General information

During the reporting period, facing changes in external regulatory policies and financial market conditions, the Company fully utilized its specialized operation and management system and talents, further strengthened compliant operation, vigorously promoted business transformation and enhanced its professional service capabilities to serve interbank customers, financial market and real economy. During the reporting period, the interbank finance business advanced robustly.

(2) Financial institutions business

The Company divided customers into different tiers and types in service and employed a market-oriented, specialized and refined operating strategy to serve customers and the market. The Company’s interbank finance services cover all sectors of the financial industry, providing diversified and differentiated integrated financial service solutions for all types of financial institutions in various industries. Meanwhile, it extends basic financial services such as settlement, deposit management, agency receipt and payment, and agency sales to corporate and individual end customers, forming a full-chain customer base service system. As at the end of the reporting period, the Company has cooperated with peer financial institutions such as banks, securities companies, fund companies, futures companies, trust companies, financial companies, financial leasing companies, financial asset management companies, and consumer finance/auto finance companies, and established agency relationships with more than 100 banks in various countries and regions, thereby further improving the global agency service network.

Deepening cooperation with various financial trading venues and intermediary platforms to effectively serve the financial market. During the reporting period, the Company continuously deepened operation with the Shanghai Clearing House, Shanghai Stock Exchange, various futures exchanges, inter-agency quotation and service systems for private offerings and other state-approved exchanges in the agency clearing, fund settlement, system construction and other aspects. It obtained the comprehensive clearing membership of the central counter-party clearing business of the RMB foreign exchange inquiry transaction of Shanghai Clearing House and the qualification of approved depository bank for deposits of overseas customers of Zhengzhou Commodity Exchange, and became the first batch of designated depository banks of the Dalian Commodity Exchange and the first depository bank to dock the new system of the Shanghai Futures Exchange. It launched an integrated comprehensive platform for fund management services of non-bank financial institutions - non-bank (financial institution) fund management cloud platform, providing a package of services to enable various non-bank financial institutions to achieve unified account management and unified fund clearing. During the reporting period, 288 institutions were newly onlined.

(3) Bank cooperation business

The Bank-to-Bank Platform is the first financial institutions cooperation brand in China. Through the platform, the Company provided integrated financial services to various small and medium-sized financial institutions, including wealth management, payment settlement, technological output, asset transfer, training and consulting, cross-border finance, capital use, capital replenishment, and investment research. As at the end of the reporting period, the number of collaborated customers of various businesses of the Bank-to-Bank Platform was 1,906, up 43.96% year-on-year. The platform accumulatively cooperated with 357 commercial banks in terms of establishment of information systems, among which 221 banks managed to operate with online information systems. During the reporting period, the platform issued a total of RMB1,161.5 billion in interbank deposits to small and medium financial institutions, and handled RMB2,708.0 billion of transactions on behalf of the People’s Bank of China’s High-Value Payment System and Bulk Electronic Payment System, Cross-border Interbank Payment System (CIPS), unified clearing platform, and super online banking system. QianDa Money Manager, the Internet wealth management platform introduced the wealth management products of a total of 38 partner banks. The number of registered customers was 13.19 million. During the reporting period, sales of financial products of QianDa Money Manager to terminal customers reached RMB489.1 billion.

With integrated financial services for small and medium financial institutions as the core, the Company promoted the construction of “a financial technology cloud + three platforms of wealth management, asset trading, and payment and settlement + international version”, maintaining a sound momentum of rapid development for all businesses. The platform has become an important carrier for the linkage of the Group and the building of an integrated financial services platform for open banks. In the field of wealth management, seizing the opportunities in the wealth management market after the issuance of new regulations, QianDa Money Manager further consolidated its leading position as a multi-bank wealth management sales platform. The platform expanded the cooperation with small and medium banks on “Wealth Cloud” wealth management agency sales business, which provided strong product and system support for the transformation of wealth management of small and medium banks. Through the technology + financial cooperation, it delivered high-quality financial products to third- and fourth-tier cities and rural areas, enabling residents in financially underdeveloped areas to easily access financial services and property income. This was an innovative initiative of the Company’s differentiated implementation of inclusive finance. “Institutional investment trading platform” (http://i.yypt.com) constituted an online portal platform for the Group to display, sell, market and trade its products to various financial institutions. As at the end of the reporting period, the number of registered institutional customers was 1,281. In the field of payment and settlement, agency receipt and payment product “Hui Shou Fu” industrious developed payment solutions for non-bank financial industries such as funds, insurance, trust, and consumer finance, recording a transaction amount of RMB87.2

billion during the reporting period. As an agent, it accesses new payment and settlement tools such as the People's Bank of China's High-Value Payment System and Bulk Electronic Payment System, Cross-border Interbank Payment System (CIPS), unified clearing platform, and super online banking system to help improve the coverage of rural financial institutions in the payment system of the People's Bank of China and improve payment service environment of rural areas, accessing the unified clearing platform on behalf of over 100 banks network platform and accessing the CIPS on behalf of 119 banks. The Company became the first bank to access CIPS on behalf of provincial rural credit cooperatives, and provided comprehensive cross-border financial services for small and medium financial institutions, including agency international settlement, cross-border foreign currency clearing, and cross-border investment and financing, through cooperation of domestic and overseas members of the Group.

2. Public product line

(1) Investment banking business

The Company strove to implement the strategic layout of "commercial banking + investment banking", actively responded to changes in the external regulatory environment, and promoted the transformation of business into "financing + intelligence". Centering on the "1234" strategy of the Bank and oriented towards "returning to the essence and servicing the real economy", it achieved stable business development. Firstly, it consolidated the market position of non-financial corporate debt financing instruments in the interbank market, achieving a record high for direct finance and ranking first for both the underwriting scale and number of non-financial corporate bonds in the market. Secondly, it implemented the "light investment bank" strategy, continued to promote the transition from "holding assets" to "managing assets", continued to explore key areas such as mergers and acquisitions, asset securitization, and equity investment, and continued to explore new source of revenue. In the interbank bond market, it launched the first RMBS project that introduced pure overseas investors through "Bond Connect". Thirdly, it explored the establishment of a "unified sales platform" that integrate investor resources to enhance the sales ability of large-scale assets, and led the creation of a sales platform and sales team for investment banking products to enhance the core competitiveness of investment banking.

As at the end of the reporting period, the underwriting scale was RMB476.28 billion for non-financial corporate debt financing instruments and USD37.3 billion for overseas bonds. The asset-backed notes (ABN) issued was RMB13.378 billion, ranking second in the market.

(2) Asset management business

During the reporting period, with the issuance of a series of new regulations such as new asset management regulations, new wealth management regulations, and management methods for financial subsidiaries, the regulatory system for wealth management of banks in the new era has taken initial shape, which were of great significance for the return of the banks' wealth management business to its essence, the gradual and orderly break of rigid redemption, the strengthening of the risk isolation of wealth management business, and the promotion the healthy business development. The Company actively adapted to the regulatory situation and market changes, strengthened the development direction, comprehensively optimized the organizational structure and business model, consolidated the business foundation, and prevented and controlled various financial risks. As a result, the financial management scale remained stable, the business transformation progressed in an orderly manner, and the products operated stably and were well-received by customers. As at the end of the reporting period, the balance of the Company's wealth management products was RMB1,815.759 billion. In general wealth management, the balance of non-principal-guaranteed wealth management was RMB1,224,797 billion, a year-on-year increase of 6.14%. The Company built a product framework that was "centered on fixed income and supplemented by equity and other innovative products". As at the end of the reporting period, the balance of the Company's net value product was RMB607.534 billion, a year-on-year increase of 287.88%.

(3) Treasury business

The Company continued to consolidate the operational mechanism of centrally managing the Group's bond investment transactions, and formed standardized systems in strategy formulation, access standards, operation management, and post-investment evaluation. It continued to consolidate the customer and product base for the FICC business to further consolidate and enhance profits and customer coverage. Meanwhile, it actively implemented the strategy of integrating investment undertaking, investment sales and investment research, and continued to promote customer base construction and asset layout centering on key industries, so as to enhance the overall efficiency of the Group. In terms of business innovation, subject to the new asset management regulations, the Company completed the creation of new structured deposits. In addition, it actively responded to the call of the state to launch the over-the-counter bond business in corporate online banking and mobile banking channels.

The Company maintained the market leading position in the areas of bonds, exchange rates and interest rates. It actively provided liquidity, ranking first in net settlement amount of bonds at Shanghai Clearing House, third in transaction volume of bond lending at China Central Depository & Clearing Co., Ltd., and fourth in transaction volume of bond repurchase of interest rate bonds in the interbank market. In terms of exchange rate, the Company ranked sixth in comprehensive transaction volume of the exchange rate at China Foreign Exchange Trade System, and ranked first in comprehensive market-making transaction volume of interest rate swaps. The Company will continue to optimize its asset portfolio structure and focus on asset transfer and market-making transactions to ensure steady growth of various businesses.

(4) Asset custody business

During the reporting period, undaunted by difficulties, the asset custody business persevered with development. All business indicators were healthy and stable, and the market position remained solid. As at the end of the reporting period, the number of online custody products of the Company was 22,771, with the scale of asset custody business totaling RMB11,606.578 billion, up RMB373.849 billion or 3.33% from the beginning of the period. During the period, the realized total income of intermediary businesses of asset custody reached RMB3.405 billion.

The Company innovated custody business development concept and continued to promote business transformation and optimization. Adapting the "custody +" concept, it strengthened the intra-group coordination, promoted the development of custody business, and improved service through product operation and system capacity building. As at the end of the reporting period, the custody business of securities investment fund products was RMB896.438 billion, up RMB173.001 billion from the beginning of the period, the custody business of private asset management product was RMB540.261 billion, up RMB20.924 billion from the beginning of the period, the custody business of trust asset management products was RMB2,605.064 billion, up RMB29.902 billion from the beginning of the period, the custody business of bank wealth management products was RMB2,440.893 billion, up RMB150.878 billion from the beginning of the period, the custody business of asset management products of fund companies was RMB773.051 billion, down RMB218.059 billion from the beginning of the period, the custody business of asset management products of securities firms' customers was RMB1,441.445 billion, down RMB451.617 billion from the beginning of the period and the custody business of insurance asset management products was RMB645.795 billion, increased by RMB7.730 billion from the beginning of the period.

3. Operation support

(1) Operation and management

Centering on the Company's development strategy, following the development philosophy of "operation creates value", and with the "improving efficiency, enhancing experience, innovating development, strengthening internal control and controlling cost" at the core, the Operation and Management Department strove to promote centralization, flattening, intelligence, automation, factorization, standardization, and procedure organization, as well as innovative development in addition to properly carrying out operational support and internal control security support, thereby creating an agile, fast, safe, effective and low-cost operation management service system to support the Company's business development.

Firstly, the coordinated management of payment services and the ability of innovative develop have been enhanced. The service time for domestic large-value transfer business was extended to 21 hours, and the Bank became the first of its kind in China to support the extension of the time of cross-border RMB payment for working days to 24 hours. The Bank became the first batch in the world to launch Swift GPI direct remittances, establish a traceable mechanism for cross-border remittances, and achieve cross-border remittances to the United States within a minimum of half a minute. The payment settlement innovative product "IB Steward" continued to develop small and micro enterprise customers, launched logistics financial services, built a science and technology investment and financing platform, and continued to maintain market leading edge. It won the "Best Financial Technology Innovation Award" of the 4th Jinsong Award presented by mpaypass.com.cn. The Company constructed a centralized and unified network payment clearing platform, implemented the "breaking direct connection" work across the Bank, and strengthened the coordinated management of online payment services. The Company thoroughly implemented the requirements for the reform of "delegating powers, improving regulation, and providing better services", launched pilot projects for canceling account licenses, optimized account opening services for enterprises, and continued to promote light system and light process transformation provided that the real risks were controllable, thereby effectively improving electronic and standardized account management.

Secondly, the level of intelligence and intensification of operational support has been further enhanced. Channel optimization and integration of process bank, construction of smart network achieved breakthrough. Channel optimization projects for lobby services, self-service, counter operation, back-office operation and online services, and remote customer service were basically completed. The effects of construction in targeted customer positioning, refined service contents, enhanced channel coordination, improved service efficiency and quality gradually emerged. The intelligent customer service access channel was further expanded. The annual traffic diversion rate increased to 18.65%, representing an increase of 12 percentage points over the previous year. The comprehensive transformation of the tellers was steadily advanced. The scale of tellers for corporate "Settlement Steward" and the effective referral rate for "one-sentence marketing" for retail customers continued to increase. The depth and breadth of services of the centralized operation sharing platform and accounting treatment sharing platform were further expanded. Through the combination of system transformation and process optimization, scale effects such as efficiency improvement, manpower saving, and compliance risk reduction were fully manifest.

Thirdly, the Company has established the concept of "controlling risks means creating benefits" to continuously strengthen internal control management. The operation inspection and supervision system was implemented across the Bank was implemented, initially forming a tiered inspection and supervision system covering the entire bank, which specified that "the Head Office shall focuses on identifying risks, and the branches must both identify the risks and focus on basic specifications, and the outlets focus on the basic specifications". The construction of the two internal control system platforms, the "Woodpecker" accounting case prevention system and accounting risk monitoring system, has made progress, effectively improving the coverage and accuracy of internal control management through scientific and technological means. The Company strengthened the integration and coordination between off-site and on-site inspections, moved risk check-points forward, encouraged counters to resist major violations of regulations and disciplines in relation to payment and settlement and intercept cases, and carried out intensive prevention and control of accounting cases, so as to effectively eliminate risk hazards and ensure that there were no major operational risks and loss events.

(2) Information technology

The information technology work aims at digital transformation, ensuring the unification of technology platforms and data standards. The Company continued to promote the construction of a “safe, process-based bank, open, and smart bank”, focusing on eight technical fields of “information security, user experience, cloud computing, big data, artificial intelligence, blockchain, process robots, and open API”. The work has achieved positive progress and remarkable results. The Company is committed to promoting the reform of financial technology system and mechanism, exploring the embedded management of R&D personnel, and strengthening the integration of technology and business and organizational innovation. It set up a Digital Center of Excellence to enhance the leading role of financial technology in digital transformation. It invigorated the vitality of science and technology by strengthening the team and optimizing the incentive and restraint mechanism, so as to effectively drive the transformation of science and technology from “quality first” to “value first”.

In terms of the construction of a safe bank, the Company successfully completed the information security work at critical time points, achieving 99.99% of availability for important systems of production transactions. By further improving the disaster recovery system to achieve full coverage of application-level and data-level disaster recovery of important information systems, the Company passed the ISO22301 Business Continuity Management System Certification and became the first in the industry to obtain the “Excellent Level” certification for the “Service Capability Maturity Model of Data Centers for Information Technology Services”. It continuously enhanced the technical capabilities of terminal security, network security, data encryption, monitoring and analysis, greatly improving information security protection. It completed periodic security assessments for 146 systems and online security assessment for 86 systems, achieving full coverage of system online security assessment.

In terms of construction of a process-based bank, paperless was achieved for a total of 331 high-frequency transaction vouchers in relevant paperless counter projects, shortening the daily settlement time of the tellers by nearly 20 minutes. The “electronic” and “self-help” level of outlets continuously improved. The self-service projects for corporate customers incorporated a total of 108 types of business acquiring-bills of the Head Office and the branches into the unified acquiring-bill for centralized management, the self-printing rate of acquiring-bills reaching 97%. The capability of analyzing data about interbank customers rapidly improved, enabling systematic measurement of the comprehensive value of the businesses of interbank customers, thereby further expanding the depth and breadth of cooperation with existing customers. Using the RPA process robot technology, the Company has completed the robot automated processing of four business handling processes, such as “Automotive Financial Installment” and “IB Instant Loan White List”, to continuously improve business efficiency and reduce labor costs.

In terms of the open bank, the Company focused on supporting the connection of the Head Office and branches with the external ecology and continued to optimize the “Hao Xing Dong” APP. It launched the Group’s online portal “Diversified Finance”, and promoted the rapid launch of featured products such as “IB Auto Financing”, “IB Oil Card” and “Electricity Financing” to enable the capacity for building a “transaction-type and settlement-type” bank.

In terms of a smart bank, the Company focused on supporting the digital transformation of retail business through new technologies such as big data and artificial intelligence, empowering such areas as risk management and control as well as customer marketing and services. It launched a loan product named “IB Instant Loan”, which enabled retail customers to serve themselves online throughout the entire process, creating a new-generation pre-credit extension model for online retail credit and launching online lending business. It continued to carry out the construction and application of the gold list series marketing model. During the reporting period, it increased the number of VIP customers by 140,000 and the comprehensive financial assets by RMB38.6 billion. It employed biometric technologies such as face recognition and iris recognition to build “IB Eyes”, achieving application of VIP customer identification at lobbies to support differentiated service and targeted marketing of outlets. It provided professional technical support for the special cooperation tasks of Blockchain ABS custody business of JD Finance. On the first day of the launch, JD Finance synchronized 800,000 sets of asset data.

(3) E-finance

The E-finance business actively seized new opportunities for development and further strengthened the integration and overall management of the Group's E-finance. Internally, it promoted the cross-channel, cross-line and cross-subsidiary integration to consolidate the basic platform of E-finance, exerting the synergy of E-finance to help the overall Bank. Externally, it promoted cross-platform and cross-border openness, simultaneously participating in ecology and building ecology to build an open bank. It promoted the establishment of the Group's online operation and service system to serve the Group's "1234" strategy, empower business development, and promote a comprehensive digital transformation of the Group's business and operation models.

As at the end of the reporting period, the number of effective customers of mobile banking was 25,511,700, an increase of 38.31% compared with the beginning of the period; the number of effective personal banking customers was 12,980,800, an increase of 7.77% compared with the beginning of the period; the number of effective customers of corporate and interbank online banking was 343,100, an increase of 22.84% compared with the beginning of the period; the cumulative number of customers developed for direct banking was 2,593,400; the number of customers contracted by IB Steward was 171,700, with a cumulative transaction amount of RMB602.77 billion; and the transaction replacement rate of E-finance was 96.83%. The Company launched the Group's E-finance portal "Diversified Finance", with nearly 6 million visits. Internally, the portal provided navigation for Industrial Consumer Finance, CIB Fund, and QianDa Money Manager to facilitate cross-selling; externally, it actively cooperated with more than 10 Internet ecosystems such as "New Fujian" to achieve 1+N overall output of the Group's finance.

(III) Analysis of loan quality

1. Five-category classification of loans

Unit: RMB million

Item	December 31, 2018		December 31, 2017		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Normal	**2,827,898**	**96.38**	2,335,800	96.10	21.07
Special mention	**60,044**	**2.05**	56,241	2.31	6.76
Substandard	**19,411**	**0.66**	17,520	0.72	10.79
Doubtful	**18,442**	**0.63**	11,976	0.49	53.99
Loss	**8,287**	**0.28**	9,158	0.38	(9.51)
Total	**2,934,082**	**100**	**2,430,695**	**100**	**20.71**

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB46,140 million, up RMB7,486 million from the figure at the beginning of the period with NPL ratio of 1.57%, down 0.02 percentage point from the beginning of the period. The balance of special mention loans was RMB60, 044 million, up RMB3,803 million from the beginning of the period. The proportion of the special mention loans in the total loans was 2.05%, down 0.26 percentage point from the beginning of the period. The increase in non-performing loans and special mention loans is primarily due to the in-depth adjustment in macro economy and industry structure, complicated and challenging external environment, as well as the continuous materialization of credit risks in individual areas and industries. The non-performing loan balance and special mention loan balance of the Company increased, but overall NPL ratio and special mention loan ratio declined. Asset quality was overall stable.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**81,864**
Provision during the reporting period (+)	**38,067**
Write-off and transfer-out during the reporting period (-)	**(28,098)**
Write-back during the reporting period of write-off in previous years (+)	**5,009**
Transfer-out due to the increase in discounted value of loan value (-)	**(1,287)**
Changes in exchange rates (+)	**82**
Closing balance	**95,637**

Description of method for impairment loss on loans: if loans are impaired, the carrying amount of loans is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. For a loan that is individually significant, the Company assesses the asset individually for impairment. For a loan that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed loan, it includes the loan in a group of loans with similar credit risk characteristics and collectively reassesses them for impairment. Loans for which an impairment loss is individually recognized are not included in a collective assessment of impairment. If, subsequent to the recognition of an impairment loss on loans, there is objective evidence of a recovery in value of the loans which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of loan at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company periodically assesses impairment of the loan portfolio. The Company determines whether the loan portfolio is subject to any sign of impairment through objective evidences based on observable data indicating significant decline in loan portfolio's cash flow. If such decline in cash flow cannot be individually identified or single loan is insignificant, the management will, on a collective base, estimate future cash flow of the loan portfolio based on historical losses of similar assets. The Company periodically reviews the methodologies and assumptions adopted for estimating future cash flow amount and timing so as to reduce the different between estimated and actual loan impairment losses.

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2018		December 31, 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**22,923**	**38.64**	13,820	35.80
91-360 days (inclusive) overdue	**25,231**	**42.54**	12,268	31.78
361 days-3 years (inclusive) overdue	**9,395**	**15.84**	10,963	28.40
Over 3 years overdue	**1,770**	**2.98**	1,551	4.02
Total	**59,319**	**100**	**38,602**	**100**

As at the end of the reporting period, the balance of the Company's overdue loans was RMB59.319 billion, up RMB20.717 billion from the beginning of the period, of which overdue corporate loans increased by RMB17.870 billion and overdue personal loans increased RMB299 million respectively, and credit cards overdue increased by RMB2.548 billion. The increase in overdue loans was mainly due to factors such as slowing economic growth, industrial restructuring, deleveraging policies of the state and deterioration of the external environment, which led to increased number of enterprises with declining solvency, shortage of capital, and broken capital chains.

4. Changes in restructured impairment loans

Unit: RMB million

Item	December 31, 2018		December 31, 2017	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured impairment loans	**5,851**	**0.20**	7,002	0.29

As at the end of the reporting period, the Company's restructured impairment loan balance stood at RMB5,851 million, decreasing by RMB1,151 million from the beginning of the period, and accounting for 0.20% of total loan balances (down by 0.09 percentage point from the beginning of the period).

Restructuring impairment loans refer to the loans arising from the re-determination of the loan terms at the Group's discretion for borrowers who are unable to repay the loans in accordance with the original loan terms due to the deterioration of financial conditions. Where conditions permit, the Group will strive to restructure the loans instead of obtaining the ownership of the collaterals. At restructuring, the Group assessed the restructured loans as impaired loans on a case by case basis. The restructured loans previously disclosed included the balance of loans to enterprises that were in good operating condition but extended new loans to repay existing ones due to temporary fund shortage. In accordance with the spirit of regulatory regulations and the common practices of peers in the market, restructuring basis was adjusted. At the end of December 2017, the "balance of restructuring impairment loans" was RMB34.242 billion before the restatement, and RMB7.002 billion after the restatement. The "percentage in total loans" was 1.41% before the restatement, and 0.29% after the restatement.

(IV) Foreclosed assets and impairment provision

Unit: RMB million

Category	December 31, 2018		December 31, 2017	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**1,029**	**48**	480	17
Incl: Buildings	**943**	**47**	392	16
Land use rights	**85**	**0**	85	0
Others	**1**	**1**	3	1
Less: Impairment provision	**(48)**	**-**	(17)	-
Net value of foreclosed assets	**981**	**-**	463	-

During the reporting period, the Company obtained foreclosed assets with a total book value of RMB688 million (mainly including land and buildings), and recovered RMB122 million from the disposal of foreclosed assets, thereby increasing the net book value of foreclosed assets by RMB549 million. The Company conducted re-evaluation for certain foreclosed assets, resulting in an increase in the provision for impairment of RMB31 million.

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

For information of consolidated structure entities and structure entities which were not consolidated but managed by and entitled to equity by the Company, refer to Notes VIII.48 to the Notes to the Financial Statements.

(VI) Information of financial bonds held

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

Unit: RMB million

Category	Par value
Bonds of policy banks	33,182
Bank bonds	30,146
Bonds of non-banking financial institutions	52,694
Total	**116,022**

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

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

Unit: RMB million

Name of bond	Par value	Annual yield rate (%)	Maturity date
Bond 1	23,860	3.61	07/06/2025
Bond 2	15,090	3.59	19/09/2022
Bond 3	12,000	5.00	29/03/2019
Bond 4	11,800	3.57	22/06/2024
Bond 5	11,620	3.60	06/09/2025
Bond 6	11,290	4.44	16/01/2021
Bond 7	11,260	3.47	13/07/2022
Bond 8	10,610	3.73	19/10/2022
Bond 9	10,450	3.77	08/03/2025
Bond 10	9,610	4.42	20/03/2024

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

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Interest rate derivatives	2,872,190	14,090	13,440
Exchange rate derivatives	3,737,959	27,272	24,773
Precious metals derivatives	15,417	234	413
Credit derivatives	13,467	496	197
Total		**42,092**	**38,823**

(VIII) Items related to measurement of fair value

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

Unit: RMB million

<table>
<tr><th>Item</th><th>December 31, 2017</th><th>Gains and losses in the period from changes in fair value</th><th>Accumulated changes in fair value recognized in equity</th><th>Provision for impairment made in the period</th><th>December 31, 2018</th></tr>
<tr><td>Financial assets at fair value through profit or loss</td><td>362,072</td><td>(320)</td><td>-</td><td>-</td><td>459,598</td></tr>
<tr><td>Precious metals</td><td>29,906</td><td>(360)</td><td>-</td><td>-</td><td>3,185</td></tr>
<tr><td>Derivative financial assets</td><td>28,396</td><td rowspan="2">3,589</td><td>-</td><td>-</td><td>42,092</td></tr>
<tr><td>Derivative financial liabilities</td><td>29,514</td><td>-</td><td>-</td><td>38,823</td></tr>
<tr><td>Available-for-sale financial assets</td><td>502,381</td><td>-</td><td>2,157</td><td>648</td><td>644,886</td></tr>
<tr><td>Financial liabilities at fair value through profit or loss</td><td>6,563</td><td>10</td><td>-</td><td>-</td><td>2,594</td></tr>
</table>

(IX) Situation of interest receivable

Unit: RMB million

Item	December 31, 2018	Increase in the reporting period	Recovery in the reporting period	December 31, 2017
Interest receivable	**34,463**	270,578	266,521	30,406

As at the end of the reporting period, the interest receivable increased by RMB4.057 billion or 13.34% from the figure at the beginning of the period, mainly because of the increase in interest-bearing assets.

(X) Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2018	December 31, 2017	Provision for impairment	Provision method
Other receivables	**16,507**	15,496	1,739	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis.

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

Unit: RMB million

Item	December 31, 2018	December 31, 2017
Letters of credit	**112,002**	85,144
Letters of guarantee	**123,668**	120,259
Bank acceptance	**532,919**	384,247
Unused credit cards commitments	**284,430**	208,127
Irrevocable loan commitments	**38,545**	41,500

(XII) Risks and risk management during the reporting period

1. Overview

Risk management is the basic guarantee for the survival and development of commercial banks. The Company regards risk management as one of the core competitiveness. It has formulated the development strategy laying equal stress on business operation and risk management, established the advance, in-process and subsequent risk control system centering on risk assets management, and improved the risk management system and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risks, market risks, liquidity risks, operation risks and other risks exposed to various businesses and customers are included in the scope of comprehensive risk management. In addition, the Company further clarified the specific duties of the Board of Directors, Board of Supervisors, senior management and executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, the business department, risk management functional departments and internal audit department form “three lines of defense” of risk management with clear responsibilities and duty segregation to achieve the risk management goals.

2. Credit risk management

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

During the reporting period, given the macro-economic situation and industrial development prospects, the Company continued to maintain the synergy between and lay equal emphasis on risk management and business development and further improved credit risk management system and to maintain basically stable and good asset quality. First, the company further optimized its authorization and credit granting policies as well as execution of such policies. It timely adjusted and optimized authorization and continued to implement the differentiated granting policy of “assuring supply, control and stock compression”. The Company improved the Group’s unified credit extension management by continuing to promote the information construction of the Group’s unified credit extension management to build an unified customer risk view at the Group level. The Company strengthened the supervision and evaluation of the implementation of authorization and granting policy and examination of post-approval evaluation to ensure policy implementation. Secondly, the Company reinforced risk alert monitoring. It has fully used the big data analysis methods provided by the risk warning management system to strengthen the dynamic supervision and warning across the entire business process, in a bid to “identify, warn about and dispose” risky project as early as possible. It timely interpreted and implemented the regulatory policies, increased the efforts in inspection of risk hotspots and key areas. For issues found, it would strengthen management and carry out rectification. Thirdly, the Company optimized relevant performance assessment mechanism. It has set asset quality indicators in a scientific manner and combined assessment on asset quality control results with that on asset quality control process, so as to solidify the asset quality. It has added performance assessment indicators for mentioned assets, in a bid to guide operating organs to eliminate potential risks ahead of schedule. Fourthly, efforts were made for disposal of risk assets. The Company advanced the construction of a specialized non-performing asset disposal operation and management system, and continued to develop a strong and dedicated non-performing assets recovery team, so as to enhance the Company’s expertise in non-performing asset disposal. It also stepped up efforts in cash recovery, write-off and market-oriented disposal of non-performing assets, and improved the recovery ratio of writing-off accounts and maintaining records, significantly enhanced efficiency and effectiveness in non-performing asset disposal.

3. Liquidity risk management

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

During the reporting period, the Company thoroughly implemented the state’s macroeconomic policies and financial regulatory requirements. It continued to consolidate the foundation for development based on the general principle of striving for steady progress while maintaining stability, continued to promote business transformation, effectively optimized business structure, and improved liquidity risk management. The Company maintained overall sound liquidity situation, regulatory indicators met requirements and all asset liability businesses maintained balanced and coordinated development. Firstly, it gave top priority to the “sustainable growth of customer deposits” and “establishment of a long-term mechanism for deposit growth” among the tasks of the year so as to further reduce its dependence on interbank liabilities. As a result, the liability structure was further optimized, the duration of liabilities was lengthened, and the stability of liabilities gradually increased. Secondly, it further optimized the management of the branches’ asset-liability ratio, emphasizing the matching of deposit business and asset business. In 2018, the Company adopted a management policy on asset-liability ratio to optimize and foster the Company’s liability business, making it more stable and the asset-liability structure more balanced. Thirdly, the Company strengthened the monitoring and analysis of indicators related to liquidity risk. In 2018, the Company regularly monitored and analyzed liquidity risk by establishing liquidity risk indicators such as liquidity ratio, liquidity coverage ratio and net stable funding ratio, so as to thoroughly understand the condition of Company’s liquidity risk. Fourthly, the Company overweighed qualified high-quality liquid assets such as treasury bonds and local government bonds, strengthened the management of qualified high-quality liquid assets, and maintained a moderate scale and reasonable structure of high-quality liquid assets, so as to ensure that liquidity regulatory indicators continued to meet the requirements.

4. Market risk management

Market risk refers to the risk of loss of in on-balance-sheet and off-balance-sheet businesses of the Bank caused by the unfavorable changes in market price (interest rate, exchange rate, share price and commodity price), including interest risks of transaction accounts, stock risks, and exchange rate risks and commodity risks of all accounts. Interest rate risk of transaction accounts and exchange rate risk represent the major market risks confronted by the Company. The Company's market risk management was for the purposes of: firstly, establishing and continuously improving market risk management system which matched with the risk management strategies, and satisfied standard requirements of the New Capital Accord and regulatory requirements of market risk; secondly, completing market risk management structure, policies, processes and methods; and thirdly, promoting the specialization level of market risk management, realizing centralized and unified management of market risks, and facilitating the sustainable and healthy development of relevant businesses with risks under control.

During the reporting period, the Company pro-actively responded to changes in the market environment and continuously optimized the market risk management system. It steadily promoted various tasks centering on optimizing organizational structure, augmenting management tools, and strengthening system construction. In terms of organizational structure, the Company established a comprehensive risk management system to further clarify the division of responsibilities, specifying that the Investment Banking Department and the Financial Market Risk Management Department at the Head Office shall be the leading departments for the group-related market risk management of the Bank, and the Planning & Finance Department at the Head Office shall be the leading department for the group-related account interest rate risk management of the Bank. In terms of management methods, the Company further strengthened the mark-to-market of trading accounts and optimized the monitoring of market price deviation to cover major products such as RMB and foreign currency bonds, interest rate swaps and exchange rates. It strengthened the business valuation and margin monitoring of agency derivatives to enhance the risk management of the agency business. In terms of system construction, the Company continuously optimized the fund transaction and analysis system, enhanced the coverage of complex products of the system, and improved the accuracy of system valuation and risk measurement. It completed the system upgrade for the internal model of market risk, which greatly improved the operational efficiency of the system.

(1) Interest rate risk

The Company's bank account interest risk was primarily analyzed and measured monthly through repricing gap analysis, duration analysis, and scenario simulation. The repricing gap analysis primarily monitors the distribution and mismatch in respect of repricing periods of assets and liabilities; duration analysis monitors durations of main products as well as duration gap changes in the Company's assets and liabilities; scenario simulations are the Company's main measure to analyze and measure the interest rate, which cover a number of normal scenarios and stress scenarios such as standard interest rate shock, parallel shift and shape change in the yield curve, extreme interest rate changes during the past 10 years, as well as the most possible interest rate changes in future as determined by experts. We calculate changes in net interest income (NII) and economic value of equity (EVE) under such interest rate change scenarios over the next 1 year. It introduced a customer model through information systems such as the asset-liability management system to dynamically monitor and control the interest-sensitive asset-liability gap, and calculate the interest rate sensitivity of revenue and economic value to interest rate changes based on the gap analysis. The revenue analysis focused on the impact of interest rate changes on the Bank's recent revenue, while the economic value analysis focused on the impact of interest rate changes on the present value of the Bank's net cash flow.

For interest rate risks of transaction accounts, the Company implemented management mainly through constant improvements on the market risk indicator limit system. Risk indicators included interest rate sensitivity indicator and stop-loss indicator, which were executed by way of annual business authorization letter and regular investment strategy plan. By introducing and constantly improving the capital transaction and analysis system for system hard control of market risks, the system enabled real-time market capitalization re-evaluation and risk indicator calculation for interest rate products, and achieved process control on a transaction-by-transaction basis. The risk middle offices used the system to carry out real-time monitoring of various risk indicators of interest rate products on a transaction-by-transaction basis and an entire account basis to ensure that the interest rate risk of the trading account is controllable. Meanwhile, risk middle offices regularly conducted in-depth analysis of interest rate risk and calibrated the system model to ensure the accuracy of the measurement.

During the reporting period, the economic fundamentals in China were under downward pressure, GDP growth slowed down, corporate financing tightened, and credit default events increased. The Central Bank maintained a reasonable and abundant amount of funds through multiple RRRs and open market operations. For the whole year, the short-term interest rate declined, and the spread of middle and low rating credit widened. Overseas, the Fed raised interest rates for four times, and the yield of US dollar bonds increased as a whole. The Company's trading accounts included mainly RMB bonds. According to the changes in the market situation, the Company pro-actively carried out duration management and strengthened credit management and control, maintaining the interest rate risk of trading accounts at a low level. In terms of interest rate risk for bank accounts, the Company flexibly adjusted its assessment policy, guided branches to adjust the term structure of funds in a timely manner, and enhanced the matching management of the sources and applications of funds, thereby achieving the effective management of interest rate risk amidst the downturn of market interest rates.

(2) Exchange rate risk

The Company's exchange rate risk is classified into trade account exchange rate risk and bank account exchange rate risk.

The Company's exchange rate risk of transaction accounts is subject to unified management by the Financial Markets of the Head Office. The exchange rate risk exposures arising from various business processes of all the branches were collected via the core business system to the Financial Markets of the Head Office in due course for unified management. Risk management measures focused on exposure limit management. Risk middle offices used the fund transaction and analysis system to implement real-time monitoring and in-depth analysis of limit indicators. The Company's exchange rate exposures arose mainly from comprehensive position of RMB market making business. As an active RMB market maker, the Company has proactively controlled its exposure limits, adopted close-to-zero management for the market-making overall positions, and kept relatively low overnight risk exposure.

The bank account exchange rate risk is managed by the Planning & Finance Department of the Head Office. The risk primarily stems the exchange rate risk exposure of foreign exchange capital project, which is the largest exchange rate risk exposure of the Company. For this part of the exchange rate risk exposure arising from assets and liabilities that is inevitable in normal course of operations, the Company maintained the stability of non-trading exchange rate risk exposure by applying to the State Administration of Foreign Exchange for capital settlement or foreign exchange profit settlement.

During the reporting period, the Fed raised interest rates for four times, pushing up the US dollar index and putting the RMB exchange rate under pressure. At the same time, subject to international trade frictions and capital market turbulence, the exchange rate market volatility intensified. The Company controlled the trading exchange rate risk exposure by strengthening the management and control of self-operated intra-day exposure and day-end exposure. Meanwhile, it maintained the stability of non-trading risk exposure to keep the Bank's exchange rate risk exposure within a reasonable range.

5. Operational risk management

During the reporting period, taking into consideration the latest regulatory requirements and operational risk trends, the Company closely integrated operational risk management tools with business operations starting from daily business management, and promoted the application of operational risk management tools for key elements such as personnel, processes, systems, and external events, so as to explore the issues identified in business management and operational processes and actively promote rectification. The Company continued to push forward the construction of business continuity plans to ensure the safe and stable operation of various businesses, and effectively improve the operational risk management foundation.

Firstly, it enhanced the use of operational risk management tools. The Company conducted operational risk assessment and monitoring on an ongoing basis. Taking into consideration regulatory penalties, cases and internal control inspections, the Company strengthened daily monitoring of risk-prone areas and management weak links, and reorganized and re-evaluated processes in key business processes and critical links to drive improvements and optimization of systems, processes and services. At the same time, the Company continuously optimized the operation of key risk indicators, strengthened alert and monitoring of key risks, and continuously improved the comprehensiveness, accuracy and timeliness of loss data collection.

Secondly, it strengthened the pre-assessment of operational risk for new products (new businesses). Through the cross-validation mechanism for data on new products (new businesses) of the management departments, the Company improved the comprehensiveness of the pre-assessment of operational risk of new products (new business), ensured that all new products (new businesses) were fully pre-assessed before being put into the market, and strengthened the capabilities of operational risk management and control for new products (new businesses).

Thirdly, it further refined the business continuity plan. The Company held the 2018 Head Office Business Continuity Management Committee Meeting to gradually improve the group-level business continuity management and recovery mechanism, and comprehensively promote the Group's business impact analysis, special emergency plans, emergency drills and other work to meet internal and external management requirements.

6. Compliance risk management

Based on the financial regulation of "strong regulation and strict accountability", the Company took the initiative to adapt to the new normal of supervision, continuously deepened the implementation of compliant operation concept, practiced the philosophies of "Compliance Pays" and "Compliance Wins", and created a sound atmosphere where everyone and everything comply with regulation, implementing compliance concept throughout all business processes.

Firstly, the Company launched the "Industrial Journey" special event for execution strengthening year of compliance and internal control for 2018 to improve the long-term effective mechanism of compliance. By seizing the opportunity of the thorough implementation of national financial work conference and series regulatory documents issued by the CBIRC as well as closely centering on the main line of "Compliance Pays" and "Compliance Wins", the Company launched the third stage of compliance management - "Industrial Journey" campaign for execution strengthening year of compliance and internal control for 2018, based on the implementation of the "Thirteen Behavioral Prohibitions for Employees" for 2016 and "Industrial Journey" compliance and internal control year campaign for 2017. This campaign continued to improve the long-term effective mechanism of compliance and internal control management and enhance the execution of compliance and internal control through "six paths" including "grasping the direction of regulation and adjusting business strategy according to the change in supervision policies; ascertaining the responsibility of the entity and improving duty performance mechanism of the business line; enhancing management efficiency as well as optimizing and integrating compliance and internal control management instruments; strictly preventing the case risk and building a three-dimensional case prevention and control system; timely correcting deviation and overcoming shortcomings to improve the normal supervision and inspection mechanism; raising the cost of violations and thoroughly implementation multi-level accountability".

Secondly, the Company strengthened internal constraints by giving full play to the evaluation of internal control and compliance as a "lighthouse". The Company optimized the multi-tier assessment systems of domestic branches, Hong Kong branches, subsidiaries and business departments at the Head Office, enhanced the process evaluation and imposed more positive incentives for early prevention, control and settlement of issues, so as to further reinforce the concept of proactive compliance. The Company intensified the evaluation efforts in strategic and basic work, guided organizations at all levels to increase their resources investment, attached importance to the long-term, strategic and basic work of risk compliance, and enhanced its professional support to business. Under the trend of "strong regulation and strict accountability", the Company intensified its assessment of the evaluation and penalization of external regulation. It also enhanced the coordinated mechanism of strengthening evaluation and daily management, inspection supervision and issue rectification, defect rectification supervision, and responsibility investigation, timely analyzing and rectifying issues found during evaluation process. By enhancing management, implementation and efficiency through evaluation, it improved the refinement of management.

Thirdly, the Company improved the management instruments of compliance and internal control to further enhance the compliance and internal control management. It also strengthened the inspection of compliance in various areas, launched 2018 “rectifying market chaos” special administer of compliance and internal control and consolidated the application of the results of all inspections and governance. The Company improved the long-term effective mechanism of management by upgrading system warning, strengthening guidance and evaluation, and taking special inspections, accountability pursuit in respect of violations and other long-term mechanism for management of abnormal employee trading behavior. The Company further advanced the implementation of multi-level responsibility investigation mechanism, and continued to enhance the employees’ compliance record and violation score management, so as to build a “Household Record” for employee compliance.

Fourthly, the Company made innovative management tools to enhance the overall effectiveness of anti-money laundering. With its ongoing commitment to the “risk-based” and “corporate governance” principle, the Company vigorously set up an anti-money laundering “whole process” management mechanism for pushing the organic integration of anti-money laundering with compliance management and internal control and enhance the capabilities of pre-event prevention, during-event management and control, and post-event monitoring; ensured the effectiveness of the top-level design of anti-money laundering by amending the internal control on anti-money laundering, intervening in system at the source, applying strict customer entrance and business entrance control, and issuing reminders of key regulatory points and summary of regulation systems; made a correct judgment of the regulatory situation of international anti-money laundering, intensified the study on characteristics of regulatory policies and anti-money laundering in each business segment and in different regions, and strengthened the risk management of money laundering for cross-border business and terrorist financing; further improved the assessment system for money laundering risks, strengthened management and control on high-risk business and high-risk customers, and guided the allocation of resources towards high-risk areas; independently designed indicators for monitoring unusual transactions, set up a monitoring system based on “reasonable doubt”, and constantly improved the proprietary monitoring system for unusual transactions; optimized and improved the anti-money laundering monitoring and management system, enhanced the efficacy of anti-money laundering using technologies, and strengthened the training as well as assessment and supervision of anti-money laundering to continuously enhance the Group’s anti-money laundering compliance management standard.

Fifthly, the Company continued to enhance the professional capability of legal services. Apart from establishing work mechanism to manage the previous intervention and evaluation after unification of system management and intensifying legal compliance demonstration for innovative and major business, the Company also previously intervened the compliance and risk evaluation of products and reversed the two-skin phenomenon in relation to the disconnection of post-evaluation of systems and business development. The Company also continued to improve business system and supporting contract contexts to promote sound business development, the Company organized and carried out rearrangement and post evaluation of regulations and timely discovered and rectified the wrongdoing in implementation of business and regulations so as to provide clear, legitimate and effective regulation guarantee for the Company’s operation management. Moreover, it analyzed and concluded typical cases, issued compliance risk prompts and guided grassroots agencies in strengthening risk management and control and regulation of business operations. In accordance with the updated external laws and regulations and internal systems, the Company continued to carry our contract (including e-contract) sorting and post evaluation, so as to enhance the level of the use specification and refinement of contract texts.

Sixthly, the Company continued to enhance the professional capability of legal services. The Company continuously optimized management methods for legal compliance. It proactively aligned itself with new regulatory policies and rules, strengthened policy researches and transmissions, policy and regulation express, reminders for compliance risks, and compliance proposal, deepened legal support for the significant, difficult and innovative products and projects, and guided the compliant operation of business. In addition, the Company enhanced legal compliance team building and talent development at each level, built a legal compliance team with effective communication, fast response and a professional leading position by all training mechanism, achieving an overall efficiency improvement of legal compliance services at different levels.

7. IT risk management

The Company formed and continue to improve the organizational structure of "three lines of defense" of IT risk management comprised of the IT Department, Law and Compliance Department, Audit Department and other relevant departments and made full use of various management instruments to realize identification, assessment, monitoring, control, sustained releasing and reporting of IT risks, adopting various measures simultaneously to steadily enhance risk management and control. During the reporting period, the Company made great efforts to upgrade the Group's consolidated technological risk management and control, expanded technological outsourcing and pushed forward the construction of "safe bank" on an overall basis, further enhancing our guarantee capability of business continuity.

First, the Company improves the efficiency of technological risks management and control through strengthening the management synergy. It applied implementation results of several management instruments including identification and assessment of risk and control, supervision of key indicator, collection of risk incidents, compliance inspection as well as internal control evaluation into the technological risk management work of the Group, so as to push forward management synergy and consolidate risk management and control.

Second, the Company improved the integration of technological risk management system. It developed IT risk management system module, achieved online procedures, electronic data, autonomous supervision and upgraded IT risk management.

Third, the Company attached importance to technological outsourcing risk management. It included the technological outsourcing risk management into its unified outsourcing risk management system, implemented the third-party technologies outsourcing risk audit and security evaluation of the Company's existing off-site intensive outsourcing service providers, organized and implemented rectification, and, at the same time, kept enhancing its dominating and self-controlling of core technologies in technologies outsourcing activities.

Fourth, the Company accelerated to perfect its information safety management and control system. It launched the Group's "Xing An Quan" series theme activities of information security, carried out key work tasks of information security such as protection of personal information security and security resource allocation.

Fifth, the Company put requirements of important system prevention and control into effect. It realized an overall coverage of application-level disaster recovery in new important information system.

8. Management of reputational and country risk

(1) Management of reputational risk

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

The Company's reputational risk management follows the principle of "division of labour, hierarchical management, handling by type, swift response and ongoing maintenance" for continuously increasing the effectiveness of reputation risk management. During the reporting period, based on the Sub-strategies of Reputational Risk Management and the Reputational Risk Management System, the Company incorporated the reputational risk management into the Company's governance and comprehensive risk management system, clarified functions of different levels and divisions, adopted hierarchical classification management, and thus reinforced the effective prevention and control of reputational risks. The Company continuously perfected the operational procedures in terms of news public opinion, information disclosure and customer complaint management, raised the level of comprehensive management of coping with adverse public opinion and capacity of contingency treatment, enhanced public opinion troubleshooting and established the regulation of daily reporting of risk information, to effectively prevent, immediately control and properly cope with adverse public opinion and prevent and control reputational risk. The Company fulfilled its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company. The Company also incorporated reputational risk management into the comprehensive appraisal of branches, effectively facilitating and reinforcing the reputational risk management at basic operating units.

(2) Management of country risk

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

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

Significant Issues

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

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

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

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity and stability of the profit distribution policy, by taking into consideration of its actual operation and future development need, the Company developed the Mid-term Shareholders' Return Plan (2016-2018), which planned that from 2016 to 2018, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40%.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2017 annual profit distribution plan in June 2018, based on the total share capital of 20,774,190,751 shares, the Company distributed cash dividend of RMB6.5 for every 10 shares (tax included), issued RMB13.503 billion cash dividends as a whole, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year. The formulation and implementation procedure of the Company's profit distribution plan was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The Board of Directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

(II) Profit distribution plan for 2018

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2018-2020), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve of the Company has reached 50% of the registered capital as at the end of the year, and no additional reserve will be provided for in accordance with the Company Law; the Company planned to transfer RMB2.108 billion to general reserve; the dividend of preferred shares was RMB1.482 billion. The Company also planned to distribute cash dividend of RMB6.9 for every 10 ordinary shares (tax included), amounting to RMB14.334 billion, based on the total share capital of 20,774,190,751 shares.

The Company is at a stage of transformation and upgrade. In light of the regulatory requirements concerning capital adequacy ratios and the balance of the relationship between shareholders' returns and business sustainability, and to establish a mechanism to provide sustained, stable, and scientific returns for investors, the payout ratio in 2018 will increase marginally. During the previous three years, the Company's payout ratio steadily climbed year after year, being 23.53%, 23.61%, and 23.65% from 2016 to 2018, respectively. When fulfilling the regulatory capital requirements, the Company also delivered relatively good returns to shareholders and allocated resources to support the sustainable development over the next few years. The retained undistributed profits will be used to strengthen the capital position of the Company so as to drive long-term and sustainable growth of the Company.

Independent directors issued the following opinions regarding the profit distribution proposals: the Company's 2018 annual profit distribution plan strictly abides by relevant provisions of the Company Law of the People's Republic of China, Accounting Standards for Business Enterprises, Financial Rules for Financial Enterprises, Notice on Issues Concerning the Provision for Bad Debts, and the Notice on Further Implementing the Relevant Issues Concerning Cash Dividends of Listed Companies issued by CSRC, and Articles of Association; the order of distribution is legal; and the dividend payment policies have fulfilled regulators' requirements regarding commercial banks' capital adequacy ratios and also given consideration to investors' demands as well as the sustainable development of the Company. The independent directors approved the 2018 Profit Distribution Proposal considered and approved at the 14th meeting of the 9th session of the Board of Directors, and agreed to submit the proposal for consideration and approval at the general meeting.

This plan shall be executed within two months after approval by the 2018 annual general meeting.

(III) Plan or proposal on profit distribution for ordinary shares of the previous three years (including the reporting period)

Unit: RMB million

Dividend year	Number of bonus shares for every 10 shares (tax incl.)	Amount of dividends for every 10 shares (Yuan) (tax incl.)	Number of shares converted by capital reserve for every 10 shares	Amount of cash dividends (tax incl.)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year	Percentage of net profit attributable to the shareholders of the listed company in the consolidated financial statements for the year (%)
2018	**-**	**6.90**	**-**	**14,334**	**60,620**	**23.65**
2017	-	6.50	-	13,503	57,200	23.61
2016	-	6.10	-	12,672	53,850	23.53

Note: for details of the preferred shares dividend plan, please refer to "Preferred Shares".

II. Performance of undertakings

(I) Upon approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way. On April 7, 2017, the Company handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares. The share subscribers in such non-public issuance made the following undertakings: the shares subscribed by the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, and Guangdong Company of China National Tobacco Corporation in such non-public issuance shall not be transferable within 60 months after completion of the issuance, and transfer of such shares shall be subject to other regulatory requirements concerning transfer of such shares as well as the transferees' shareholder qualifications upon expiration of the abovementioned lock-up period. Shares subscribed by Yango Holdings Co., Ltd. and Fujian Investment and Development Group Co., Ltd. in such non-public issuance shall not be transferable within 36 months after completion of the issuance and transfer of such shares shall be subject to relevant rules of the CSRC and the Shanghai Stock Exchange. The above-mentioned shareholders performed their obligations, and the trading moratoriums of relevant shares will expire on April 6, 2022 and April 6, 2020, respectively and such shares can be listed and traded on the market from April 7, 2022 and April 7, 2020, respectively.

(II) The 2017 annual general meeting of the Company considered and approved the Mid-term Shareholders' Return Plan (2018-2020) (for details, please refer to the announcement on the resolutions of the general meeting dated May 26, 2018), which planned that for the next three years (2018-2020), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40%.

(III) According to relevant rules of CSRC, the Proposal on Current Period Dilutive Effect of the Non-public Issuance of Domestic Preferred Shares and Replenishment Measures were considered and approved at the 8th meeting of the 9th session of Board of Directors and the 2017 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the non-public issuance of domestic preferred shares may have on current period returns of investors, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources; accelerating transformation and innovation and promoting the sustainable development of the Company's business; and continuously improving the sustained, stable and scientific shareholder return mechanism. In addition, the directors and senior management of the Company made undertakings in respect of effectively implementing such replenishment measures. For details, please refer to the announcements of the Company dated April 25, 2018 and May 26, 2018.

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

III. Appropriation of funds during the reporting period

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

IV. Appointment of accounting firms

Upon approval of the 2017 annual general meeting, Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed to audit the 2018 annual report, review the semi-annual report and provide internal control and audit services with the total audit fee amounting to RMB10.23 million, which included fees and expenses on transportation, accommodation, stationery, communication and printing as well as related taxes, of which RMB8.53 million was for audit and review of financial statements and RMB1.70 million was for internal control audit.

Currently, Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit service to the Company for 8 consecutive years.

V. Material lawsuits and arbitrations

During the reporting period, there was no lawsuit or arbitration with material effects on the Company that was required to be disclosed.

The Company may be subject to lawsuit or arbitration arising from recovery of loans or disputes with customers in the daily business process. In addition, as at the end of the reporting period, there were 204 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent (including the cases in which the Company was a third party), involving an aggregate amount of RMB1.074 billion.

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

During the reporting period, the Company, its directors, supervisors, senior management, and the largest shareholder were not subject to any inspection by authoritative agencies, any compulsory measures by judicial authorities or discipline inspection departments, any referral to judicial authorities, criminal prosecution, inspection or administrative punishment by the CSRC, deprivation of market access, identity as inappropriate candidates and open condemnation of security exchanges, or any other punishment by regulators that may have significant impact upon the Company’s operation.

VII. Integrity of the Company and the largest shareholder

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

VIII. Material related party transactions

(I) The 8th meeting of the 9th session of the Board of Directors and the 2017 Annual General Meeting of the Company considered and approved the “Proposal on Non-public Issuance of Domestic Preferred Shares to China National Tobacco Corporation” , agreeing to enter into conditional preferred shares subscription agreements with 15 companies subsidies of China National Tobacco Corporation, a shareholder of the Company, pursuant to which, Jiangsu Tobacco, Henan Tobacco, Hunan Tobacco, Zhuzhou Tobacco, Hengyang Tobacco, Shaoyang Tobacco, Yongzhou Tobacco, Chenzhou Tobacco, Hunan Tobacco Leaves, Sichuan Tobacco, Chengdu Tobacco, Guangxi Tobacco, Gansu Tobacco, Lanzhou Tobacco and Zhongwei Capital would subscribe 80,000,000 shares in aggregate of the domestic preferred shares to be issued with a total subscription amount of RMB8 billion. The above-mentioned proposed subscribers undertook not to participate in the price inquiry of the dividend rate of the preferred shares issued, and accepted the final dividend rate determined by the Company and the sponsor institution (the lead underwriter) according to the procedures and requirements stipulated by competent authorities such as the CSRC. The terms of the transaction are fair and reasonable, and the terms and execution procedures of the subscription agreement are legal and compliant, without prejudice to the interests of the Company and shareholders, especially the minority shareholders. For details, please refer to the announcements of the Company dated April 25, 2018 and May 26, 2018.

(II) The 2017 annual general meeting of the Company considered and approved the “Proposal on the Granting of Related Party Transaction Quota to Certain Related Parties”, agreeing to grant the People’s Insurance Group Co., Ltd. and its affiliates a quota of RMB54 billion for credit extension related party transactions, and RMB25.6 billion for non-credit extension related party transactions, with a term valid to April 30, 2021; change the quota of credit extension related party transactions granted to China National Tobacco Corporation and its affiliates to RMB15 billion, and the quota of the non-credit extension related party transactions to RMB5.3 billion, with a term valid to April 30, 2021; change the quota of credit extension related party transactions granted to Fujian Yango Group Co., Ltd. and its affiliates to RMB18 billion, and the quota of the non-credit extension related party transactions to RMB19.2 billion, with a term valid to April 30, 2021; change the quota of credit extension related party transactions granted to Fujian Investment & Development Group Co., Ltd. and its affiliates to RMB10 billion, and the quota of the non-credit extension related party transactions to RMB38.5 billion, with a term valid to August 28, 2019; and change the quota of credit extension related party transactions granted to Xiamen International Bank Co., Ltd. and its affiliates to RMB12.3 billion, and the quota of the non-credit extension related party transactions to RMB16.2 billion, with a term valid to August 28, 2019. The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the announcements of the Company dated April 25, 2018 and May 26, 2018.

(III) On September 19, 2018, the Company issued the “Announcement on the Related Party Transactions with Group Companies of Longyan Huijin Development Group Co., Ltd.”, which disclosed that the Company had non-credit extension related party transactions of RMB2.020 billion in aggregate with Longyan Huijin Group Companies (related legal persons) in the past 12 months, all of which were structured deposits and corporate wealth management services. It also disclosed that subsequently it would carry out non-credit extension related party transactions such as structural deposits, corporate wealth management, asset custody, and bond underwriting of no more than RMB1.88 billion with Longyan Huijin Group Companies (related legal persons). The amount of the above related party transactions will not exceed RMB3.9 billion in aggregate.

(IV) On December 12, 2018, the Company issued the "Announcement on Related Party Transactions with Xiamen Airlines Company Limited", which disclosed that the Company had reviewed and approved the granting of entity credit line of RMB4 billion to Xiamen Airlines Company Limited, with an exposure of no more than RMB3 billion and with a term of 3 years; the exposed credit line was guaranteed by Xiamen Airlines Hotel Management Co., Ltd.

(V) The 12th meeting of the 9th session of the Board of Directors of the Company considered and approved the “Proposal on Granting the Quota for Related Party Transactions to Certain Related Parties”, agreeing to grant Zhejiang Energy Group Co., Ltd. and its affiliates a quota for credit extension related transaction amount of RMB8 billion, non-credit extension relation party transaction of RMB100 million, with a valid term of 2 years; and agreeing to grant Longyan Huijin Development Group Co., Ltd. and its affiliates a quota for credit extension related transaction amount of RMB1.0 billion and its affiliates a quota for credit extension related transaction amount of RMB9.1 billion, with a term of 2 years.

The above related party transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair, the transactions complied with the related requirements of relevant laws, regulations, rules and regulatory systems, and the method and timing of payment for the transactions were determined by reference to commercial practice. For details, please refer to the announcement of the Company dated December 22, 2018.

As at the end of the reporting period, the balance and risk exposure (excluding deposits from related natural persons) of the Company's related party transactions with related natural persons was RMB24 million.

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

IX. Material contracts and performance thereof

(I) Material custody, lease and contracting issues

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

(II) Guarantees issues

In accordance with the relevant provisions of the CSRC, the Company carefully verified its guarantee to external parties in 2018. The Company's external guarantee business was approved by the PBOC and the CBIRC and it was part of the Company's regular business operations. As at the end of the reporting period, the balance of the Company's letter of guarantee business was RMB123.668 billion. No illegal guarantee was discovered.

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

The Company had no other material guarantees requiring disclosure.

(III) Other material contracts

During the reporting period, the Company did not experience any contract dispute that exerts significant impact upon the Company's operation and management.

X. Description of other major issues

(1) Building Fuzhou operating center: as considered and approved on the 6th meeting of the 9th session of the Board of Directors, the Company planned to build the Group's Fuzhou operating center on the No.218 plot of Wusi Road, Gulou District, Fuzhou, which is expected to cost about RMB3.906 billion. Relevant constructions are in progress. For details, please refer to the Company's announcement dated February 13, 2018.

(2) Non-public issuance of domestic preferred shares: upon consideration and approval by the 8th meeting of the 9th session of the Board of Directors and the 2017 annual general meeting of the Company, and the approval of the CBIRC and the CSRC, the Company issued no more than 300 million domestic preferred shares in aggregate, amounting to no more than RMB30 billion in aggregate, which were listed for transfer on the Integrated Business Platform of Shanghai Stock Exchange on April 26, 2019. For details, please refer to the announcements of the Company dated April 25, 2018,

May 26, 2018, August 25, 2018, December 28, 2018, April 17, 2019, and April 23, 2019.

(3) Equity participation in State Financing Guarantee Fund: upon consideration and approval by the 9th meeting of the 9th session of Board of Directors of the Company, the Company intended to contribute RMB2 billion to participate in the State Financing Guarantee Fund, with the amount of the contribution to be paid up in four years from 2018, and authorized the management to implement the plan. For details, please refer to the announcement dated May 29, 2018. During the reporting period, the Company has completed the payment of RMB500 million for the first installment of the capital contribution.

(4) Establish an asset management subsidiary: upon consideration and approval by the 10th meeting of the 9th session of Board of Directors of the Company, the Company intended to invest no more than RMB5 billion to establish a wholly-owned asset management subsidiary. For details, please refer to the Company's announcement dated August 29, 2018.

(5) Issuance green finance bonds: pursuant to the approvals of the CBIRC and the PBOC, the Company was permitted to publicly issue no more than RMB80 billion of green finance bonds in the national interbank bond market, the proceeds from which shall be specifically used for loans to green industry projects. During the reporting period, the Company has issued two tranches of green finance bonds totaling RMB60 billion. For details, please refer to the Company's announcements dated October 20, 2018, November 2, 2018, and November 28, 2018.

(6) Establishing CIB Financial Assets Investment Co., Ltd. (provisional name): upon consideration and approval by the 12th meeting of the 9th session of the Board of Directors of the Company, the Company intended to invest RMB10 billion to establish a wholly-owned subsidiary, CIB Financial Assets Investment Co., Ltd. (provisional name), which mainly engaged in the debt-to-equity conversion of banks and supporting businesses. For details, please refer to the Company's announcement dated December 22, 2018.

XI. PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation Work

1. Targeted poverty alleviation plan

The Company's basic strategy for targeted poverty alleviation work is strictly carrying out the implementation opinions of the General Office of the CPC Central Committee and the General Office of the State Council regarding the crucial poverty alleviation work in very poor regions. Centering on the basic strategy of "targeted poverty alleviation and targeted poverty relief", the Company took a multi-pronged approach to financial poverty alleviation based on the actual condition, leveraging its advantages in network, capital, and expertise.

General objectives: constantly improving the poverty alleviation work mechanism to increase the availability of financial service to extreme poverty regions; enhancing credit support for extreme poverty regions. Based on the development of inclusive finance, the Company fully promoted its financial poverty alleviation work in five major areas: industry-based poverty alleviation, channel-based poverty alleviation, product-based poverty alleviation, targeted poverty alleviation and education poverty alleviation.

Main tasks: thoroughly studying and understanding the implementation opinions of the General Office of the CPC Central Committee and the General Office of the State Council regarding the crucial poverty alleviation work in extreme poverty regions, targeting key groups and key tasks for poverty alleviation, accurately catering to financial needs, accurately improving support measures, accurately strengthening work quality and efficiency, and continuously advancing financial poverty alleviation work.

Guarantee measures: convening the work meeting of the Head Office Financial Poverty Alleviation Leader Team to clarify the tasks and directions of financial poverty alleviation; adhering to the combination of targeted support and overall driving and the coordination between innovative development and risk prevention to continuously improve the evaluation mechanism for financial poverty alleviation and assessment incentive mechanism, and strengthen positive reinforcement.

2. Summary of targeted poverty alleviation plan in 2018

During the reporting period, the Company successfully completed the annual poverty alleviation plan, with details of completion and the results as follows:

As at the end of the reporting period, the balance of the Company's targeted poverty alleviation loans totaled RMB7,517 million, representing an increase of RMB1,981 million or 35.77% as compared with the beginning of the period. The balance of the targeted poverty alleviation loans in terms of units totaled RMB5,895 million, representing an increase of RMB1,653 million or 38.97% over the beginning of the period, of which, the balance of targeted poverty alleviation loans in terms of industries totaled RMB3,123 million, representing an increase of RMB1,917 million or 180.85% as compared with the beginning of the period; and the balance of targeted poverty alleviation loans in terms of individuals totaled RMB1,622 million, or the number of loans of 7,618.

3. Effects of targeted poverty alleviation

Unit: RMB million

Indicator	Amount and its implementation
I. General information	
1. Fund	7,517
2. Number of people served or facilitated by the targeted poverty alleviation financial loans	126,845
II. Itemized input	
1. Poverty alleviation through industrial development	
Number of targeted poverty alleviation industrial loans	113
Amount of targeted poverty alleviation industrial loans	3,123
Number of people facilitated by targeted poverty alleviation industrial loans	2,837
2. Poverty alleviation project loans	
Number of targeted poverty alleviation project loans	21
Amount of targeted poverty alleviation project loans	2,772
Number of people served by targeted poverty alleviation project loans	117,289
3. Other investment	1,622

4. Subsequent plan of targeted poverty alleviation

According to the Company's long-term business strategy and poverty alleviation plan, work arrangements of targeted poverty alleviation and the main measures in 2019 will be as follows:

Firstly, we will optimize the outlet layout, expand current outlet coverage, and actively promote service upgrade in existing outlets to constantly increase the availability of financial services. We will promote the rapid development of featured business of the Bank-to-Bank Platform to expand the coverage of the business in poor county cities and rural areas.

Secondly, we will formulate projects for targeted poverty alleviation loans based on the actual situation in various parts of the country and develop one policy for each project. We will expand the scope of financial service for poverty alleviation loans, and actively fulfill our social responsibilities. We will increase the credit supply to very poor regions, enhance the relending management in very poor regions and further tilt the relending to poverty alleviation work.

Thirdly, we will strengthen the communication, coordination and information sharing with local poverty alleviation departments to gain an in-depth understanding of the basic production and living conditions and financial service demands of poor households and timely obtain planning information on the development of characteristic industries, infrastructure and basic public service in poverty-stricken areas. We will provide targeted poverty alleviation financial products and service, and design a practical financial service plan to achieve "real poverty alleviation and alleviation of real poverty."

Fourthly, we will actively track the poverty alleviation industry funds led by local governments, actively participating in the design, innovation and guidance of industrial funds with notable poverty alleviation effects, great social benefits, and more controllable risks.

Fifthly, we will support the development of advantageous agriculture in poverty-stricken areas, foster market awareness of the poverty-stricken population, and propel the poverty-stricken population to achieve self-development, enabling them to become a market player with certain competitiveness in specific industries, thereby promoting the shift of financial poverty alleviation from “blood transfusion” to "blood generation".

Sixthly, the Company will strengthen the financial publicity and education in very poor regions, enhance local consumers’ awareness and abilities of identifying and preventing financial risks and using financial tools, and boost the financial consumer rights protection in very poor regions.

(II) Consumer rights and interests protection

During the reporting period, the Company actively constructed consumer rights protection system, improved the rules of procedures of the Risk Management and Consumer Rights Protection Committee, revised the management measures for consumer rights protection, and strengthened the consumer protection assessment of branches, implementing consumer rights protection through system, mechanism, concept and actions. It actively carried out public education activities such as improving consumers’ financial literacy, paying particular attention to caring for special groups, improving consumer service experience, and safeguarding consumers' legitimate rights and interests. The Company won the title of “Excellent Organization” in the event of “Financial Knowledge Popularization Month - Financial Knowledge for Households” and “Enhancing Financial Literacy” event, and the Best Performance Organization in the event of 2018 Long-distance Travelling for Popularization of Financial Knowledge of China Banking Industry.

(III) The Company has disclosed the 2018 Sustainable Development Report of Industrial Bank. For details please refer to the website of Shanghai Stock Exchange.

(IV) Environmental performances and policies

During the reporting period, the Company actively implemented the requirements of the state's differentiated credit policy, explicitly prohibiting involvement in industries with backward technology, severe pollution and resources waste and industries that were shut down and restricted development by the state, and implementing the credit extension policy of “encouraging the growth of some sectors while discouraging the expansion of others, restricting increment, and invigorating inventory” for overcapacity industries, thereby strictly controlling new credit extension for industries with severe overcapacity.

The Company continued to strengthen the application of big data analysis in risk alert to achieve forward-looking management of environmental and social risks. By streamlining key business processes, it promptly identified environmental and social risk points and control points, and combined the “early intervention” and “evaluation after union” mechanisms to improve the all-process management of environmental and social risks.

As the first bank in China to adopt the Equator Principles, the Company actively implemented the state's low-carbon and environmental protection policy and always adhered to the green operation concept, emphasizing "green office, low-carbon life", paying particular attention to refined energy consumption management to save energy and reduce consumption in water, electricity and paper consumption, waste recycling, energy conservation and environmental protection facilities. During the reporting period, the carbon dioxide emissions of the Company's headquarters were 24,868.13 tons.

Meanwhile, the Company adhered to green procurement. It strictly reviewed suppliers' safety, health, environmental protection and labor security in the procurement process and strengthened the environmental and social management of suppliers. The Company continued to practice the Equator Principles by applying the concepts and methods of the Equator Principles to enhance the systemization, specialization and operability of project management, gradually promote the innovation of the Company's sustainable development concept. It integrated the strategy of "sustainable development" and the social responsibility practice model of "virtual wealth" into banking business to promote the sustainable development of the entire society.

Share Capital Changes and Shareholders of Ordinary Shares

I. Changes in shares during the reporting period

(I) Changes in shares

There was no change in shares of the Company during the reporting period.

Unit: share

	December 31, 2017			December 31, 2018	
	Number	Percentage (%)	Change in number	Number	Percentage (%)
I. Restricted shares	1,721,854,000	8.29	-	1,721,854,000	8.29
1. State-owned shares	430,463,500	2.07	-	430,463,500	2.07
2. Shares held by state-owned legal entities	794,701,800	3.83	-	794,701,800	3.83
3. Shares held by other domestic investors	496,688,700	2.39	-	496,688,700	2.39
Incl: Shares held by domestic non-state-owned legal persons	496,688,700	2.39	-	496,688,700	2.39
Shares held by domestic natural persons	0	0	-	0	0
4. Shares held by foreign investor	0	0	-	0	0
Incl: Shares held by foreign legal persons	0	0	-	0	0
Shares held by foreign natural persons	0	0	-	0	0
II. Unrestricted floating shares	19,052,336,751	91.71	-	19,052,336,751	91.71
1. RMB ordinary shares	19,052,336,751	91.71	-	19,052,336,751	91.71
2. Domestically listed foreign shares	0	0	-	0	0
3. Overseas listed foreign shares	0	0	-	0	0
4. Others	0	0	-	0	0
III. Total shares	**20,774,190,751**	**100**	**-**	**20,774,190,751**	**100**

(II) Changes in shares subjected to trading moratorium

Unit: share

<table>
<tr><th>Name of shareholders</th><th>Number of restricted shares at the beginning of the year</th><th>Number of shares released from restrictions in the year</th><th>Number of restricted shares increased in the year</th><th>Number of restricted shares as at the end of the year</th><th>Reasons for restriction in sale</th><th>Date of release from restrictions</th></tr>
<tr><td>The Finance Bureau of Fujian Province</td><td>430,463,500</td><td>-</td><td>-</td><td>430,463,500</td><td rowspan="6">Undertakings on the lock-up period of non-public offering</td><td rowspan="4">April 7, 2022</td></tr>
<tr><td>China National Tobacco Corporation</td><td>496,688,700</td><td>-</td><td>-</td><td>496,688,700</td></tr>
<tr><td>Fujian Company of China National Tobacco Corporation</td><td>132,450,300</td><td>-</td><td>-</td><td>132,450,300</td></tr>
<tr><td>Guangdong Company of China National Tobacco Corporation</td><td>99,337,700</td><td>-</td><td>-</td><td>99,337,700</td></tr>
<tr><td>Yango Holdings Co., Ltd.</td><td>496,688,700</td><td>-</td><td>-</td><td>496,688,700</td><td rowspan="2">April 7, 2020</td></tr>
<tr><td>Fujian Investment and Development Group Co., Ltd.</td><td>66,225,100</td><td>-</td><td>-</td><td>66,225,100</td></tr>
<tr><td>Total</td><td>1,721,854,000</td><td>-</td><td>-</td><td>1,721,854,000</td><td>-</td><td>-</td></tr>
</table>

II. Issuance and listing of securities

(I) Issuance of securities during the reporting period

During the reporting period, the Company didn’t issue new ordinary shares and other securities.

(II) The Company had no employee stocks.

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 243,308 shareholder accounts, and 225,088 ordinary shareholders accounts at the end of the month prior to the release of this annual report.

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

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged or frozen shares	Nature of shareholders
The Finance Bureau of Fujian Province	0	3,902,131,806	18.78	430,463,500	-	State authority
China National Tobacco Corporation	0	1,110,226,200	5.34	496,688,700	-	State-owned legal person
PICC Property and Casualty Company Limited-traditional-common insurance product	0	948,000,000	4.56	0	-	State-owned legal person
PICC Life Insurance Company Limited-participating-personal insurance (participating)	0	801,639,977	3.86	0	-	State-owned legal person
Tianan Property Insurance Co., Ltd. -guaranteed win No. 1	0	798,420,149	3.84	0	-	Domestic non-state-owned legal person
Buttonwood Investment Platform LLC.	0	671,012,396	3.23	0	-	State-owned legal person
China Securities Finance Corporation Limited	-312,769,248	622,235,652	3.00	0	-	State-owned legal person
Yango Holdings Co, Ltd.	0	496,688,700	2.39	496,688,700	Pledge 243,377,463	Domestic non-state-owned legal person
PICC Life Insurance Company Limited-universal-personal insurance (universal)	0	474,000,000	2.28	0	-	State-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	0	441,504,000	2.13	0	-	State-owned legal person

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

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

Unit: share

Name of shareholders	Number of unrestricted floating shares held	Percentage of total share capital (%)	Type of shares
The Finance Bureau of Fujian Province	3,471,668,306	16.71	RMB ordinary shares
PICC Property and Casualty Company Limited-traditional-common insurance product	948,000,000	4.56	RMB ordinary shares
PICC Life Insurance Company Limited-participating-personal insurance (participating)	801,639,977	3.86	RMB ordinary shares
Tian'an Property Insurance Co., Ltd.-guaranteed win No. 1	798,420,149	3.84	RMB ordinary shares
Buttonwood Investment Platform LLC.	671,012,396	3.23	RMB ordinary shares
China Securities Finance Corporation Limited	622,235,652	3.00	RMB ordinary shares
China National Tobacco Corporation	613,537,500	2.95	RMB ordinary shares
PICC Life Insurance Company Limited-universal-personal insurance (universal)	474,000,000	2.28	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.13	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	396,190,230	1.91	RMB ordinary shares

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

(IV)Number of shares held by shareholders subject to trade restrictions as well as conditions of such restrictions

Unit: share

<table>
<tr><th rowspan="2">Name of holders of restricted shares</th><th rowspan="2">Number of restricted shares held</th><th colspan="2">Availability for listing and trading of restricted shares</th><th rowspan="2">Condition of restriction</th></tr>
<tr><th>Date when shares become tradable</th><th>Number of new tradable shares</th></tr>
<tr><td>The Finance Bureau of Fujian Province</td><td>430,463,500</td><td rowspan="4">April 7, 2022</td><td>430,463,500</td><td rowspan="4">These shares could not be transferred within 60 months from the day when the offering was completed (except otherwise required by the competent regulators on the expired and transferred shares and the shareholding qualification of the transferee)</td></tr>
<tr><td>China National Tobacco Corporation</td><td>496,688,700</td><td>496,688,700</td></tr>
<tr><td>Fujian Company of China National Tobacco Corporation</td><td>132,450,300</td><td>132,450,300</td></tr>
<tr><td>Guangdong Company of China National Tobacco Corporation</td><td>99,337,700</td><td>99,337,700</td></tr>
<tr><td>Yango Holdings Co., Ltd.</td><td>496,688,700</td><td rowspan="2">April 7, 2020</td><td>496,688,700</td><td rowspan="2">These shares shall not be transferable within 36 months after completion of the issuance and transfer of such shares shall be subject to relevant rules of CSRC and Shanghai Stock Exchange upon expiration of lock-up period.</td></tr>
<tr><td>Fujian Investment and Development Group Co., Ltd.</td><td>66,225,100</td><td>66,225,100</td></tr>
<tr><td colspan="2">Descriptions about the association between or concerted actions of the above shareholders</td><td colspan="3">Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation are both subsidiaries of China National Tobacco Corporation.</td></tr>
</table>

(V) Substantial shareholders

The Company has no controlling shareholder or de facto controller. Pursuant to the rules of Interim Measures for Equity Management of Commercial Banks, the substantial shareholders of the Company were as follow:

1. The Finance Bureau of Fujian Province was the largest shareholder of the Company, holding 18.78% of the shares of the Company. It nominated directors to the Company and there was no case of pledge of the Company's shares. The Finance Bureau of Fujian Province is a legal person of government unit. Its legal representative is Yu Jun and the address is 5 Zhongshan Road, Fuzhou.

2. The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 12.90% of the shares of the Company. They nominated directors to the Company and there was no case of pledge of the Company's shares. The People’s Insurance Company (Group) of China Limited was the controlling shareholder of PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited, its controlling shareholder was the Ministry of Finance of the People's Republic of China.

The People’s Insurance Company (Group) of China Limited held 0.84% of the Company's shares. On October 20, 1949, The People’s Insurance Company of China was established in Beijing with the approval of the Government Administration Council of China. In August 1996, upon the decision of the State Council and the approval of the PBOC, The People’s Insurance Company of China was restructured as PICC (Group) Company. In October 1998, upon approval of the State Council, PICC (Group) Company was deregistered. Zhongbao Property Insurance Company Limited inherited the brand of The People’s Insurance Company of China and retained the name of The People’s Insurance Company of China. In July 2003, upon consent of the State Council and approval of the China Insurance Regulatory Commission, The People’s Insurance Company of China initiated the establishment of the PICC Property and Casualty Company Limited, and the company name was changed to PICC Holding Company. In June 2009, according to the restructuring plan approved by the State Council, the Ministry of Finance and the China Insurance Regulatory Commission approved PICC (Group) Company to carry out the general conversion, in which the Ministry of Finance exclusively initiated the establishment of The People’s Insurance Company (Group) of China Limited. The People’s Insurance Company (Group) of China Limited has been listed on the main board of the Hong Kong Stock Exchange and the main board of the Shanghai Stock Exchange with the stock codes of “01339.HK” and “601319.SH”, respectively. The registered capital of The People’s Insurance Company (Group) of China Limited is RMB42.424 billion (Note: after the listing of its A shares on November 16, 2018, the registered capital of The People’s Insurance Company (Group) of China Limited increased to RMB44.224 billion. The industrial and commercial registration procedures for the change of registered capital are currently underway), its place of registration is Beijing, and the legal representative is Miao Jianmin. Its scope of business mainly includes investment and holding shares in listed companies, insurance institutions and other financial institutions, supervision and management of various domestic and international businesses of holding investment companies, policy insurance business authorized or entrusted by the state, and other businesses approved by the former China Insurance Regulatory Commission and relevant state authorities.

PICC Property and Casualty Company Limited held 5.91% of the Company's shares. Established in July 7, 2003, it has a registered capital of RMB22.243 billion, its registered office is in Beijing and its legal representative is Miao Jianmin. Its scope of business includes: property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and surety insurance in Renminbi or foreign currencies; the re-insurance of the aforesaid insurances; reinsurance and provision of consulting services related to the businesses mentioned above; service and advisory business related to various property insurance, accidental injury insurance, short-term health insurance and re-insurance; and representing insurers in conducting relevant business; investment and capital utilization business permitted by the national laws and regulations; and other businesses authorized by national laws and regulations or approved by the CBIRC.

PICC Life Insurance Company Limited held 6.14% of the Company's shares. Established in November 10, 2005, it has a registered capital of RMB25.761 billion, its registered office is in Beijing and its legal representative is Miao Jianmin. Its business includes: life insurance, health insurance, accident insurance, and the re-insurance of the aforesaid insurances, as well as the providing agency insurance on behalf of PICC and PICC Health to the extent permitted by the former CIRC.

3. China National Tobacco Corporation, Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation collectively held 9.68% of the shares of the Company. They nominated directors to the Company and there was no case of pledge of the Company's shares. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation were subsidiaries of China National Tobacco Corporation and their de facto controller was the Ministry of Finance of the People's Republic of China.

Founded in December 15, 1983, China National Tobacco Corporation held 5.34% of the shares of the Company. It's a wholly state-owned enterprise with a registered capital of RMB57.0 billion. Its registered office is in Beijing, and its legal representative is Zhang Jianmin. Its business includes production, operation and import and export trading of tobacco monopoly products and operation and management of state-owned assets.

Founded in July 18, 2005, Fujian Tobacco Haisheng Investment Management Co., Ltd. held 2.13% of the shares of the Company. It has a registered capital of RMB2.647 billion. Its registered office is in Xiamen and its legal representative is Lu Xiaodong. Its businesses include investment management (except otherwise required by the laws and regulations), being entrusted to manage legally established hotels, and other business operations that do not involve prerequisite approval permission. The controlling shareholder is Fujian Company of China National Tobacco Corporation.

Founded on October 20, 2011, China Tobacco Hunan Investment Management Co., Ltd. held 1.09% of the shares of the Company. It has a registered capital of RMB0.2 billion. Its registered office is in Changsha and its legal representative is Deng Yongzhi. Its scope of business is to carry out (with its own legal funds) investment and management in printing industry, paper product manufacturing industry, plastic membrane manufacturing industry, other tobacco product manufacturing industry, industry of integrated utilization of waste, construction industry, advertising industry, cultural activities services, conferences and exhibitions and related services, manufacturing of electronic products, manufacturing of electronic cigarette, financial industry, real estate industry, agriculture, agricultural and non-staple food processing industry, pharmaceutical manufacturing industry, unit logistics management service industry; investment consulting service; conference service; supply chain management; production, processing and sales of packaging products; and paper sales. (Items subject to approval according to the law may only be operated upon approval of relevant authorities). Its controlling shareholder China Tobacco Hunan Industrial Co., Ltd. was established on July 16, 1994 with a registered capital of RMB4.3 billion. The place of registration is Changsha, and the legal representative is Lu Ping.

Founded in November 29, 1995, Fujian Company of China National Tobacco Corporation held 0.64% of the shares of the Company. It has a registered capital of RMB137 million. Its registered office is in Fuzhou and its legal representative is Zhang Yongjun. Its businesses include operation of tobacco monopoly products (see the business license for validity period); asset management and comprehensive management. (items that are subject to the approval according to the law may only be carried out upon approval of relevant authorities)

Founded in August 31, 1989, Guangdong Company of China National Tobacco Corporation held 0.48% of the shares of the Company. It has a registered capital of RMB140 million. Its registered office was in Guangzhou and its legal representative was Liu Yiping. Its businesses include operation of cigarette, production and operation of tobacco, asset management and comprehensive management, export of tobacco monopoly products, supporting service for the import of tobacco monopoly products, and the operation of imported tobacco products in China.

4. Xishui Strong Year Co., Ltd. Inner Mongolia and Tian An Property Insurance Co., Ltd. collectively held 4.68% of the shares and nominated directors to the Company. Xishui Strong Year Co., Ltd. Inner Mongolia was the controlling shareholder of Tianan Property Insurance Co., Ltd., its controlling shareholders was Zhengyuan Investment Co., Ltd. and its de facto controller was Xiao Weihua.

Xishui Strong Year Co., Ltd. Inner Mongolia held 0.61% of the shares of the Company, of which 34 million shares were pledged. It was founded on April 14, 1998 with a registered office in Wuhai, Inner Mongolia and a registered capital of RMB1.093 billion. Its legal representative is Guo Yufeng and its businesses include general business items: services for controlling company, the sales of mineral products, building materials products, chemical products, machinery equipment, hardware products, and electronic products; lease of machinery and equipment; and software development. Its controlling shareholder Zhengyuan Investment Co., Ltd. was founded on March 28, 2008 with a registered office in Baotou, Inner Mongolia and a registered capital of RMB1.340 billion. Its legal representative is Xiao Weihua.

Tianan Property Insurance Co., Ltd. held 4.07% of the shares of the Company and there was no case of pledge of the Company's shares. It was founded on January 27, 1995 with a registered office in Shanghai and a registered capital of RMB17.764 billion. Its legal representative is Guo Yufeng and its businesses include various types of property insurance denominated in Renminbi and foreign currencies, liability insurance, credit insurance, marine insurance, accidental injury insurance, health insurance and financial service insurance; responsible for various reinsurance businesses and statutory insurance businesses; establishing agency relations and business relationships with insurance agencies both domestic and abroad to act as an agent for inspections, claims, recovery and other related matters; handle capital applications approved by the CBIRC; and other businesses approved by the CBIRC.

5. Yango Holdings Co., Ltd. held 2.39% of the shares of the Company, of which 243 million shares were pledged. It nominated directors to the Company and its controlling shareholder was Yango Longjing Co., Ltd. and its de facto controllers were Lin Tengjiao and Wu Jie. It was founded on July 18, 2006 with a registered office in Fuzhou and a registered capital of RMB9.699 billion. Its legal representative was Wu Jie and its businesses include general business items, such as: the investment in information, hotel, tourism and education, investment management; the wholesale, purchase and sales of construction material, hardware, electronics and appliances. (items that are subject to the approval according to the law may only be carried out upon approval of relevant authorities). Its controlling shareholder Yango Longjing Co., Ltd. was established on December 8, 2014 with a registered office in Shanghai and a register capital of RMB2.699 billion. Its legal representative was Wu Jie.

6. Longyan Huijin Development Group Co., Ltd. held 1.05% of the shares of the Company. It nominated supervisors to the Company and there was no case of pledge of the Company's shares. The controlling shareholder is State-owned Assets Supervision and Administration Commission of Longyan City, Fujian Province. The company was established on November 9, 2010, with a registered office in Longyan and a registered capital of RMB2 billion and its legal representative is Wang Lansheng. Its business scope includes operation and management of asset investment; investment in publicly traded securities, non-security equity, and financial industry; management of equity investments; urban infrastructure construction; wholesale of coal and related products (excluding hazardous chemicals); wholesale of non-metallic ore and related products; wholesale of metal and metal ore. (items subject to approval according to the law may only be operated upon approval of relevant authorities)

7. Zhejiang Energy Group Co., Ltd., Zhejiang Zheneng Electric Power Co., Ltd. and Zhejiang Energy Group Finance Co., Ltd. collectively held 0.62% of the shares of the Company. They nominated directors to the Company and there was no case of pledge of the Company's shares. Zhejiang Energy Group Co., Ltd. was the controlling shareholder of Zhejiang Zheneng Electric Power Co., Ltd. and Zhejiang Energy Group Finance Co., Ltd. Its controlling shareholder was State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government.

Zhejiang Energy Group Co., Ltd. held 0.02% of the shares of the Company. The company was established on March 21, 2001 with a registered office in Hangzhou and a registered capital of RMB10 billion. Its legal representative is Tong Yahui and its businesses include the operation of state-owned assets and state-owned shares of the group companies and their affiliated companies that are authorized by the state; industrial investment development; technical advisory services, technical advisory services for coal transportation information; production and supply of electric power; development and utilization of renewable energy; operation management of oil and gas; engineering technology and service; sale of steel, nonferrous metals, construction materials, machinery equipment, electrical cables, coal (without storage); international ship transportation (operating with license); domestic water transport (operating with license); electric machinery and equipment; new energy equipment manufacturer; private equity investment; investment consulting and asset management. (Without the approval of the financial and other regulatory authorities, it is not allowed to engage in financial service such as financing deposits, financing guarantees, and customer financing for the public) (items that are subject to the approval according to the law may only be carried out upon approval of relevant authorities)

Zhejiang Zheneng Electric Power Co., Ltd. held 0.57% of the shares of the Company. The company was established on March 14, 1992 with a registered office in Hangzhou and a registered capital of RMB13.601 billion. Its legal representative is Sun Weiheng and its businesses include: electricity generation, operation control; research and development of electric power and energy-saving technologies, technical advisory as well as the sales of energy-saving products; construction and supervision of electric power projects and power environmental protection projects; maintenance of electric equipment; power selling service(operating with license); sales of cooling, heat, hot water and steam; contractual energy management.(items that are subject to the approval according to the law may only be carried out upon approval of relevant authorities)

Zhejiang Energy Group Finance Co., Ltd. held 0.03% of the shares of the Company. The company was established on August 25, 2006 with a registered office in Hangzhou and a registered capital of RMB971 million. Its legal representative is Wang Lina and its businesses include the operation of business approved by the CBRC in accordance with relevant laws, administrative regulations and other regulations; the business scope shall be as set on in the approval documents.

Matters Regarding Preferred Shares

I. Issuance and listing of preferred shares

Unit: share

Preferred shares code	Stock abbreviation	Date of issuance	Issuing price (Yuan/ share)	Dividend rate (%)	Issuance size	Date of listing	Number of shares listed	Date of delisting
360005	Industrial P1	December 3, 2014	100	6.00	130,000,000	December 19, 2014	130,000,000	None
360012	Industrial P2	June 17, 2015	100	5.40	130,000,000	July 17, 2015	130,000,000	None
360032	Industrial P3	April 3, 2019	100	4.90	300,000,000	April 26, 2019	300,000,000	None

Notes: 1. With the approval of CSRC, the Company issued 130 million preferred shares with a par value of RMB100 per share and 6.00% coupon rate in the first interest cycle through non-public offering in December 2014. After deducting the offering expenses, the net proceeds reached RMB12.958 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of the issuance of the first tranche of preferred shares, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since December 19, 2014.

2. The Company issued the second tranche 130 million preferred shares with a par value of RMB100 per share and 5.40% coupon in the first interest cycle through non-public offering in June 2015. After deducting the offering expenses, the net proceeds reached RMB12.947 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of issuance of the second tranche of preferred shares, the preferred shares have been listed on the integrated business platform of the Shanghai Stock Exchange since July 17, 2015.

3. Upon approval of the CSRC, the Company issued 300 million preferred shares with a par value of RMB100 per share and 4.90% coupon in the first interest cycle through non-public offering in April 2019. After deducting the offering expenses (including tax), the net proceeds reached RMB29.933 billion. The net proceeds plus deductible input VAT tax on offering expenses amounted to a total of RMB29.937 billion, all of which were used for supplementing Tier 1 capital. Upon the completion of the issuance, the preferred shares will be listed on the integrated business platform of the Shanghai Stock Exchange since April 26, 2019.

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

No. of preferred shares shareholder accounts as at the end of the reporting period	33
No. of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	33

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

Unit: share

Name of shareholders	Changes of number of shares during the reporting period	Number of shares held at the end of the period	Percentage (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China-participating-personal insurance (participating)	0	44,114,000	16.97	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China-universal-personal insurance (universal)	0	21,254,000	8.17	Domestic preferred shares	-	Others
PICC Property and Casualty Company Limited-traditional-common insurance product	0	21,254,000	8.17	Domestic preferred shares	-	Others
The Finance Bureau of Fujian Province	0	14,000,000	5.38	Domestic preferred shares	-	State authority
Bank of Communications Schroders	0	13,474,000	5.18	Domestic preferred shares	-	Others
Guangdong Finance Trust Co., Ltd.	0	12,198,000	4.69	Domestic preferred shares	-	Others
PICC Life Insurance Company Limited-participating-personal insurance (participating)	0	11,450,000	4.40	Domestic preferred shares	-	Others
BOCI Securities Limited	0	9,044,000	3.48	Domestic preferred shares	-	Others
Zhonghai Trust Co., Ltd.	0	7,944,000	3.06	Domestic preferred shares	-	Others
Bosera Funds	0	7,944,000	3.06	Domestic preferred shares	-	Others

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

2. The connected relationship exists among Ping An Life Insurance Company of China-participating-personal insurance (participating), Ping An Life Insurance Company of China-universal-individual insurance (universal), and Ping An Property & Casualty Insurance Company of China, Ltd. -traditional-general insurance products. Apart from that, the Company was not aware of any connected relationship or concerted relationship among the above shareholders.

3. As at the end of the period, the Finance Bureau of Fujian Province held 3,902,131,806 ordinary shares of the Company. Apart from that, the Company was not aware of any connected relationship or concerted relationship among the above shareholders and the top ten holders of ordinary shares.

III. Profit distribution of preferred shares

(I) Profit distribution

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

The aggregate par value of the preferred shares "Industrial P1" is RMB13 billion, the interest period of preferred shares for 2018 was from January 1, 2018 to December 31, 2018, and the proposed dividends are RMB780 million with an annual dividend yield of 6%.

The aggregate par value of the preferred shares "Industrial P2" is RMB13 billion and the interest period of preferred shares for 2018 was from January 1, 2018 to December 31, 2018, and the proposed dividends are RMB702 million with an annual dividend yield of 5.40%.

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

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

Unit: RMB million

Year	Amount	Ratio
2018	1,482	100%
2017	1,482	100%
2016	1,482	100%

Note: Distribution ratio = Announced distribution amount / Agreed distribution amount for the year * 100%.

IV. During the reporting period, the Company made no repurchase of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

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

Pursuant to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.37 – Presentation and Reporting of Financial Instrument and the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the Ministry of Finance of the People's Republic of China and the main terms of the issued preference shares of the Company, the Company's preferred shares meet the requirements for being accounted as an equity instrument. Therefore, the Company's issued preferred shares were accounted for as an equity instrument.

VI. Adjustments regarding the mandatory conversion price

The initial mandatory conversion price of the preferred shares under the issuance shall be the average trading price (the initial mandatory conversion price of Industrial P1 and Industrial P2 is RMB9.86/share and the initial mandatory conversion price of Industrial P3 is RMB16.50/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved. Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), rights issue, and etc., the Company shall, based on the sequence of the occurrences of the above events, undertake cumulative adjustments to the mandatory conversion prices in accordance with the specified formula.

Upon the approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way and handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares on April 7, 2017. Calculated with the formula for adjustment of compulsory conversion price of “Industrial P1” and “Industrial P2” as set out in relevant terms of the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd. for 2014 and the Prospectus for Non-public Issuance of Domestic Preferred Shares (Second Tranche) of Industrial Bank Co., Ltd. for 2015, upon completion of the non-public issuance of A shares by the Company, the compulsory conversion price of "Industrial P1" and "Industrial P2" issued by the Company was adjusted from RMB9.86/share to RMB9.80/share. For details, please refer to the Company’s announcement dated April 11, 2017.

Directors, Supervisors, Senior Management Members and Employees

I. Directors, supervisors and senior management members

(I) General information

Unit: share

Name	Title	Gender	Date of birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in increase or decrease in shares during the year	Reasons for change	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Gao Jianping	Chairman of the Board of Directors	Male	July 1959	September 11, 2000	December 18, 2019	0	0	0	-	105.352	No
Chen Yichao	Director	Male	November 1950	July 1, 2015	December 18, 2019	0	0	0	-		Yes
Fu Anping	Director	Male	February 1963	June 20, 2016	December 18, 2019	0	0	0	-		Yes
Han Jingwen	Director	Male	June 1959	February 7, 2017	December 18, 2019	0	0	0	-		Yes
Xi Xinghua	Director	Male	October 1969	February 7, 2017	December 18, 2019	0	0	0	-		Yes
Lin Tengjiao	Director	Male	April 1968	July 17, 2017	December 18, 2019	0	0	0	-		Yes
Tao Yiping	Director	Male	April 1963	June 20, 2016	December 18, 2019	0	0	0	-	105.352	No
	President			April 28, 2016	December 18, 2019						

Name	Title	Gender	Date of birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in increase or decrease in shares during the year	Reasons for change	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Chen Jinguang	Director	Male	November 1961	June 20, 2016	December 18, 2019	0	0	0	-	94.816	No
	Vice president			February 4, 2013	December 18, 2019						
Chen Xinjian	Director	Male	October 1967	June 20, 2016	December 18, 2019	116,800	116,800	0	-	94.816	No
	Vice president			July 10, 2014	December 18, 2019						
	Secretary of the Board of Directors			November 26, 2015	December 18, 2019						
Paul M. Theil	Independent director	Male	May 1953	December 24, 2013	December 18, 2019	0	0	0	-	30	Yes
Zhu Qing	Independent director	Male	May 1957	August 26, 2014	December 18, 2019	0	0	0	-	30	No
Liu Shiping	Independent director	Male	April 1962	August 26, 2014	December 18, 2019	0	0	0	-	30	Yes
Su Xijia	Independent director	Male	September 1954	February 7, 2017	December 18, 2019	0	0	0	-	30	No
Lin Hua	Independent director	Male	September 1975	July 1, 2015	December 18, 2019	0	0	0	-	27.62	Yes
Jiang Yunming	Chairman of the Board of Supervisors	Male	October 1965	February 29, 2016	December 18, 2019	0	0	0	-	105.352	No
Yuan Jun	Supervisor	Male	April 1984	May 25, 2018	December 18, 2019	0	0	0	-		Yes
He Xudong	Supervisor	Male	November 1977	December 19, 2016	December 18, 2019	0	0	0	-		Yes

Name	Title	Gender	Date of birth	Beginning date of the term	Ending date of the term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in increase or decrease in shares during the year	Reasons for change	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Zhang Guoming	Supervisor	Male	February 1966	August 24, 2018	December 18, 2019	0	0	0	-	39.507	No
Lai Furong	Supervisor	Male	October 1968	October 19, 2007	December 18, 2019	0	0	0	-	343.6	No
Li Ruoshan	External supervisor	Male	February 1949	December 19,2016	December 18, 2019	0	0	0	-	24	No
Ben Shenglin	External supervisor	Male	January 1966	December 19, 2016	December 18, 2019	0	0	0	-	21.33	No
Xia Dawei	External supervisor	Male	February 1953	May 23, 2016	December 18, 2019	0	0	0	-	24	No
Li Weimin	Vice president	Male	November 1967	December 27, 2012	December 18, 2019	50,000	50,000	0	-	94.816	No
Sun Xiongpeng	Vice president	Male	April 1967	August 25, 2016	December 18, 2019	0	0	0	-	94.816	No
Xue Hefeng	Director	Male	March 1969	June 20, 2016	October 26, 2018	20,000	20,000	0	-	94.816	No
	Vice president			December 27, 2012	October 26, 2018						
Xu Chiyun	Supervisor	Female	August 1968	October 15, 2013	April 23, 2018	0	0	0	-		No
Peng Jinguang	Supervisor	Male	August 1962	December 19, 2016	April16, 2018	0	6,000	6,000	Increase in shareholding		Yes
Li Jian	Supervisor	Male	September 1956	October 15, 2013	August 24, 2018	35,500	35,500	0	-	399.8	No

Note: 1. The remuneration for some of the directors, supervisors and senior management members who served full-time positions in the Company is currently under examination of the authorized department. Should there be any changes, the Company will make an announcement. During the reporting period, the total actual remuneration paid for all directors, supervisors and senior management members amounted to RMB17,899,930.

2. The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management members were as follows: the remuneration for directors, supervisors and senior management members were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold full-time positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disburse in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the compensation and assessment committee under the Board of Directors and then submitted to the Board of Directors for approval.

3. The 2017 Annual Report of the Company has disclosed the annual remuneration of directors, supervisors and senior management members. Upon assessment and the confirmation by the authorized department, the remuneration of the directors, supervisors and senior management members who served full-time positions in the Company for 2017 is hereby further disclosed as follows:

Name	Title	The remainder of 2017 pre-tax remuneration (RMB'0,000)
Gao Jianping	Chairman of the Board of Directors	5.096
Tao Yiping	Director and president	5.096
Chen Jinguang	Director and vice president	4.586
Chen Xinjian	Director, vice president, and secretary of the Board of Directors	4.586
Jiang Yunming	Chairman of the Board of Supervisors	5.096
Li Weimin	Vice president	4.586
Sun Xiongpeng	Vice president	4.586
Xue Hefeng	Director and vice president	4.586

4. None of directors, supervisors, senior management personnel of the Company received any punishment from the securities regulatory commission in recent three years.

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

Name	Shareholder company	Title
Fu Anping	PICC Life Insurance Company Limited	Secretary of the Party committee, vice chairman, president
Han Jingwen	China National Tobacco Corporation	Inspector of the Division of Financial Management and Supervision (Audit Division)
Xi Xinghua	Tianan Property Insurance Co., Ltd.	General manager of Assets Management Department
Lin Tengjiao	Yango Holdings Co., Ltd.	Chairman of the Board
Yuan Jun	Longyan Huijin Development Group Co., Ltd.	Executive deputy general manager
He Xudong	Zhejiang Energy Group Co., Ltd.	Deputy director of the Assets Operation Department

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

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Gao Jianping	Bachelor degree, senior economist. He previously served as deputy general manager of the General Office of Industrial Bank, director of the Industrial Bank's Office in Fuzhou Economic and Technological Development Zone, general manager of the General Office of Industrial Bank, head of Industrial Bank's Shanghai Branch preparatory team, president of Industrial Bank's Shanghai Branch, president assistant of Industrial Bank, vice president of Industrial Bank and president of Industrial Bank, secretary of communist party committee, chairman and president of Industrial Bank, and currently as member of the National Committee of CPPCC, secretary of Communist Party Committee and chairman of Industrial Bank.	Member of the 13th National Committee of the Chinese People's Political Consultative Conference
Chen Yichao	Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the Integrated Service Department, executive deputy director of the General Office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Fu Anping	Doctoral degree, senior economist, associate researcher, PRC actuary. He previously served as the deputy head of the Insurance Management Office of the Non-bank Institution Division and head of the Life Insurance of the Insurance Division of the PBOC, section chief and deputy director of Personal Insurance Regulation Department of the CIRC, deputy director of Beijing Office of the CIRC, deputy director general of the CIRC Beijing Bureau, deputy leader of the preparation group of Life Insurance Company of PICC, and vice president of PICC Life Insurance Company Limited. He currently serves as the secretary of the Party Committee, vice chairman and president of PICC Life Insurance Company Limited.	None
Han Jingwen	On-the-job graduate. He previously served as an associate researcher of the Division of Financial Management and Supervision (Audit Division), the deputy head and head of the General Office, associate inspector, and deputy chief of State Tobacco Monopoly Bureau (China National Tobacco Corporation). He currently serves as the inspector of the Division of Financial Management and Supervision (Audit Division) of State Tobacco Monopoly Bureau (China National Tobacco Corporation).	Director of the National Integrated Circuit Industrial Investment Fund Co., Ltd.
Xi Xinghua	Master degree. He previously served as a section member of Sanmen County Land and Resources Bureau of Zhejiang Province, a macro-economic analyst of Beijing Securities Limited, the deputy general manager of Zibohong Investment Company, the general manager of Hengtai Changcai Securities Brokerage Co., Ltd., the deputy general manager of Hengtai Securities Co., Ltd., the general manager of Rongtong Fund Management Co., Ltd., and the deputy general manager and standing deputy general manager of Huaxia Everwin Asset Management Co., Ltd. He currently serves as the general manager of the Assets Management Department of Tianan Property Insurance Co., Ltd.	None
Lin Tengjiao	Master of Business Administration. He currently serves as the Chairman of the Board of Directors of Yango Holdings Co., Ltd.	Representative of the National People's Congress, vice chairman of the Fujian Federation of Industry and Commerce, Chairman of the Board of Directors of Yango City Group Co., Ltd. and Honorary President of Peking University Fujian Alumni Association
Tao Yiping	University graduate, master degree, senior economist. He previously served as a section chief of the General Plan Office of Fujian Branch of Bank of China, a senior manager of the Hong Kong and Macao Administration Office of Bank of China Group, a senior manager of China Business Department of Hong Kong Branch of Kincheng Banking Corporation, an Office Director and chief of Fund Planning Office of Fujian Branch of Bank of China, the president of Fuzhou Sub-branch of Bank of China, the president assistant and vice president of Fujian Branch of Bank of China, the president of Xiamen Branch of Bank of China, the president of Fujian Branch of Bank of China, and the president of Shandong Branch of Bank of China. He currently serves as a member of the Party committee, a director and the president of Industrial Bank.	None

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Chen Jinguang	College graduate, economist. He previously served as head of Pudong Sub-branch of Shanghai Branch, vice president of Shanghai Branch, president of Ningbo Branch, president of Chengdu Branch and president of Beijing Branch of Industrial Bank. He currently serves as a Party Committee member, a director and vice president of Industrial Bank.	None
Chen Xinjian	University graduate, master degree. He previously served as director of the Financial Division and director of External Debt Division at the Finance Bureau of Fujian Province, vice president of Shanghai Branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch, president of Nanjing Branch, president of Beijing Branch of Industrial Bank. He currently serves as a Party Committee member, a director, vice president of Industrial Bank, and secretary of the Board of Directors.	None
Paul M. Theil	PhD. He previously served as first secretary and commercial counsellor of the U.S. Embassy in China. He currently serves as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd.	Chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., Chairman of Zhong An Investment Management (Shenzhen) Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Shenzhen Longgang BOC Fullerton Community Bank Co., Ltd, independent director of Morgan Stanley Huaxin Fund Management Company Limited, director of Runhui Fund Management Co., Ltd., director of Qinqin Foodstuffs Group Company Limited and president of Small Loans Industry Association of Shenzhen, vice president of China Micro-credit Companies Association, vice president of Shenzhen Venture Capital Association, and standing vice president of Shenzhen General Chamber of Commerce
Zhu Qing	PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the School of Finance at Renmin University of China, and he also worked for the Budget and Tariffs Departments of European Commission (EC). He currently serves as professor and PhD tutor at Renmin University of China.	Professor and PhD tutor at Renmin University of China, an independent director of Jangho Group Company Limited, Zhejiang Jinlihua Electric Co., Ltd., Zhongtai Trust Co., Ltd., and Jiangyin Rural Commercial Bank Co., Ltd., and an external supervisor of China Trust Protection Fund Co., Ltd., vice president of Chinese tax institute, an executive member of the society of public finance of China, executive director of China Social Insurance Association, distinguished professor at Yangzhou Tax Institute of the State Administration of Taxation, adjunct professor at Beijing National Accounting Institute and Xiamen National Accounting Institute

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Liu Shiping	PhD. He previously served as leader of the data mining consulting team (global financial industry) of the service division of IBM and chief adviser of Business Intelligence, providing business intelligent consulting services to over 200 financial institutions including central banks, Shanghai Stock Exchange and China Development Bank. He currently serves as president of the Global Business Intelligence Consulting (Beijing) Co., Ltd.	Chairman of Global Business Intelligence Consulting (Beijing) Co., Ltd., professor and PhD tutor at the University of Chinese Academy of Sciences (UCAS), Associate of the Research Center of Finance Sciences and Technology of UCAS, part-time professor of Tongji University, chair professor of Fuzhou University, member of China Accounting Informationization Committee, vice chairman of XBRL China Executive Committee, member of Expert Advisory Committee of China Association of Technology Entrepreneurs, member of Information Technology Committee of China Association of Public Companies, member of Independent Board Committee of China Association of Public Companies, independent director of Zhejiang Tailong Bank, independent director of Aixin Life, expert of Social Credit Legislation Expert Group of Financial and Economic Committee of Shanghai Municipal People's Congress, consultant of Science and Technology Advisory Group of Chengdu People's Government, senior consultant of Chongqing Qianjiang District People's Government, specially-invited expert of the Working Committee of Silk Road International Cooperation Working Committee, vice president of Guangdong Financial Innovation Research Association
Su Xijia	PhD, professor, Canadian nationality. He previously served as a lecturer at the Accounting Department of Shanghai University of Finance and Economics and an associate professor at the Accounting Department of College of Business, City University of Hong Kong. He currently serves as a professor at the Accounting Department of China Europe International Business School.	Professor at the Accounting Department of China Europe International Business School, an independent director of China Jinmao Group, Opple Lighting Co., Ltd. and Fujian Sanmu Group Co., Ltd.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Lin Hua	Master degree. He previously served as general manager of Jinyuan Capital Management (Xiamen) Co., Ltd., general manager of Xiamen Venture Capital Co., Ltd. (Xiamen Municipal Government Parent Fund), director of operations of the Investment Department of China Guangdong Nuclear Power Group (CGNPC), structural department high-level model engineer and project manager of KPMG in the United States. He currently serves as the chairman of Shanghai Heyi Financial Information Co., Ltd. (China Securitization Analytics Website).	Chairman of Shanghai Heyi Financial Information Co., Ltd. (China Securitization Analytics Website), chairman of Rusen (Shanghai) Information Technology Co., Ltd., an external director of CGN Capital Holdings Co,., Ltd., part-time professor of Nankai University and Southwestern University of Finance and Economics, and an independent director of Generali Insurance Assets Management Company, Xiamen Rural Commercial Bank, and Beijing Jingneng Power Co., Ltd.
Jiang Yunming	PhD, senior economist. He previously served as deputy section chief of business section of Securities Business Department, manager of Issuance Department of Industrial Bank, general manager assistant and manager of Investment Banking Department of Industrial Securities, deputy general manager of General Office, general manager of Board Secretariat and deputy general manager of General Office, general manager of General Office of Industrial Bank, president of Industrial Bank Beijing Branch, a Party Committee member, director and vice president of Industrial Bank. He currently serves as a Party Committee member and chairman of the Board of Supervisors.	None
Yuan Jun	Master degree. He previously served as credit manager of Longyan Branch of China Construction Bank, assistant to marketing director of Huafu Securities Longyan Branch, and deputy general manager of Longyan Huijin Asset Management Development Co., Ltd. He currently serves as the executive deputy general manager of Longyan Huijin Development Group Co., Ltd.	Chairman of Yanhai Financial Leasing Co., Ltd., chairman of Yanhai Commercial Factoring Co., Ltd., executive director of Longyan Huijin Venture Capital Company, executive director of Longyan Industrial Equity Investment Fund, vice chairman of the Third Committee of Longyan Youth Federation
He Xudong	Bachelor degree, economist. He previously served as a staff at the Project Management Department of Zhejiang Power Development Company, a staff at the Assets Operation Department of Zhejiang Energy Group, director of the Assets Operation Department of the Coal and Transportation Branch of Zhejiang Energy Group, and director of the General Office of the Coal and Transportation Branch of Zhejiang Energy Group. He currently serves as the deputy director of the Assets Operation Department of Zhejiang Energy Group Co., Ltd.	Director of Jiangxi Ganzhe Energy Co., Ltd., CNOOC Zhejiang Ningbo LNG Co., Ltd., Zhejiang Zheneng Jiaxing Power Generation Co., Ltd., and Zhejiang Zheneng Jiahua Power Generation Co., Ltd., Zhejiang Zheneng Leqing Power Generation Co., Ltd., Zhejiang Zheneng Wenzhou Power Generation Co., Ltd., and Zhejiang Wenzhou Telulai Power Generation Co., Ltd. and Wenzhou Gas Power Generation Co., Ltd., and a supervisor of Sinopec Xinjiang Coal-based Natural Gas Pipeline Co., Ltd.

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Zhang Guoming	Bachelor degree. He previously served as deputy director (director level) of the Cadre Management Office of the Fujian Provincial Commission for Discipline Inspection, full-time deputy secretary of the Party Committee of the Fujian Provincial Commission for Discipline Inspection, and deputy director (deputy chief level) of the Inspection Office of the Fujian Provincial Party Committee. He currently serves as a member of the Party Committee, secretary of the Disciplinary Committee, and supervisor of the Industrial Bank.	None
Lai Furong	Bachelor degree, senior accountant. He previously served as vice head and head of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, deputy general manager of Finance & Accounting Department of Industrial Bank, vice president of Guangzhou Branch of Industrial Bank, vice general manager of Planning & Finance Department of Industrial Bank and general manager of Audit Department of Industrial Bank. He currently serves as a supervisor and general manager of Planning & Finance Department of Industrial Bank.	None
Li Ruoshan	PhD, professor, non-practicing certified accountant. He previously served as deputy dean of the Accounting Department and vice president of the School of Economics, Xiamen University, dean of the Accounting Department and the Finance Department, and vice president of the School of Management of Fudan University. He currently serves as MPACC academic dean, professor, PhD tutor at the School of Management of Fudan University.	MPACC academic dean, professor and PhD tutor of the School of Management at Fudan University, independent director of China Eastern Airlines, SAIC Motor Corporation Limited and Zhangjiang High-technology Company
Ben Shenglin	PhD, professor. He previously served as senior vice president of Algemene Bank Nederland, managing director of HSBC, president of JPMorgan Chase Bank (China) Company Limited, a member of the global leadership team of Global Corporate Bank. He currently serves as a professor, dean of the Academy of Internet Finance, dean of the International Business School (in preparation) of Zhejiang University.	Professor, dean of Academy of Internet Finance, and dean of the International Business School (in preparation) of Zhejiang University, joint director of International Monetary Institute, member of the International Committee of the All-China Federation of Industry and Commerce, member of the Expert Committee of the Party's Extra-Party Intellectuals of the United Front Work Department, member of the Standing Committee of the People's PCC and deputy director of the Economic Committee of Zhejiang Province, a counsellor of Zhejiang Provincial People's Government, co-chairman of Zhejiang Association of Internet Finance, advisory member of Financial Experts Advisory Committee for Guangdong and executive editor of China Finance, an independent director of Bank of Ningbo Co., Ltd., Wuchan Zhongda Group Co., Ltd., and Tsingtao Brewery Co., Ltd., and an independent non-executive director of China International Capital Corporation Limited

Name	Working experience outline	Appointments or concurrent appointments in organizations other than the Company or shareholder companies
Xia Dawei	Master degree, professor, PhD tutor. He previous served as the dean of School of International Business Administration, president assistant and vice president of Shanghai University of Finance and Economics, and president of Shanghai National Accounting Institute. He currently serves as the director of academic committee of Shanghai National Accounting Institute.	Director of academic committee of Shanghai National Accounting Institute, vice chairman of Chinese Industrial Economic Association, vice chairman of China Association of Chief Financial Officers, chairman of Shanghai Accounting Society, consultant professional of the Committee for Accounting Standards of the Ministry of Finance, honorary professor of The Chinese University of Hong Kong, part-time professor of School of Management of Fudan University; enjoys government allowance of the State Council; independent directors of Baoshan Iron & Steel Co., Ltd., Guotai Jun'an Securities Co., Ltd., Lianhua Supermarkets Holdings Co., Ltd. and Juneyao Airlines Co., Ltd.
Li Weimin	University graduate, master degree, senior economist. He previously served as deputy manager and then manager of Operation Department of Fuzhou Branch, president assistant and manager of General Office of Fuzhou Branch, vice president of Fuzhou Branch, vice president of Nanjing Branch, president of Zhangzhou Branch, president of Zhengzhou Branch, and president of Fuzhou Branch of Industrial Bank. He currently serves as a Party Committee member and vice president of Industrial Bank.	None
Sun Xiongpeng	University graduate, master degree, senior economist. He previously served as deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, president assistant and vice president of Quanzhou Branch of Industrial Bank, president of Zhangzhou Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Xiamen Branch of Industrial Bank, and president of Fuzhou Branch of Industrial Bank. He currently serves as a Party Committee member and vice president of Industrial Bank.	None

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

1. On April 16, 2018, Mr. Peng Jinguang tendered his resignation in writing to the Board of Supervisors and resigned from the position of supervisor.

2. On April 23, 2018, Ms. Xu Chiyun tendered her resignation in writing to the Board of Supervisors and resigned from the position of supervisor.

3. On May 25, 2018, at the annual general meeting of the Company for 2017, Mr. Yuan Jun was elected as a supervisor of the 7th session of the Board of Supervisors.

4. On August 24, 2018, Mr. Li Jian, an employee representative supervisor, tendered a written resignation to the Company's Board of Supervisors and resigned from the position of employee representative supervisor.

5. On August 24, 2018, the Company's employee representative assembly elected Mr. Zhang Guoming as an employee representative supervisor of the Board of Supervisors of the Company.

6. On October 26, 2018, Mr. Xue Hefeng tendered his resignation in writing to the Board of Supervisors and resigned from the position of director and vice president.

II. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	59,659
Number of the incumbent staff of main subsidiaries	3,385
Total number of the incumbent staff	63,044
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	657
Education level	
Types of education	Number
Master and above	10,285
Bachelor	46,986
College	5,205
Secondary technical school and below	568
Total	**63,044**
Professional occupation	
Types of professional occupation	Number
Management	3,746
Business	50,895
Support	8,403
Total	**63,044**

Note: the above number of the incumbent staff includes outsourcing labor.

(II) Employee remuneration policies

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

1. Remuneration structure

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

2. Remuneration policies

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

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

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

(III) Staff training schemes

The Company built a talent training system that was in line with the group-based, integrated and international strategic development, focusing on talent development for key positions. It actively innovated, optimized and upgraded various brand training programs that were closely related to strategy, business and employees’ personal growth, so as to enhance the organizational performance and employees’ professional competence. It also steadily promoted the construction of platforms for basic operation of training, talent development, knowledge sharing and problem solving, so as to accelerate strategic and cultural communication. During the reporting period, the Company won the "Best Learning Program of China Talent Development Elite Awards", "Top 100 Excellent Enterprises of China Enterprise Education”, " Innovation Achievement Gold Award of China Enterprise Training", “Best Practice Award for Performance Improvement" and other honors.

Corporate Governance

I. Corporate governance overview

The Company continued to strengthen the construction of corporate governance system and give play to the core role of the Party Committee in corporate governance, while constructing and clarifying the objectives and direction of the Board of Directors and the Board of Supervisors. The Company continued to solidify the governing concept of sustainable development, forming a modern corporate governance mechanism where all governance entities perform their respective duties and responsibilities to achieve coordinated operations and effective checks and balances. During the reporting period, The Company steadily promoted the amendment to the Articles of Association and relevant governing systems and the general meeting operated in a standard way according to the laws. The Board of Directors and the Board of Supervisors fully performed their functions in making strategic decisions and supervision. The special committees actively performed their duties of assisting in decision making and supervising. The directors and supervisors continuously enhanced their capability and professionalism in fulfilling their duties through specific investigations and inspections. The management earnestly carried out the spirit of meetings of the Board of Directors and the Board of Supervisors and effectively implemented the decision opinions of the Board of Directors and the supervision recommendations of the Board of Supervisors. The businesses of the Company witnessed the sustainable and steady development of the Company, and the interests of all shareholders and stakeholders were effectively safeguarded.

(I) Shareholders and general meetings

During the reporting period, the Company convened an annual general meeting through a combination of on-site meetings and online voting to consider and approve 21 proposals such as the report of the Board of Directors, the report of the Board of Supervisors, the financial budgets and final accounts, the distribution scheme of profit and the issuance of preference shares. The Company convened general meetings in accordance with the relevant laws and regulations, the Articles of Association of the Company, and the provisions on the rules of procedures for general meetings and standardized the implementation of discussing and voting procedures of general meetings and safeguarded the lawful rights of shareholders. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations.

(II) Directors and the Board of Directors

At the end of the reporting period, the Board of Directors of the Company consists of 14 directors. By categories, it includes 10 non-executive directors (including five independent non-executive directors) and four executive directors. By geographical segments, there are 11 domestic directors and three overseas directors. There are five committees under the Board of Directors, namely, the strategy committee, the risk management & consumer protection committee, the audit & related party transaction control committee, the nomination committee and the remuneration & evaluation committee. With the exception of the strategy committee, the other four committees are chaired by the independent directors. Within the scope of responsibility stipulated by the Articles of Association, these committees gave full play to their professional strengths, carefully reviewed and discussed an array of important items and related issues, provided advice and suggestions as well as reference for decision making for the Board of Directors, improving the operating efficiency of the Board of Directors. Independent directors performed their duties diligently, focusing on the interests of the Company and all shareholders, especially minority shareholders, and issuing independent and objective opinions and suggestions on major issues. During the reporting period, six meetings of the Board of Directors were convened, 22 meetings were convened by various committees of the Board of Directors, at which 197 issues were considered or received. The Board of Directors effectively played its role of decision-making in development of corporate strategies, study of business plans and enhancement of capital management and the group-oriented operation.

(III) Supervisors and the Board of Supervisors

During the reporting period, the Board of Supervisors has eight supervisors, including two shareholder representatives, three employee representatives and three external supervisors. Under the Board of Supervisors, two special committees were established, namely the supervision committee and the nomination, remuneration & evaluation committee. Both of the committees are headed by external supervisors. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the project-based research and studies and the auditing investigation, overseeing the Company's financial activities, risk management, internal control and the duty-fulfillment of the Board of Directors and the senior management. During the reporting period, the Company held five meetings of the Board of Supervisors and four meetings of the special committees of the Board of Supervisors to consider or hear 41 issues.

(IV) Senior management

During the reporting period, the five senior management members of the Company consist of one president and four vice presidents. With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of guiding the overall operation and management activities, specifically implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, financial budgets and final financial statements, profit distribution plans, basic management rules and specific regulations.

Several committees were established under the senior management, namely the business operation management committee, the assets & liabilities management committee, the risk management committee, the investment decision committee, the credit approval committee, the internal control committee, the major purchases committee, the business continuity management committee, the internal accountability committee, the financial science and technology committee, and the green finance business committee.

(V) Related party transactions

During the reporting period, the Company enhanced the management of related party transactions. In light of regulatory provisions of the Ministry of Finance, CBIRC, CSRC and Shanghai Stock Exchange, in couple with the Articles of Association, the general meetings, the Board of Directors, the senior management and the relevant departments of the head office and various branches, strictly conducted reviews, examinations, approvals and management of related party transactions as well as the supervision and management of approved quotas based on their respective functions, together with timely disclosure of information concerning the related party transactions, and the Board of Supervisors made supervision in compliance with the law. Related party transactions between the Company and related parties strictly abode by the principles of “fairness, openness and valuable consideration”, with fair and reasonable transaction terms and conditions which should not be more favorable than those of similar transactions conducted with non-related parties, and such fair transaction pricing could safeguard the interests of the Company and shareholders as a whole and encourage the development of the related businesses of the Company in a regulated and sustainable manner.

(VI) Information Disclosure and Investor Relations

The Company has been continuously strengthening the information disclosure system and fulfilling its obligation of information disclosure. The Company strictly complies with relevant regulatory requirements and prepares and discloses periodical reports on a periodic basis to disclose major issues fairly and timely. The Company issued more than 40 temporary announcements and governance documents on resolutions of the meeting, non-public offering progress, profit distribution, connected transaction, changes in registered capital, establishment of branches, and capital increase of subsidiaries. The Company also strengthened the internal management of information disclosure affairs, revised the “Administrative Measures for Shares (and its Changes thereof) Held by the Directors, Supervisors and Senior Management”, organized employees to protect the confidentiality of inside information and register insiders, and regularly conducted self-examination of insider trading. The Company continued to carry out various forms of investor relations activities. To enhance the adequacy, professionalism and effectiveness of investor communicate, the Company further designed to the market through comprehensively ways such as result recommendation, presidential closed meetings, securities brokers' meetings, institutional discussions, special research, and investor visits fully utilizing such means as the Shanghai Stock Exchange's "E interactive" platform and e-mail. The Company put emphasis on the interaction with and the information of the capital market and regularly prepared information reports such as the weekly and monthly reports on the capital market. The Company also paid close attention to media reports and market hot issues, and responded to and answered investors' concerns promptly.

II. Brief introduction of general meetings

Session of the meeting	Date of convening	Reference of appointed websites for disclosure of resolutions	Disclosure date of the publish of resolutions
2017 Annual General Meeting	May 25, 2018	The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company(www.cib.com.cn)	May 26, 2018

III. The directors’ performance of their duties

(I) The attendance of directors in Board of Directors and shareholder’s meeting

During the reporting period, the Company convened six meetings of the Board of Directors, four of which were on-site meetings, and two was teleconference. The attendance records of directors in the Board of Directors meetings and general meetings are as follows:

Director name	Whether an independent director	Attendance at meetings of the Board of Directors						Attendance at general meetings
		Expected attendance	Attendance	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Attendance
Gao Jianping	No	6	6	2	0	0	No	1
Chen Yichao	No	6	6	2	0	0	No	1
Fu Anping	No	6	6	5	0	0	No	0
Han Jingwen	No	6	5	2	1	0	No	0
Xi Xinghua	No	6	6	2	0	0	No	0
Lin Tengjiao	No	6	4	2	2	0	No	0
Tao Yiping	No	6	6	2	0	0	No	1
Chen Jinguang	No	6	6	2	0	0	No	0
Xue Hefeng	No	4	4	2	0	0	No	0
Chen Xinjian	No	6	6	2	0	0	No	1
Paul M. Theil	Yes	6	6	2	0	0	No	0
Zhu Qing	Yes	6	6	2	0	0	No	0
Liu Shiping	Yes	6	6	2	0	0	No	0
Su Xijia	Yes	6	6	2	0	0	No	0
Lin Hua	Yes	6	5	2	1	0	No	0

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

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

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

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

(I) The Strategy Committee of the Board of Directors

During the reporting period, the Strategy Committee of the Board of Directors actively performed its duties, considered and decided on major issues, facilitated the implementation of the Group's development strategies and the decisions of the Board of Directors, and promoted the continuous and steady development of various undertakings. In accordance with relevant requirements of the central government and the regulatory authorities, the committee steadily promoted the revision of the Articles of Association and related systems, clarified the core role of the party committee in corporate governance, further defined the responsibilities of the “Shareholders’ general meeting, Board of Directors, Board of Supervisors, and the management” to build a solid corporate governance mechanism. Keeping abreast of the changes in the landscape, it guided the management to make progress while maintaining stability, accelerate transformation, continuously improve the ability to construct a three-type bank with commercial banking + investment banking as the main focus of business development, and promote the continuous optimization of the business structure, so as to achieve stable and growing operating results. It strengthened the analysis of the Company's operating conditions at various stages, accurately grasped the market tempo, and dynamically adjusted the business development strategy. With emphasis placed on legal compliance management, it took precautions to prevent risks for certain key businesses, promoted the disposal of risk assets in a coordinated manner, further enhanced the quality of assets, and improved the overall safety of operations. It strengthened the overall capital management by adhering to the combination of endogenous accumulation and external replenishment, effectively balancing external regulatory requirements and internal business development needs, actively promoting external capital replenishment, and continuously improving the performance appraisal mechanism with the economic added value and risk-adjusted return on capital as the core. It strengthened the transmission of internal intensive capital management to the operating organizations, and promoted the optimization of business structure and customer structure. Focusing on the total-bank strategy, it strengthened the management and control of the Group's financial statement consolidation, and guided the members of the Group to further develop the main businesses and excel at specialties centering on the “1234” strategic system. In addition, it devised and improved the naming standard and survival management of the group companies and strengthened and maintained the brand image of the Group to build an integrated financial service group in which all members advance together and coordinate positively, with balanced business and strong core competitiveness. In accordance with the overall strategic requirements of the Group, it centrally developed and optimized the development strategy of the organization and guided the planning of the layout of the organization's outlets, so as to effectively improve the overall efficiency of the branches.

(II) The Risk Management & Consumer Protection Committee of the Board of Directors

During the reporting period, the Risk Management & Consumer Protection Committee of the Board of Directors kept abreast of the changes in the external environment, carefully assessed the various risk exposure of the Company's operations, and thoroughly understood the Company's risk management and consumer rights protection, and regularly summarized and evaluated the various risk control measures, putting forward specific work opinions to promote the Company's stable and compliant operations. It implemented comprehensive risk management, strengthened risk management and control in key areas, and proposed to adhere to market-oriented and specialized operations to actively prevent major risks in the market and ensure long-term stable development. It proposed to pay attention to the process of interest rate liberalization, strengthen research and prediction of the trend of capital market, judicially devise liabilities structure and maturity allocation, explore and optimize the traditional pricing mechanism of credit contracts, and improve the overall management and control of interest rate risks. It proposed to implement various regulatory requirements, strengthen forward-looking research on anti-money laundering regulations, continuously improve the rules for anti-money laundering work, balance the relationship between anti-money laundering review and user experience, so as to continuously improve compliance management. It proposed to closely track the changes in the real estate industry, develop a business development strategy that meets the Company's needs, and adopt differentiated risk management measures. To scientifically research and predict the internal and external situation, it organized special discussions on macroeconomic situation and economic policies. Comprehensively considering the current and future trends in asset quality of the banking industry and the Company's actual situation, it suggested appropriately increasing the write-off of bad debts to further improve the quality of assets. It clarified the data governance requirements, recommended the development of data governance strategies and plans, unified data standards across the Group, and gradually streamlined and optimized business processes. Focusing on the off-site centralized outsourcing of information technology of the Bank, it proposed a series of suggestions for improving management of outsourcing risks and followed up and supervised the implementation thereof, so as to refined and properly carry out the management and control of outsourcing risks. It promoted the improvement of consumer protection system and mechanism to improve the awareness of protecting consumers' rights and interests across the Bank and enhance the protection of consumers' rights and interests.

(III) The Audit & Related Party Transaction Control Committee of the Board of Directors

During the reporting period, the Audit & Related Party Transaction Control Committee of the Board of Directors diligently performed its duties and assisted the Board of Directors in continuously improving financial management, risk management, internal control and related party transactions management. It carefully evaluated and selected external audit institutions, successfully completed the re-engagement of accounting firm for 2018 and the tendering and selection of accounting firm for 2019, and guided the work handover between the former and the current accounting firms. It maintained close communication with the external auditor, supervised and guided the auditing and review of financial reports, emphasizing that financial auditing should be based on the basic principles of “stable, reasonable and comparable”, and conducted in-depth discussions on matters such as the implementation of new accounting standards. It reviewed the financial reports for each period and the annual budget and final accounts and comprehensively analyzed the Company's operating results, requiring that stable operations should be maintained. It guided the strengthening of internal audit and internal control, selected typical problems for tracking and rectification, and guided the full use of external regulatory inspections for identification to continuously improve internal control of compliance. Strict following the principles of openness, fairness, and transparency, it continuously strengthened the management of related party transactions, and carefully examined the amount of related party transactions granted to related parties including the People's Insurance Group Companies and China Tobacco Group Companies to ensure that major related transactions did not harm the interests of the Company and its shareholders, especially minority shareholders.

(IV) The Nomination Committee of the Board of Directors

During the reporting period, the Nomination Committee of the Board of Directors diligently fulfilled its duties granted by the Articles of Association, and revised the working rules of the committee in accordance with the latest regulatory requirements and the actual situation of the Company to further improve the appointment procedures of the chairman and the duties of the committee.

(V) The Remuneration & Evaluation Committee

During the reporting period, the remuneration and evaluation committee of the Board of Directors focused on the Company’s development strategies and annual business targets in order to conduct appraisal on the business performance of the senior management members in 2017 by following the performance appraisal criteria and the assessment procedures, formulated the 2017 Salary Distribution Plan for Senior Management Members and the 2014 Proposal on Evaluation and Disbursement Regarding Risk Fund for Senior Management Members, and giving advice on improvement of the remuneration system. Meanwhile, the committee made conclusion to the duty-fulfillment of each director for the previous year, and completed the duty-fulfillment evaluation report of the directors.

V. The description of risks discovered by the Board of Supervisors

During the reporting period, the Board of Supervisors made no objection to the issues under supervision during the reporting period.

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

The Finance Bureau of Fujian Province, which held 18.78% of the shares of the Company as at the end of the reporting period, is the largest shareholder of the Company. The Company is fully independent from its largest shareholder in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

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

The senior management members of the Company were subject to the examination and assessment by the Board of Directors. By optimizing the remuneration structures for the senior management members, setting scientific and reasonable evaluation indicators and creating an evaluation mechanism linking their remuneration with responsibilities, risks and operating results, the Board of Directors of the Company provided incentives and constraints for senior management members, so as to ensure consistency between the direction of their efforts and the interests of the Company.

VIII. Assessment report on internal control

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

IX. Description of the internal control audit report

The Company has disclosed the internal control audit report. The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2018.

Financial Statements

The Company's financial statements 2018 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed by certified public accountants Hu Xiaojun and Zhang Hua, who have issued a standard and unqualified auditors' report. For full text of the financial statements, please refer to the appendix.

Documents Available for Inspection

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

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

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

Chairman: Gao Jianping

Board of Directors of Industrial Bank Co., Ltd.

April 29, 2019

兴业银行股份有限公司 董事会

Appendix: Auditors' Report and Financial Statements

CONTENTS

AUDITORS' REPORT

De Shi Bao (Shen) Zi (19) No. P02695

To the Shareholders of Industrial Bank Co., Ltd.

I. Opinion

We have audited the financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and bank's balance sheets as at 31 December 2018, and the consolidated and bank's income statements, the consolidated and bank's cash flow statements, the consolidated and bank's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the financial statements of the Bank present fairly, in all material respects, the Bank's financial position as at 31 December 2018, and the results of its operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for the Opinion

We conducted our audit in accordance with China Standard on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters as the key audit matters that need to be communicated in our report:

1. Provision for impairment of loans and advances to customers and investments classified as receivables

Description of the matter:

At 31 December 2018, as stated in Note VIII, 7 to the financial statements, the loans and advances to customers comprise of loans and advances to enterprises and individuals, totalling RMB2,934,082 million, with an impairment provision of RMB95,637 million; as stated in Note VIII, 10, the investments classified as receivables totals RMB1,404,953 million, with an impairment provision of RMB17,803 million.

The major accounting policies and significant accounting estimates and judgements used to determine the provision for impairment of loans and advances to customers and investments classified as receivables are set out in Note IV, 8 and Note V, 1 to the financial statements.

The determination of the recoverability of loans and advances to customers and investments classified as receivables requires significant judgements on the factors which mainly include the financial position of the borrower and guarantor, risks associated with collaterals and specific transaction.

In view of the significance of the total amount of loans and advances to customers and investments classified as receivables to the financial statements and the fact that the provision for impairment of loans and advances to customers and investments classified as receivables involves significant management judgement and estimate, we identified the provision for impairment of loans and advances to customers and investments classified as receivables as a key audit matter.

Audit response:

Our procedures on provision for impairment of loans and advances to customers and investments classified as receivables include:

(1) We understood and tested the operating effectiveness of the internal controls related to the impairment provision. These controls include both manual and automatic controls to identify the impairment of loans and advances to customers and investments classified as receivables in a timely manner, as well as the controls over impairment calculation model, including the data input and calculation of impairment provision.

(2) For loans and advances to customers and investments classified as receivables, we selected samples to perform credit review so as to assess whether an impairment has incurred and whether the Bank has identified such impairment in a proper and timely manner.

(3) For loans and advances to customers and investments classified as receivables that are assessed individually, we tested the management's forecast on future cash flows of the borrower, including the estimated recoverable amount from collaterals, and re-calculated the amount of impairment provision and compared it with the impairment provision assessed by the management, so as to assess whether a material misstatement exists.

(4) For loans and advances to customers and investments classified as receivables that are assessed collectively, we referred to industrial experience and market practices, and reviewed the applicability of the impairment model adopted by the management, and sampled and examined the historical data and the accuracy of the results of calculation.

2. Consolidation of structured entities

Description of the matter:

As stated in Note VIII, 48 to the financial statements, the structured entities include the financial products, fund, asset-backed securities, trust investment programs and assets management programs etc. that are issued, managed and/or invested by the Bank.

The management determines whether the Bank is required to include the structured entities in the scope of the consolidated financial statements by assessing the Bank's power to direct the decisions on structured entities, and the Bank's exposure to variable returns in the structured entities as well as its ability to use its power to affect such variable returns. The Bank determines whether it is acting as a principal or agent and whether the structured entities should be consolidated on the basis of the factors including scope of decision of the manager of the structured entities, the power of other parties, the rewards from rendering management service and the risk exposures of variable returns etc.

The major accounting policies and significant accounting estimates and judgements used to determine the whether to include the structured entities in the scope of consolidated financial statements or not are set out in Note IV, 5 and Note V, 7 to the financial statements.

In view of that the determination on whether the structured entities need to be included in the scope of the consolidated financial statements involves significant management judgement and has significant influence on the consolidated financial statements, we have identified the consolidation of structured entities as a key audit matter.

Audit response:

Our procedures on consolidation of structured entities include:

(1) We understood and tested the operating effectiveness of the Bank's internal controls over determination on the consolidation scope of structured entities.

(2) We obtained the list of structured entities, and sampling checked related contracts, and assessed whether the Bank has control over the structured entities by performing the following audit procedures:

a. Analysed the contract terms and business structure, so as to understand the purpose of establishing the structured entities and the Bank's extent of involvement in the structured entities, and assessed the management judgement on whether the Bank has power over the structured entities;

b. Examined the terms in the structured entities' contracts that involve variable returns, including rate of management fee, expected rate of return etc., and checked them with relevant information used in management assessment; re-calculated the magnitude and variability of the Bank's variable returns in the structured entities based on the contract terms on variable returns.

c. Analysed the Bank's scope of decision, level of remuneration obtained for rendering management service to the structured entities, risk of variable returns for holding other interests in the structured entities and other parties' substantive rights, assessed whether the Bank is acting as a principal or agent in exercising the decision-making right, and compared the results of assessment with the results of management's assessment.

3. Derecognition of financial assets

Description of the matter:

As stated in Note XII, 3.1 and Note XII, 3.3 to the financial statements, the Bank had various types of financial assets transfer transactions, including asset securitization and transfer of non-performing loan.

The management analyse the contractual rights and obligations agreed in the financial assets transfer transactions so as to assess whether the financial assets transfer transactions meet the criteria of transfer of financial assets in relevant accounting standards, and assess whether the Bank has transferred substantially all the risks and rewards of the ownership of the financial assets, determine whether the criteria of derecognition of financial assets are satisfied; under the circumstance that the Bank neither transferred nor retained substantially all the risks and rewards of the ownership, analyse whether the Bank has lost the control over the financial assets, so as to determine whether the criteria of derecognition are satisfied.

The major accounting policies and significant accounting estimates and judgements used to determine the derecognition of financial assets are set out in Note IV, 8 and Note V, 8 to the financial statements.

In view of the management's significant judgement on whether the transferred financial assets can be derecognized, and the significant amount of related financial assets, we have identified the derecognition of financial assets as a key audit matter.

Audit response:

Our procedures on derecognition of financial assets include:

(1). We understood and tested the operating effectiveness of management's internal controls over transfer of financial assets, including the design of transaction structure and review and approval of the terms of contract, approval of the model, key parameters and assumptions adopted to test the transfer of risks and rewards of the ownership, as well as the review and approval of the result of assessment of accounting treatment.

(2). We obtained the list of transferred assets from the management, sampling checked the specific terms of financial assets transfer agreement and other related legal documents, so as to assess whether the Bank has transferred the right to receive the contractual cash flow of financial assets to another party, or whether the arrangement that the Bank receives the contractual cash flow and makes payment to another party satisfies the requirements of "pass-through test".

(3). Based on the industrial experience and practice, we performed sampling check and assessed the key assumptions and parameters used by the management in the risks and rewards transfer model, including future cash flow forecast and discount rate under multiple economic scenarios. Meanwhile, we tested the accuracy of the data calculation of the model.

(4) For financial assets that have been transferred and the Bank neither transferred nor retained substantially all the risks and rewards of the ownership, we sampling analysed the contractual terms, so as to assess whether the Bank has retained control over the transferred financial assets, and determine whether it has continuing involvement in the transferred financial assets.

IV. Other information

The Bank's management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. we have nothing to report in this regard.

V. Responsibilities of the Management and Those Charged With Governance for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial statements process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant

(Engagement Partner)

Hu Xiaojun

Chinese Certified Public Accountant

Zhang Hua

29 April 2019

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

THE CONSOLIDATED AND BANK'S BALANCE SHEETS

AT 31 DECEMBER 2018 UNIT: RMB IN MILLION

		The Group		The Bank	
	Note VIII	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets					
Cash and balances with Central Bank	1	**475,781**	466,403	**475,775**	466,392
Deposits with banks and other financial institutions	2	**53,303**	77,559	**47,869**	67,478
Precious metals		**3,350**	30,053	**3,350**	30,053
Placements with banks and other financial institutions	3	**98,349**	31,178	**111,238**	36,412
Financial assets at fair value through profit or loss	4	**459,598**	362,072	**413,015**	337,965
Derivative financial assets	5	**42,092**	28,396	**42,092**	28,396
Financial assets purchased under resale agreements	6	**77,083**	93,119	**73,795**	89,464
Loans and advances to customers	7	**2,838,445**	2,348,831	**2,822,075**	2,341,397
Available-for-sale financial assets	8	**647,102**	504,221	**665,685**	516,016
Held-to-maturity investments	9	**395,142**	337,483	**393,557**	337,483
Investments classified as receivables	10	**1,387,150**	1,913,382	**1,375,840**	1,899,969
Finance lease receivables	11	**104,253**	103,495	**-**	-
Long-term equity investments	12	**3,224**	3,008	**17,979**	16,964
Fixed assets	13	**17,658**	14,874	**12,624**	10,607
Construction in progress	14	**7,872**	7,124	**7,852**	7,122
Intangible assets		**602**	551	**556**	514
Goodwill	15	**532**	532	**-**	-
Deferred tax assets	16	**32,317**	27,297	**30,102**	26,233
Other assets	17	**67,804**	67,264	**56,028**	42,102
Total assets		**6,711,657**	**6,416,842**	**6,549,432**	**6,254,567**

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

AT 31 DECEMBER 2018 UNIT: RMB IN MILLION

		The Group		The Bank	
	Note VIII	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Liabilities					
Borrowing from Central Bank		**268,500**	245,000	**268,500**	245,000
Deposits from banks and other financial institutions	19	**1,344,883**	1,446,059	**1,351,407**	1,449,053
Placements from banks and other financial institutions	20	**220,831**	187,929	**126,941**	85,149
Financial liabilities at fair value through profit or loss	21	**2,594**	6,563	**2,387**	5,725
Derivative financial liabilities	5	**38,823**	29,514	**38,823**	29,514
Financial assets sold under repurchase agreements	22	**230,569**	229,794	**219,274**	223,885
Due to customers	23	**3,303,512**	3,086,893	**3,304,063**	3,087,919
Employee benefits payable	24	**15,341**	14,037	**13,569**	12,684
Tax payable	25	**11,297**	8,128	**10,045**	7,427
Debt securities issued	26	**717,854**	662,958	**698,436**	648,032
Other liabilities	27	**84,869**	77,215	**66,423**	56,680
Total liabilities		**6,239,073**	**5,994,090**	**6,099,868**	**5,851,068**
Equity					
Share capital	28	**20,774**	20,774	**20,774**	20,774
Other equity instruments	29	**25,905**	25,905	**25,905**	25,905
Including: preference shares		**25,905**	25,905	**25,905**	25,905
Capital reserve	30	**75,011**	75,011	**75,260**	75,260
Other comprehensive income	45	**2,356**	(1,067)	**2,802**	(1,017)
Surplus reserve	31	**10,684**	10,684	**10,684**	10,684
General and regulatory reserve	32	**73,422**	70,611	**69,996**	67,888
Retained earnings	33	**257,801**	214,977	**244,143**	204,005
Equity attributable to equity holders of the Bank		**465,953**	416,895	**449,564**	403,499
Non-controlling interests in equity		**6,631**	5,857	**-**	-
Total equity		**472,584**	**422,752**	**449,564**	**403,499**
Total liabilities and equity		**6,711,657**	**6,416,842**	**6,549,432**	**6,254,567**

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

THE CONSOLIDATED AND BANK'S INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 UNIT: RMB IN MILLION

		The Group		The Bank	
	Note VIII	2018	2017	2018	2017
I. Operating income		**158,287**	139,975	**147,994**	131,577
Net interest income	34	**95,657**	88,451	**90,636**	84,134
Interest income	34	**270,578**	252,644	**259,667**	243,275
Interest expense	34	**(174,921)**	(164,193)	**(169,031)**	(159,141)
Net fee and commission income	35	**42,978**	38,739	**38,754**	34,790
Fee and commission income	35	**47,062**	42,027	**42,375**	37,980
Fee and commission expense	35	**(4,084)**	(3,288)	**(3,621)**	(3,190)
Investment income	36	**26,482**	4,514	**26,981**	5,273
Including: income from investments in an associate		**265**	292	**264**	272
Gains (Losses) from changes in fair value	37	**2,919**	(622)	**2,711**	(70)
Foreign exchange (losses) gains		**(11,298)**	7,386	**(11,418)**	7,068
Income from disposal of assets		**19**	69	**19**	28
Other income		**637**	257	**103**	43
Other operating income		**893**	1,181	**208**	311
II. Operating expenses		**(90,373)**	(75,162)	**(85,270)**	(71,630)
Business taxes and surcharges	38	**(1,408)**	(975)	**(1,316)**	(886)
General and administrative expenses	39	**(42,064)**	(38,130)	**(39,086)**	(35,733)
Impairment losses on assets	40	**(46,404)**	(35,507)	**(44,609)**	(34,767)
Other operating expenses		**(497)**	(550)	**(259)**	(244)
III. Operating profit		**67,914**	64,813	**62,724**	59,947
Add: non-operating income	41	**335**	373	**285**	285
Less: non-operating expenses	42	**(172)**	(433)	**(163)**	(431)
IV. Total profit		**68,077**	64,753	**62,846**	59,801
Less: income tax expenses	43	**(6,832)**	(7,018)	**(5,615)**	(5,794)
V. Net profit		**61,245**	57,735	**57,231**	54,007

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

	Note VIII	The Group 2018	The Group 2017	The Bank 2018	The Bank 2017
1. Categorized by the nature of continuing operation:					
(1) Net profit from continuing operations		**61,245**	57,735	**57,231**	54,007
(2) Net profit from discontinued operations		**-**	-	**-**	-
2. Categorized by ownership:					
(1) Net profit attributable to equity holders of the Bank		**60,620**	57,200	**57,231**	54,007
(2) Non-controlling interests		**625**	535	**-**	-
VI. Earnings per share					
Basic earnings per share (RMB Yuan)	44	**2.85**	2.74	**-**	-
Diluted earnings per share (RMB Yuan)	44	**2.85**	2.74	**-**	-
VII. Other comprehensive income - net of tax	45	**3,352**	(2,167)	**3,819**	(2,122)
Other comprehensive income attributable to equity holders of the Bank		**3,423**	(2,152)	**3,819**	(2,122)
1. Items that may be reclassified subsequently to profit or loss:					
(1) Gains or losses on changes in fair value of financial assets available-for-sale		**3,587**	(3,004)	**4,007**	(2,974)
(2) Translation differences of financial statements denominated in foreign currencies		**24**	-	**-**	-
2. Items that will not be reclassified subsequently to profit or loss:					
Actuarial (losses) profits on defined benefit plans		**(188)**	852	**(188)**	852
Other comprehensive income attributable to non-controlling interests		**(71)**	(15)	**-**	-
VIII. Total comprehensive income		**64,597**	55,568	**61,050**	51,885
Total comprehensive income attributable to:					
Equity holders of the Bank		**64,043**	55,048	**61,050**	51,885
Non-controlling interests		**554**	520	**-**	-

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

THE CONSOLIDATED AND BANK'S CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

UNIT: RMB IN MILLION

		The Group		The Bank	
	Note VIII	2018	2017	2018	2017
Cash flows from operating activities:					
Net increase in due to customers and deposits from banks and other financial institutions		**113,004**	117,193	**116,059**	113,430
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		**48,698**	-	**47,193**	-
Net increase in borrowing from banks and other financial institutions and financial assets sold under repurchase agreements		**33,677**	120,242	**37,181**	100,746
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreements		**-**	8,314	**-**	9,053
Net increase in borrowing from Central Bank		**23,500**	47,000	**23,500**	47,000
Cash receipts from interest, fee and commission		**195,667**	164,915	**182,868**	153,873
Other cash receipts relating to operating activities		**51,888**	34,149	**11,325**	11,103
Sub-total of cash inflows from operating activities		**466,434**	491,813	**418,126**	435,205
Net increase in loans and advances to customers		**532,140**	370,643	**522,562**	370,109
Net increase in finance leases		**1,886**	16,602	**-**	-
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**30,736**	-	**37,295**	-
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**-**	60,437	**-**	63,740
Cash payments to interest, fee and commission		**145,164**	132,525	**138,207**	128,300
Cash payments to and on behalf of employees		**24,925**	23,666	**23,096**	21,943
Cash payments of various types of taxes		**18,435**	22,266	**15,881**	19,912
Other cash payments relating to operating activities		**69,247**	28,316	**38,092**	3,162
Sub-total of cash outflows from operating activities		**822,533**	654,455	**775,133**	607,166
Net cash flow from operating activities	46	**(356,099)**	(162,642)	**(357,007)**	(171,961)
Cash flows from investing activities:					
Cash receipts from disposal/redemption of investments		**5,489,179**	6,063,282	**5,397,632**	5,908,643

(Continued)

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

		The Group		The Bank	
	Note VIII	2018	2017	2018	2017
Cash receipts from returns on investment income		**120,784**	123,980	**118,100**	121,951
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**228**	5,280	**93**	586
Other cash receipts relating to investing activities		**20**	6,566	**20**	6,566
Sub-total of cash inflows from investing activities		**5,610,211**	6,199,108	**5,515,845**	6,037,746
Cash payments for investments		**5,180,506**	5,923,105	**5,098,552**	5,767,370
Cash payments for purchasing fixed assets, intangible assets and other long-term assets		**6,395**	6,400	**5,163**	3,156
Other cash payments relating to investing activities		**920**	1,342	**920**	1,302
Sub-total of cash outflows from investing activities		**5,187,821**	5,930,847	**5,104,635**	5,771,828
Net cash flow from investing activities		**422,390**	268,261	**411,210**	265,918
Cash flows from financing activities:					
Proceeds from capital contributions		**220**	27,118	**-**	26,000
Including: proceeds from capital contributions from non-controlling shareholders of subsidiary		**220**	1,118	**-**	-
Proceeds from issuance of bonds		**1,425,549**	1,459,687	**1,414,572**	1,447,826
Other proceeds relating to financing activities		**3,641**	1,609	**-**	-
Sub-total of cash inflows from financing activities		**1,429,410**	1,488,414	**1,414,572**	1,473,826
Cash repayments of borrowings		**1,370,689**	1,512,900	**1,364,168**	1,509,470
Cash payments for distribution of dividends, profits or settlement of interest expenses		**43,728**	42,430	**43,728**	42,084
Including: payments for distribution of dividends to non-controlling shareholders of subsidiary		**-**	10	**-**	-
Other cash payments relating to financing activities		**4,557**	151	**-**	99
Sub-total of cash outflows from financing activities		**1,418,974**	1,555,481	**1,407,896**	1,551,653
Net cash flow from financing activities		**10,436**	(67,067)	**6,676**	(77,827)
Effect of foreign exchange rate changes on cash and cash equivalents		**2,129**	(1,294)	**2,116**	(1,286)
Net increase in cash and cash equivalents	46	**78,856**	37,258	**62,995**	14,844
Add: opening balance of cash and cash equivalents		**470,321**	433,063	**480,627**	465,783
Closing balance of cash and cash equivalents	46	**549,177**	470,321	**543,622**	480,627

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

UNIT: RMB IN MILLION

		2018								
		Attributable to equity holders of the Bank								
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Non-controlling interests	Total
I. As at 1 January 2018		20,774	25,905	75,011	(1,067)	10,684	70,611	214,977	5,857	**422,752**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	60,620	625	**61,245**
(II) Other comprehensive income	45	-	-	-	3,423	-	-	-	(71)	**3,352**
Subtotal of (I) and (II)		-	-	-	3,423	-	-	60,620	554	**64,597**
(III) Capital contribution from shareholders		-	-	-	-	-	-	-	220	**220**
1. Contribution from shareholders		-	-	-	-	-	-	-	220	**220**
(IV) Profit distribution		-	-	-	-	-	2,811	(17,796)	-	**(14,985)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	2,811	(2,811)	-	-
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(13,503)	-	**(13,503)**
3. Dividends paid to preference shareholders		-	-	-	-	-	-	(1,482)	-	**(1,482)**
4. Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-
III. As at 31 December 2018		**20,774**	**25,905**	**75,011**	**2,356**	**10,684**	**73,422**	**257,801**	**6,631**	**472,584**

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

FOR THE YEAR ENDED 31 DECEMBER 2018

UNIT: RMB IN MILLION

		2017								
		Attributable to equity holders of the Bank								
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Non-controlling interests	Total
I. As at 1 January 2017		19,052	25,905	50,861	1,085	9,824	69,878	173,524	4,281	**354,410**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	57,200	535	**57,735**
(II) Other comprehensive income	45	-	-	-	(2,152)	-	-	-	(15)	**(2,167)**
Subtotal of (I) and (II)		-	-	-	(2,152)	-	-	57,200	520	**55,568**
(III) Capital contribution from shareholders		1,722	-	24,150	-	-	-	-	1,066	**26,938**
1. Contribution from shareholders		1,722	-	24,179	-	-	-	-	1,118	**27,019**
2. Others		-	-	(29)	-	-	-	-	(52)	**(81)**
(IV) Profit distribution		-	-	-	-	860	733	(15,747)	(10)	**(14,164)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	733	(733)	-	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(12,672)	(10)	**(12,682)**
3. Dividends paid to preference shareholders		-	-	-	-	-	-	(1,482)	-	**(1,482)**
4. Appropriation to surplus reserve		-	-	-	-	860	-	(860)	-	**-**
III. As at 31 December 2017		**20,774**	**25,905**	**75,011**	**(1,067)**	**10,684**	**70,611**	**214,977**	**5,857**	**422,752**

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

THE BANK'S STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

UNIT: RMB IN MILLION

		2018							
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Total owners' equity
I. As at 1 January 2018		20,774	25,905	75,260	(1,017)	10,684	67,888	204,005	**403,499**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	57,231	**57,231**
(II) Other comprehensive income	45	-	-	-	3,819	-	-	-	**3,819**
Subtotal of (I) and (II)		-	-	-	3,819	-	-	57,231	**61,050**
(III) Capital contribution from shareholders		-	-	-	-	-	-	-	**-**
1. Contribution from shareholders		-	-	-	-	-	-	-	**-**
(IV) Profit distribution		-	-	-	-	-	2,108	(17,093)	**(14,985)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	2,108	(2,108)	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(13,503)	**(13,503)**
3. Dividends paid to preference shareholders		-	-	-	-	-	-	(1,482)	**(1,482)**
III. As at 31 December 2018		**20,774**	**25,905**	**75,260**	**2,802**	**10,684**	**69,996**	**244,143**	**449,564**

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

FOR THE YEAR ENDED 31 DECEMBER 2018 UNIT: RMB IN MILLION

	2017								
	Note VIII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General and regulatory reserve	Retained earnings	Total owners' equity
I. As at 1 January 2017		19,052	25,905	51,081	1,105	9,824	67,744	165,156	**339,867**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	54,007	**54,007**
(II) Other comprehensive income	45	-	-	-	(2,122)	-	-	-	**(2,122)**
Subtotal of (I) and (II)		-	-	-	(2,122)	-	-	54,007	**51,885**
(III) Capital contribution from shareholders		1,722	-	24,179	-	-	-	-	**25,901**
1. Contribution from shareholders		1,722	-	24,179	-	-	-	-	**25,901**
(IV) Profit distribution		-	-	-	-	860	144	(15,158)	**(14,154)**
1. Appropriation to general and regulatory reserve		-	-	-	-	-	144	(144)	**-**
2. Dividends paid to ordinary shareholders		-	-	-	-	-	-	(12,672)	**(12,672)**
3. Dividends paid to preference shareholders		-	-	-	-	-	-	(1,482)	**(1,482)**
4. Appropriation to surplus reserve		-	-	-	-	860	-	(860)	**-**
III. As at 31 December 2017		**20,774**	**25,905**	**75,260**	**(1,017)**	**10,684**	**67,888**	**204,005**	**403,499**

The accompanying notes form part of the financial statements.

The financial statements on pages 133 to 281 were signed by the following:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

I. GENERAL INFORMATION

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

The Bank operates under financial services certificate No. B0013H135010001 issued by China Banking and Insurance Regulatory Commission (formerly known as China Banking Regulatory Commission, hereinafter referred to as the "CBIRC"), and business license No. 91350000158142711F issued by Fujian Provincial Administration of Industry and Commerce, the registered office of the Bank is located at154 Hudong Road, Fuzhou, Fujian Province, the PRC. The legal representative of the Bank is Mr. Gao Jian Ping.

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

The principal activities of the Bank's subsidiaries comprise finance leasing, trust services, fund raising and marketing, asset management for specific clients, asset management, consumer finance, equity investment, industrial investment, investment management and consulting(excluding brokerage); financial consulting, business consulting, enterprise management consulting, financial data processing, commodity futures brokerage, financial futures brokerage, futures investment consulting, economic information consulting service, application software development and operational services, system integration services; Investment and assets management, participating the batch acquisition, transfer and disposal of non-performing assets of financial institutions within the province, acquisition, transfer and disposal of non-performing assets of non-financial institutions; other banking activities approved by the CBRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank and its subsidiaries (collectively, “the Group”) has adopted the Accounting Standards for Business Enterprises (the "ASBE") issued and implemented by the Ministry of Finance of People's Republic of China (the "MOF").

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

The report is prepared on a going concern basis.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank's and consolidated financial position as of 31 December 2018, and the Bank's and consolidated results of operations and cash flows for the year then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

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

2. Basic of accounting and principle of measurement

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

3. Functional currency

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

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

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

4.1 Business combinations involving enterprises under common control

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

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

4.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

5. Preparation of consolidated financial statements

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

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

For subsidiaries disposed by the Group, their results of operation and cash flows prior to the disposal date (the date when control is lost) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

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

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

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

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

The portion of subsidiaries' equity that is not attributable to the Bank is treated as non-controlling interests in equity and presented as "non-controlling interests in equity" in the consolidated statements of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated statements of comprehensive income below the "net profit" line item.

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

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

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

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

6. Recognition criteria of cash and cash equivalents

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

7. Transactions denominated in foreign currencies and translation of foreign currency financial statements

7.1 Transactions denominated in foreign currencies

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

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

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

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

7.2 Transactions for foreign currency financial statements

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

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

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

8. Financial instruments

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

8.1 Effective interest method

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

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

8.2 Classification, recognition and measurement of financial assets

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

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

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

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

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

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

8.2.2 Held-to-maturity investments

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

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

8.2.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include balances with Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets purchased under resale agreements, interest receivables, loans and advances to customers, investments classified as receivables, finance lease receivables and other receivables, etc.

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

8.2.4 Available-for-sale financial assets

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

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

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

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

8.3 Impairment of financial assets

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

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

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

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

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

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

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

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets,

although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

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

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

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

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

8.3.1 Impairment of financial assets measured at amortised cost

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

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

8.3.2 Impairment of available-for-sale financial assets

Objective evidence that an available-for-sale financial asset is impaired includes significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group assesses each available-for-sale equity instrument investment individually on balance sheet date. Impairment is indicated when the fair value of an equity instrument is lower than its initial investment cost over 50% (including 50%) or the fair value has been lower than its initial investment cost for over 12 months (including 12 months).

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

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

8.3.3 Impairment of financial assets measured at cost

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

8.4 Transfer of financial assets and derecognition of financial assets

The Group's financial assets are transferred if one of the following conditions is satisfied:

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

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

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

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

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

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

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

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

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

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

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

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

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

8.5 Asset-backed securities business

The Group securitises a portion of assets by selling these assets to structured entities, and then issue securities to its investors. Conditions of derecognising the relevant financial assets refer to Note IV 8.4. When applying the derecognising conditions of financial assets, the Group has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other structured entity, as well as the extent of control over such entity by the Group. If the derecognising conditions of securities are not satisfied, the related financial assets are not derecognised, but the funds raising from third party investors will be treated as financial liabilities; When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the asset-backed securities, it shall determine whether it has retained control over the financial asset. If the Group has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the financial asset.

8.6 Classification, recognition and measurement of financial liabilities

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

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

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

8.6.1 Financial liabilities at fair value through profit or loss

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

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

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

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

8.6.2 Other financial liabilities

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

8.6.3 Financial guarantee contracts and loan commitments

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

8.7 Derecognition of financial liabilities

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

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

8.8 Derivatives and embedded derivatives

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

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

8.9 Hedge accounting

Upon initial designation of hedging relationship, the Group formally designates relevant hedging relationship and records the hedging relationship, risk management objective and strategy with formal documents. The content of the records include the hedging instruments, hedged items or transactions, and the nature of hedged risk, as well as how does the Group assess the effectiveness of the hedging instruments to offset the changes in fair value or cash flows arising from the hedged risk to which the hedged item is attributable to. The Group anticipates that these hedges is highly effective in offsetting the changes in fair value, meanwhile, the hedge is assessed for effectiveness by the Group on an ongoing basis so as to determine whether the hedge is highly effective throughout the accounting periods for which the hedging relationship was designated.

8.9.1 Fair value hedges

The fair value hedge represent the hedge against the risks of changes in fair value of the Group recognized assets or liabilities, unrecognized firm commitments and the identifiable portion of such assets or liabilities, unrecognized firm commitments, where the change in fair value is caused by certain specific risk and will affect the profit or loss for the period. For fair value hedges, the fair value change gains or losses on the hedged item attributable to the hedged risk is recognised in profit or loss, with a corresponding adjustment to the carrying amount of the hedged item; the fair value change gains or losses on the hedging instruments attributable to the hedged risk is recognised in profit or loss, with a corresponding adjustment to the carrying amount of the hedging instruments.

For a hedged item of fair value hedge, if such item was previously measured at amortized cost, its carrying amount is adjusted using hedging accounting and then amortized over the period from the adjustment date to maturity date using the effective interest rate re-calculated at the adjustment date.

Where an unrecognized firm commitment is designated as the hedged item, the cumulative fair value change on such unrecognized firm commitment attributable to the hedged risk is recognized as an asset or liability, with relevant gain or loss recognized in the profit or loss for the period.

For fair value hedge of a firm commitment to purchase assets or undertake liabilities, the cumulative fair value change on such unrecognized firm commitment attributable to the hedged risk (already recognized as an asset or liability) is adjusted against the initial recognized amount of the assets obtained or liabilities assumed for performing the firm commitment.

When the hedging instrument is expired, sold, contractually terminated or exercised, or the hedging relationship no longer satisfy the criteria of hedging amounting, or the Group cancels the designation of the hedging relationship, the Group shall cease to use fair value hedging amounting. When the hedged item is terminated, the unamortized fair value is included in profit or loss for the period.

8.10 Offsetting financial assets and financial liabilities

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

8.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group classified financial instruments as equity instruments when all of the following conditions is satisfied: (1) the financial instruments should not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potential adverse conditions; and (2) the Group shall or may measure business with its own equity instruments in the future. If it is a non-derivative instrument, contractual obligations settled by delivering its own variable equity instruments shall not be included; if it is a derivative instrument, the Group can settle the financial instrument only through exchanging fixed amount of cash or other financial assets with fixed amount of its own equity instruments. Equity instruments issued (including refinanced), repurchased, sold and written off by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transaction are deducted from equity.

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

9. Precious metal

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

10. Long-term equity investments

10.1 Determination of joint control or significant influence over investee

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

10.2 Determination of initial investment cost

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

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

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

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

10.3 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

Under the equity method, the Group recognizes investment income and other comprehensive income based on the Group's share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's identifiable assets after the adjustment of investee's net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group’s, the investment income and other comprehensive income are recognized based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees in respect of impairment losses on the transferred assets shouldn’t be eliminated.

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

10.4 Disposal of long-term equity investments

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

11. Fixed assets

11.1 Recognition criteria for fixed assets

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

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

11.2 Depreciation of each category of fixed assets

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

Category	Depreciation period	Estimated Residual value rate (%)	Annual depreciation rate (%)
Buildings	20-30 years	0-3	3.23-5.00
Fixed assets improvement	The lower of improvement period and remaining useful life	0	
Office and machinery equipment	3-20 years	0-5	4.75-33.33
Transportation vehicles	5-8 years	0-3	12.50-20.00
Flight equipment	25 years or 20 years	5 or 15	3.8 or 4.25

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

11.3 Identification basis, valuation methods and depreciation methods for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

11.4 Other explanations

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

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

12. Construction in progress

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

13. Intangible assets

Intangible assets include land use rights, franchising, etc.

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

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

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

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortization policies for intangible assets with finite useful life.

14. Impairment of long-term assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, and intangible assets with a finite useful life will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

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

If asset's recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognized by their balances in profit or loss for the period.

The goodwill should be tested of impairment at least in the end of the each year with related assets group or combination of assets group. In purchase date, the carrying amount of goodwill should be allocated reasonably to assets group or combinations which can benefit from the synergy of enterprise merger. If the recoverable amount of assets group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognized. The amount of impairment loss should offset the carrying value which is allocated to the goodwill of certain assets group or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of assets group or combination after goodwill.

The impairment losses cannot be reversed once they are recognized.

15. Long-term prepaid expenses

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

16. Employee benefits

16.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee's welfare incurred is recognized in the profit or loss for the period as well. Non-monetary benefit included in employee's welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

16.2 Accounting method of post-employment benefits

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

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability and included in profit or loss for the period.

For the defined benefit plan, the Group recognizes the obligations arising from such plan based on formula under estimated cumulated welfare method in the period in which employees render service and included in profit or loss for the period. The classifications of the costs are as follows:

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

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

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

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

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

16.3 Accounting method of termination benefits

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

17. Assets transferred under repurchase agreements

17.1 Financial assets purchased under resale agreements

The financial assets are not recognized in the statements of financial position if they are committed to be resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

17.2 Financial assets sold under repurchase agreements

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

18. Provisions

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

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

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

19. Interest income and expense

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

20. Fee and commission income

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

21. Government grants

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according the subjects required by the Government documents.

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

A government grant related to the Group's daily activities is included in other income according to the economic business substance. A government not related to the Group's daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognized, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period; if there is no related deferred income, it is recognized immediately in profit or loss for the period.

22. Deferred tax assets/deferred tax liabilities

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

22.1 Current income tax

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

22.2 Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

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

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

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

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

23. Fiduciary activities and agent business

The Group acts in a fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fee and commission. The fiduciary activities and agent business are excluded from the financial statements.

24. Lease

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

24.1 Accounting treatment of operation leases

24.1.1 The Group as lessee under operating leases

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

24.1.2 The Group as lessor under operating leases

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

24.2 Accounting treatment of finance leases

24.2.1 The Group as lessor under operating leases

The accounting treatments are set out in Note (IV) "11.3 Identification basis, valuation methods and depreciation methods for fixed assets acquired under finance leases".

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is presented as other liabilities.

24.2.2 The Group as lessor under operating leases

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

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

25. Other significant accounting policies and accounting estimates

Foreclosed asset

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

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

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

26. Significant changes in accounting policies

The Group has adopted the Notice of the Revised Format of 2018 Financial Statements for General Business Enterprise (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by MoF on 15 June 2018 since the preparation of financial statements for the year of 2018. Cai Kuai No.15 Document revised the presenting accounts in the balance sheet and income statement, the presenting contents of the line items of "Other Assets" and "Other Liabilities", and removed the line items of "Interest Receivable" and "Interest Payable". For the above changes in presenting accounts, the Group has re-presented the comparable data for prior year.

V.CRITICAL ACCOUNTING JUDGEMENTS AND KEY ASSUMPTIONS AND UNCERTAINTY

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

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

The followings are the key items of financial statements that the Group has made critical judgement, estimation and assumption at the balance sheet date.

1. Impairment on loans and advances to customers and investments classified as receivables

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

2. Fair value of financial instruments

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

3. Impairment of available-for-sale financial assets

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

4. Classification of held-to-maturity investments

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

5. Impairment of held-to-maturity investments

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

The followings are the key items of financial statements that the Group has made critical judgement, estimation and assumption at the balance sheet date. – continued

6. Income taxes

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

7. Consolidation of structured entities

For structured entities managed or invested by the Group, assess whether the Group is acting as a principal or an agent so as to evaluate whether the Group has control over the structured entities. The Group determines whether it is acting as a principal or an agent and whether the structured entities should by consolidated by considering the factors including decision scope of asset manager, power of other trust holders, reward from offering management service and the risk exposure to variable return.

8. Derecognition of Transfer of Financial Assets

The Group transfers financial assets in a variety of ways through regular trading, asset securitization, and repurchase agreements in daily operations. The Group needs to make significant judgments and estimates in determining whether a transferred financial asset can be fully or partially derecognized. In assessing and judging, the Group takes into account a wide range of factors and determines whether the conditions for the derecognition of the financial assets are met by using a reasonable model to measure the degree of transfer of risk and return associated with the ownership of financial assets.

VI. TAXATION

1. Enterprise income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of domestic branches of the Bank and the Group's subsidiaries is calculated and settled at the tax rate of 15% or 25% (2017: 0% or 15% or 25%). Therein, the income tax rate for the Group's subsidiary Fujian Clearing Corp. is 15% (2017:15%); and the income tax rate for the Group's subsidiary CIB FINTECH is 25% (2017: 0%).

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

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

2. Value-added tax

The value-added tax ("VAT") on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. In accordance with the Notice on Adjustment to VAT Rates (Cai Shui [2018] No. 32) issued by MoF and State Administration of Taxation, the VAT rate for the Group is adjusted from 3%-17% to 3%-16% since 1 May 2018.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MoF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3. City maintenance and construction tax

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

4. Education surcharge

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

VII. CONSOLIDATION SCOPE

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

Key subsidiaries	Main business place/ Place of registration	Business nature	Registered capital (RMB in Million)	Total shareholding by the Group			
				31/12/2018		31/12/2017	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	**-**	100	-
China Industrial International Trust Limited	Fuzhou	Trust	5,000	**73**	**-**	73	-
CIB Fund Management Co., Ltd. (1)	Fuzhou	Fund management	1,200	**90**	**-**	90	-
Industrial Consumer Finance Co., Ltd. (1)	Quanzhou	Consumer finance	1,200	**66**	-	66	-
CIIT Asset Management Co., Ltd. (2) (3)	Shanghai	Assets management, equity investment, industrial investment, investment management and consulting	3,400	**-**	**100**	-	100
Industrial Wealth Asset Management Co., Ltd (2)	Shanghai	Assets management	780	**-**	**100**	-	100
Industrial Futures Co., Ltd. (2)	Ningbo	Merchandise, financial futures investment and consulting service	500	**-**	**100**	-	100

(1) In February 2018, the Bank increased the registered capital of its shareholding subsidiary CIB Fund Management Co., Ltd. by RMB450 million in proportion to its shareholding. After the capital increase, the registered capital of CIB Fund Management Co., Ltd. became RMB1,200 million. In June 2018, the Bank increased the registered capital of its holding subsidiary Industrial Consumer Finance Co., Ltd. by RMB330 million in proportion to its shareholding. After the capital increase, the registered capital of Industrial Consumer Finance Co., Ltd. became RMB1,200 million.

(2) The companies are the subsidiaries of the Bank’s holding subsidiaries.

(3) In June 2018, the Bank's holding subsidiary China Industrial International Trust Limited increased the registered capital of its wholly-owned subsidiary China Industrial Asset Management Limited by RMB300 million. After the capital increase, the registered capital of China Industrial Asset Management Limited is RMB3,400 million, with 100% shares held by China Industrial International Trust Limited.

2. Refer to No. VIII 48 for information of consolidated structure entities

3. Foreign exchange rate of principle items in financial statements of overseas operating entities

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

The exchange rate of USD, JPY, EUR, HKD, and GBP to RMB should be determined by the middle rate published by China's State Administration of Foreign Exchange (the "SAFE"). The exchange rate of other currency to RMB should be calculated by the benchmark rate of USD to RMB and rate of USD to other currency offered by SAFE.

VIII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. CASH AND BALANCES WITH CENTRAL BANK

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Cash	**5,191**	5,535	**5,191**	5,535
Mandatory reserves (1)	**391,137**	444,091	**391,131**	444,082
Surplus deposit reserves (2)	**77,820**	13,989	**77,820**	13,987
Other reserve (3)	**1,633**	2,788	**1,633**	2,788
Total	**475,781**	**466,403**	**475,775**	**466,392**

(1) The domestic institution of the Bank places mandatory reserves mainly with the PBOC as required, including RMB reserves and foreign reserves. These reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organizations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposit. On 31 December 2018, the ratio of the Bank's RMB reserves is 12% (31 December 2017: 15%), the ratio of foreign reserves is 5% (31 December 2017: 5%). According to related regulations from the PBOC, foreign reserves are non-interest bearing. The Group's subsidies' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of mandatory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2) Surplus reserves are reserve in excess of mandatory reserve maintained with the PBOC mainly for the purpose of clearing, and transferring, etc.

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

2. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Deposits with:				
Domestic banks	**29,316**	61,425	**24,108**	51,427
Other domestic financial institutions	**5,236**	4,232	**5,010**	4,149
Overseas banks	**18,694**	11,918	**18,694**	11,918
Other overseas financial institutions	**73**	-	**73**	-
Subtotal	**53,319**	77,575	**47,885**	67,494
Less: Allowance for impairment losses	**(16)**	(16)	**(16)**	(16)
Net value	**53,303**	**77,559**	**47,869**	**67,478**

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Placements with:				
Domestic banks	**8,339**	1,774	**8,339**	1,774
Other domestic financial institutions	**51,485**	12,396	**64,374**	17,630
Overseas financial institutions	**38,585**	17,068	**38,585**	17,068
Subtotal	**98,409**	31,238	**111,298**	36,472
Less: Allowance for impairment losses	**(60)**	(60)	**(60)**	(60)
Net value	**98,349**	**31,178**	**111,238**	**36,412**

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Trading financial assets:				
Debt instrument investments:				
Government bonds	**25,696**	22,335	**15,083**	11,079
The Central Bank bills and policy financial bonds	**8,788**	6,992	**3,969**	3,583
Bonds issued by financial institutions	**4,980**	4,869	**2,957**	3,373
Corporate bonds	**79,148**	67,834	**47,517**	47,144
Non-negotiable certificates of deposit	**58,969**	34,701	**57,477**	30,791
Subtotal of debt instruments investments	**177,581**	136,731	**127,003**	95,970
Equity instrument investments:				
Funds	**271,755**	216,485	**283,803**	237,256
Trust plan of assembled funds	**9**	-	**-**	-
Stocks	**-**	142	**-**	-
Wealth management products	**1,876**	-	**-**	-
Subtotal of equity instrument investment	**273,640**	216,627	**283,803**	237,256
Total of trading financial assets	**451,221**	353,358	**410,806**	333,226
Financial assets designated at fair value through profit and loss:				
Debt instrument investment	**8,089**	8,302	**2,209**	4,739
Equity instrument investment	**288**	412	**-**	-
Financial assets designated at fair value through profit and loss	**8,377**	8,714	**2,209**	4,739
Total	**459,598**	**362,072**	**413,015**	**337,965**

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into foreign currency exchange rate, interest rate and precious metals related derivative financial instruments for purposes of trading, asset and liability management and customer driven business.

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

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

UNIT: RMB Million

	The Group and the Bank					
	31/12/2018			31/12/2017		
		Fair value			Fair value	
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**2,872,190**	**14,090**	**13,440**	1,911,173	4,590	3,800
Exchange rate derivatives	**3,737,959**	**27,272**	**24,773**	2,354,545	22,965	24,973
Precious metal derivatives	**15,417**	**234**	**413**	74,569	553	723
Credit derivatives	**13,467**	**496**	**197**	14,248	288	18
Total		**42,092**	**38,823**		**28,396**	**29,514**

Fair value hedging

The Group uses the fair value hedges to hedge the influences of changes in fair value of financial assets caused by the changes of market interest rate. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments and available-for-sale bonds as the hedged item.

Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

UNIT: RMB Million

	The Group & the Bank					
	12/31/2018			12/31/2017		
		Fair value			Fair value	
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Derivatives designated as fair value hedging instruments:						
Interest rate swaps	**22,527**	**125**	**127**	**7,922**	**70**	**-**

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

UNIT: RMB Million

	The Group & the Bank	
	12/31/2018	12/31/2017
Net gain/(loss) from fair value hedge:		
Hedging instruments	**51**	74
Hedged item attributable to the hedged risk	**(58)**	(83)

6. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Bonds	**76,098**	88,684	**72,810**	85,029
Bills	**1,318**	333	**1,318**	333
Beneficial rights of trust and others (Note 1)	**-**	4,102	**-**	4,102
Subtotal	**77,416**	93,119	**74,128**	89,464
Less: Allowance for impairment losses	**(333)**	-	**(333)**	-
Net value	**77,083**	**93,119**	**73,795**	**89,464**

Note 1: Beneficial rights of trust and others mainly comprised of the investment to trust plans and asset management plans operated by trust companies, securities companies and asset management companies.

7. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers by personal and corporate:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Personal loans and advances				
Residential and business mortgage loans	**749,360**	603,047	**749,360**	603,047
Credit cards	**271,960**	186,256	**271,960**	186,256
Others	**145,084**	121,521	**124,390**	111,651
Subtotal	**1,166,404**	910,824	**1,145,710**	900,954
Corporate loans and advances				
Loans and advances	**1,608,207**	1,482,362	**1,611,711**	1,484,432
Discounted bills	**159,471**	37,509	**159,471**	37,509
Subtotal	**1,767,678**	1,519,871	**1,771,182**	1,521,941
Gross loans and advances	**2,934,082**	2,430,695	**2,916,892**	2,422,895
Less: Allowance for impairment losses	**(95,637)**	(81,864)	**(94,817)**	(81,498)
- Individually assessed	**(20,798)**	(16,378)	**(20,798)**	(16,378)
- Collectively assessed	**(74,839)**	(65,486)	**(74,019)**	(65,120)
Loans and advances to customers	**2,838,445**	2,348,831	**2,822,075**	2,341,397

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

UNIT: RMB Million

	The Group				The Bank			
	31/12/2018	(%)	31/12/2017	(%)	31/12/2018	(%)	31/12/2017	(%)
Manufacturing	**359,593**	**12.26**	335,445	13.80	**359,593**	**12.33**	335,445	13.84
Leasing and commercial services	**263,411**	**8.98**	226,770	9.34	**267,399**	**9.17**	230,410	9.51
Retail and wholesale	**224,723**	**7.66**	223,649	9.20	**224,723**	**7.70**	223,649	9.23
Real estate	**195,490**	**6.66**	151,488	6.23	**195,006**	**6.69**	149,918	6.19
Water, environment and public facilities administration	**173,268**	**5.91**	163,577	6.73	**173,268**	**5.93**	163,577	6.75
Construction	**95,487**	**3.25**	89,581	3.69	**95,487**	**3.27**	89,581	3.70
Transport, logistics and postal service	**79,355**	**2.70**	69,794	2.87	**79,355**	**2.72**	69,794	2.88
Production and supply of power, gas and water	**77,948**	**2.66**	72,413	2.98	**77,948**	**2.67**	72,413	2.99
Extractive industry	**59,421**	**2.03**	65,503	2.69	**59,421**	**2.04**	65,503	2.70
Finance industry	**21,537**	**0.73**	23,865	0.98	**21,537**	**0.74**	23,865	0.98
Other corporate industries	**57,974**	**1.97**	60,277	2.48	**57,974**	**1.99**	60,277	2.49
Discounted bills	**159,471**	**5.44**	37,509	1.54	**159,471**	**5.47**	37,509	1.55
Personal loans	**1,166,404**	**39.75**	910,824	37.47	**1,145,710**	**39.28**	900,954	37.19
Gross loans and advances	**2,934,082**	**100.00**	**2,430,695**	**100.00**	**2,916,892**	**100.00**	**2,422,895**	**100.00**
Less: Allowance for impairment losses	**(95,637)**		(81,864)		**(94,817)**		(81,498)	
-Individually assessed	**(20,798)**		(16,378)		**(20,798)**		(16,378)	
-Collectively assessed	**(74,839)**		(65,486)		**(74,019)**		(65,120)	
Loans and advances to customers	**2,838,445**		2,348,831		**2,822,075**		2,341,397	

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

UNIT: RMB Million

	The Group				The Bank			
	31/12/2018	(%)	31/12/2017	(%)	31/12/2018	(%)	31/12/2017	(%)
Head office (Note 1)	**307,847**	**10.49**	196,298	8.08	**307,847**	**10.55**	196,298	8.10
Fujian	**313,459**	**10.68**	302,458	12.44	**315,031**	**10.80**	304,296	12.56
Beijing	**181,167**	**6.17**	154,237	6.35	**180,303**	**6.18**	154,237	6.37
Shanghai	**115,511**	**3.94**	121,291	4.99	**109,524**	**3.75**	119,897	4.95
Guangdong	**328,717**	**11.20**	250,615	10.31	**327,145**	**11.22**	249,506	10.30
Zhejiang	**208,879**	**7.12**	161,574	6.65	**207,796**	**7.12**	160,923	6.64
Jiangsu	**265,858**	**9.06**	206,352	8.49	**263,993**	**9.05**	205,430	8.48
Other (Note 2)	**1,212,644**	**41.34**	1,037,870	42.69	**1,205,253**	**41.33**	1,032,308	42.60
Gross loans and advances	**2,934,082**	**100.00**	**2,430,695**	**100.00**	**2,916,892**	**100.00**	**2,422,895**	**100.00**
Less: Allowance for impairment losses	**(95,637)**		(81,864)		**(94,817)**		(81,498)	
-Individually assessed	**(20,798)**		(16,378)		**(20,798)**		(16,378)	
-Collectively assessed	**(74,839)**		(65,486)		**(74,019)**		(65,120)	
Loans and advances to customers	**2,838,445**		2,348,831		**2,822,075**		2,341,397	

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

Note 2: As at 31 December 2018, the Bank has 45 tier-1 branches, apart from the tier-1 branches mentioned above, the rest is categorised into "Others". Loans and advances of the subsidiaries of the Bank are presented by geographical distribution.

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

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Unsecured loans	**728,050**	585,734	**711,344**	579,504
Guaranteed loans	**625,002**	582,000	**625,002**	581,250
Collateralised loans	**1,421,559**	1,225,452	**1,421,075**	1,224,632
-Secured by mortgage	**1,150,190**	977,266	**1,149,706**	976,446
-Secured by collaterals	**271,369**	248,186	**271,369**	248,186
Discounted bills	**159,471**	37,509	**159,471**	37,509
Gross loans and advances	**2,934,082**	2,430,695	**2,916,892**	2,422,895
Less: Allowance for impairment losses	**(95,637)**	(81,864)	**(94,817)**	(81,498)
-Individually assessed	**(20,798)**	(16,378)	**(20,798)**	(16,378)
-Collectively assessed	**(74,839)**	(65,486)	**(74,019)**	(65,120)
Loans and advances to customers	**2,838,445**	2,348,831	**2,822,075**	2,341,397

(5) Overdue loans

UNIT: RMB Million

	The Group									
	31/12/2018					31/12/2017				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total
Unsecured loans	5,498	4,242	619	60	**10,419**	2,546	2,742	546	61	**5,895**
Guaranteed loans	8,219	10,779	2,444	875	**22,317**	4,732	3,802	3,927	1,161	**13,622**
Collateralised loans	9,206	10,210	6,332	835	**26,583**	6,542	5,724	6,490	329	**19,085**
-Secured by mortgage	7,556	10,162	6,213	792	**24,723**	6,380	5,643	6,228	225	**18,476**
-Secured by collaterals	1,650	48	119	43	**1,860**	162	81	262	104	**609**
Total	**22,923**	**25,231**	**9,395**	**1,770**	**59,319**	**13,820**	**12,268**	**10,963**	**1,551**	**38,602**

UNIT: RMB Million

	The Bank									
	31/12/2018					31/12/2017				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	over 3 years	Total
Unsecured loans	5,207	3,904	492	59	**9,662**	2,350	2,629	444	61	**5,484**
Guaranteed loans	8,219	10,779	2,444	875	**22,317**	4,732	3,802	3,927	1,161	**13,622**
Collateralised loans	9,206	10,210	6,332	835	**26,583**	6,542	5,724	6,490	329	**19,085**
-Secured by mortgage	7,556	10,162	6,213	792	**24,723**	6,380	5,643	6,228	225	**18,476**
-Secured by collaterals	1,650	48	119	43	**1,860**	162	81	262	104	**609**
Total	**22,632**	**24,893**	**9,268**	**1,769**	**58,562**	**13,624**	**12,155**	**10,861**	**1,551**	**38,191**

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

(6) Allowance for impairment losses on loans and advances to customers

UNIT: RMB Million

The Group	2018			2017		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	16,378	65,486	**81,864**	12,669	59,779	**72,448**
Charge for the year	22,689	15,378	**38,067**	22,313	6,308	**28,621**
Write-off/Transfer out	(21,099)	(6,999)	**(28,098)**	(20,482)	(1,047)	**(21,529)**
-Recoveries of loans and advances written off in previous years	3,876	1,133	**5,009**	2,837	707	**3,544**
-Unwinding of discount on allowance	(1,046)	(241)	**(1,287)**	(959)	(214)	**(1,173)**
Fluctuation in exchange rate	-	82	**82**	-	(47)	**(47)**
Closing balance	**20,798**	**74,839**	**95,637**	**16,378**	**65,486**	**81,864**

UNIT: RMB Million

The Bank	2018			2017		
	Individually	Collectively	Total	Individually	Collectively	Total
Opening balance	16,378	65,120	**81,498**	12,669	59,594	**72,263**
Charge for the year	22,689	14,737	**37,426**	22,313	6,116	**28,429**
Write-off/Transfer out	(21,099)	(6,811)	**(27,910)**	(20,482)	(1,031)	**(21,513)**
-Recoveries of loans and advances written off in previous years	3,876	1,132	**5,008**	2,837	702	**3,539**
-Unwinding of discount on allowance	(1,046)	(241)	**(1,287)**	(959)	(214)	**(1,173)**
Fluctuation in exchange rate	-	82	**82**	-	(47)	**(47)**
Closing balance	**20,798**	**74,019**	**94,817**	**16,378**	**65,120**	**81,498**

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(1) Listed by types:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Available-for-sale debt instruments				
Government bonds	**183,610**	116,726	**183,610**	116,726
The Central Bank bills and policy financial bonds	**21,560**	28,791	**21,560**	28,791
Bonds issued by banks and other financial institutions	**58,413**	98,679	**58,993**	99,099
Corporate bonds	**161,807**	139,941	**161,581**	139,381
Non-negotiable certificates of deposit	**48,771**	4,818	**48,771**	4,818
Wealth management products	**2,972**	2,848	**1,999**	-
Trust fund plans and other equity instrument (Note 1)	**18,320**	21,107	**17,518**	20,803
Credit assets	**11,510**	15,019	**11,431**	14,935
Bonds	**4,728**	4,575	**4,728**	4,575
Funds	**2,082**	1,513	**1,359**	1,293
Subtotal	**495,453**	412,910	**494,032**	409,618
Available-for-sale equity instruments:				
Measured at fair value	**149,433**	89,471	**170,849**	106,094
Measured at cost	**2,216**	1,840	**804**	304
Subtotal	**151,649**	91,311	**171,653**	106,398
Total available-for-sale financial assets	**647,102**	504,221	**665,685**	516,016

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

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

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Available-for-sale debt instrument:				
Amortized cost	**495,337**	417,600	**494,054**	414,319
Fair value	**495,453**	412,910	**494,032**	409,618
Accumulative appropriation to other comprehensive income	**1,906**	(2,524)	**1,526**	(2,553)
Accumulative appropriation to allowance for impairment losses	**(1,790)**	(2,166)	**(1,548)**	(2,148)
Available-for-sale equity instrument:				
Cost	**149,184**	89,480	**169,478**	105,987
Fair value	**149,433**	89,471	**170,849**	106,094
Accumulative appropriation to other comprehensive income	**251**	(7)	**1,371**	107
Accumulative appropriation to allowance for impairment losses	**(2)**	(2)	**-**	-
Total				
Amortized cost of debt instruments/ cost of equity instrument	**644,521**	507,080	**663,532**	520,306
Fair value	**644,886**	502,381	**664,881**	515,712
Accumulative appropriation to other comprehensive income	**2,157**	(2,531)	**2,897**	(2,446)
Accumulative appropriation to allowance for impairment losses	**(1,792)**	**(2,168)**	**(1,548)**	**(2,148)**

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

UNIT: RMB Million

Investee	The Group					
	Book balance			Provision	Proportion of share in Investee	Cash dividends for the year
	Opening	Increase	Closing			
China Union Pay Co., Ltd.	81	-	81	-	2.13	7
State Financing Guarantee Fund Co., Ltd.	-	500	500	-	3.03	-
Huafu Securities Co., Ltd.	359	-	359	-	4.35	-
China Trust Registration Co., Ltd.	60	-	60	-	2.00	-
Shanghai Commercial Paper						
Exchange Corporation Ltd.	50	-	50	-	2.71	-
China International Payment Service (Shanghai) Corp.	-	30	30	-	1.18	-
Zijin Mining Group Holding Group Finance Co., Ltd.	25	-	25	-	5.00	-
Others	1,265	(154)	1,111	-		-
Total	**1,840**	**376**	**2,216**	**-**		**7**

UNIT: RMB Million

Investee	The Bank					
	Book balance			Provision	Proportion of share in Investee	Cash dividends for the year
	Opening	Decrease	Closing			
China Union Pay Co., Ltd	81	-	81	-	2.13	7
State Financing Guarantee Fund Co., Ltd.	-	500	500	-	3.03	-
Others	223	-	223	-		-
Total	**304**	**500**	**804**	**-**		**7**

(4) Related analysis for allowance for impairment losses on available-for-sale financial assets

UNIT: RMB Million

	The Group			The Bank		
	Available-for-sale debt instrument	Available-for-sale equity instrument	Total	Available-for-sale debt instrument	Available-for-sale equity instrument	Total
Opening	2,166	2	2,168	2,148	-	2,148
Provision	648	-	648	401	-	401
Transfer	1	-	1	1	-	1
Write off	(1,028)	-	(1,028)	(1,005)	-	(1,005)
Exchange rate effect	3	-	3	3	-	3
Closing	**1,790**	**2**	**1,792**	**1,548**	**-**	**1,548**

9. HELD-TO-MATURITY INVESTMENTS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Government bonds	**345,594**	287,900	**344,093**	287,900
The Central Bank bills and policy financial bonds	**2,663**	746	**2,663**	746
Bonds issued by banks and other financial institutions	**12,278**	14,486	**12,278**	14,486
Corporate bonds	**25,626**	23,133	**25,542**	23,133
Non-negotiable certificates of deposit	**9,118**	11,349	**9,118**	11,349
Subtotal	**395,279**	337,614	**393,694**	337,614
Less: Allowance for impairment losses	**(137)**	(131)	**(137)**	(131)
Net value	**395,142**	**337,483**	**393,557**	**337,483**

10. INVESTMENTS CLASSIFIED AS RECEIVABLES

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Government bonds	**365,355**	397,626	**365,355**	397,626
Bonds issued by banks and other financial institutions	**6,735**	44,131	**6,735**	44,131
Corporate bonds	**54,384**	47,064	**54,642**	47,574
Wealth management products (Note 1)	**1,688**	85,173	**858**	85,173
Trust fund plans and others (Note 2)	**976,791**	1,356,354	**965,758**	1,342,377
Credit assets	**735,199**	896,775	**727,878**	887,491
Paper assets	**97,136**	110,435	**97,136**	110,435
Bonds	**109,991**	231,789	**109,942**	231,789
Interbank deposits	**1,250**	68,793	**1,250**	68,793
Funds	**18,599**	38,656	**14,936**	34,471
Others	**14,616**	9,906	**14,616**	9,398
Subtotal	**1,404,953**	1,930,348	**1,393,348**	1,916,881
Less: Allowance for impairment losses	**(17,803)**	(16,966)	**(17,508)**	(16,912)
Net value	**1,387,150**	**1,913,382**	**1,375,840**	**1,899,969**

Note 1: Wealth management products are fixed-period financial products issued by other financial institutions.

Note 2: Trust fund plans and others are the beneficial rights of the trust and fund management plans, etc. These products' investment directions are mainly the trust loans or fund management plans operated by the trust companies, securities companies and asset management companies as entrusted fund administrators.

11. FINANCE LEASE RECEIVABLES

Set out by nature:

UNIT: RMB Million

	The Group	
	12/31/2018	12/31/2017
Finance lease receivables	**122,155**	120,070
Less: unrealized financing income	**(13,352)**	(13,153)
Subtotal	**108,803**	106,917
Less: Allowance for impairment losses	**(4,550)**	(3,422)
- Individually assessed	**(1,476)**	(355)
- Collectively assessed	**(3,074)**	(3,067)
Net value	**104,253**	103,495

List as follows:

UNIT: RMB Million

	12/31/2018	12/31/2017
1st year subsequent to the balance sheet date	**39,484**	36,028
2nd year subsequent to the balance sheet date	**31,516**	27,799
3rd year subsequent to the balance sheet date	**21,413**	23,177
Subsequent periods	**29,742**	33,066
Subtotal	**122,155**	120,070
Unrealized financing income	**(13,352)**	(13,153)
Subtotal	**108,803**	106,917
Less: Allowance for impairment losses	**(4,550)**	(3,422)
- Individually assessed	**(1,476)**	(355)
- Collectively assessed	**(3,074)**	(3,067)
Net value	**104,253**	103,495
- Finance lease receivables due less than 1 year	**33,698**	32,921
- Finance lease receivables due more than 1 year	**70,555**	70,574

12. LONG-TERM EQUITY INVESTMENTS

Breakdown of long-term equity investments:

UNIT: RMB Million

The Group

Investee	Accounting method	Initial investment	01/01/2018	Additions (reduction)	31/12/2018	Proportion of equity interest	Proportion of voting power in the investee	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. [(1)]	Equity method	561	2,657	235	2,892	12.23	12.23	not applicable	-	29
Others	Equity method	352	351	(19)	332			not applicable	-	-
Total			**3,008**	**216**	**3,224**				**-**	**29**

The Bank

Investee	Accounting method	Initial investment	01/01/2018	Additions (reduction)	31/12/2018	Proportion of equity interest	Proportion of voting power in the investee	Explanation on inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang Co., Ltd. [(1)]	Equity method	561	2,657	235	2,892	12.23	12.23	not applicable	-	29
Industrial Bank Financial Leasing Co., Ltd. (Note VII)	Cost method	5,000	7,000	-	7,000	100.00	100.00	not applicable	-	-
China Industrial International Trust Limited (Note VII)	Cost method	6,395	6,395	-	6,395	73.00	73.00	not applicable	-	-
CIB Fund Management Co., Ltd. (Note VII)	Cost method	450	450	450	900	90.00	90.00	not applicable	-	-
Industrial Consumer Finance Co., Ltd. (Note VII)	Cost method	198	462	330	792	66.00	66.00	not applicable	-	-
Total			**16,964**	**1,015**	**17,979**				**-**	**29**

(1) In accordance with the YJF [2008] No.449, approved by the CBIRC on 4 November, 2008, the Bank has acquired 102.2 million shares of Bank of Jiujiang Co., Ltd. (refers to as Bank of Jiujiang hereafter) for the price of RMB2.9 Yuan per share. As the result, the Bank holds 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. In 2009, Bank of Jiujiang increases 4 shares for every 10 shares to all recorded shareholders based on the share capital by the end of August 2009 by utilizing capital reserve. The Bank currently holds 143.08 million shares of Bank of Jiujiang. In 2010, Bank of Jiujiang increases its registered capital RMB400.66 million, offered privately and subscribed in cash for the price of RMB3.3 Yuan per share. The Bank has acquired 80.12 million shares. After the acquisition, the Bank holds 223.20 million shares and the proportion of equity interest remains 20% of the total shares of the Bank of Jiujiang after it expanded its share capital. On 14 December 2011, Bank of Jiujiang increased its registered capital by RMB400 million, none of which was subscribed by the Bank, and the proportion of equity interest of the Bank was diluted to 14.72% after the capital increase. On 17 March 2017, Bank of Jiujiang issued 484 million shares through private placement. The Bank subscribed 71.2 million shares at the price of RMB6.87 per share. After the subscription, the Bank holds total 294.4 million shares in Bank of Jiujiang with its proportion of shareholding remained at 14.72% of the total share capital of Bank of Jiujiang after the capital increase. On 10 July 2018, the Bank of Jiujiang was list on the main board of SEHK, after which the shareholding ratio by the Bank was diluted to 12.23%. As the Bank sent a director to the Bank of Jiujiang and has significant influence over the Bank of Jiujiang, the equity investment is accounted for using the equity method.

(2) There are no restrictions of the investees' capital transferring capacities to the Group and the Bank on 31 December 2018.

13. FIXED ASSETS

UNIT: RMB Million

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
1/1/2018	10,690	1,059	6,065	473	4,307	**22,594**
Purchase	50	56	1,380	48	987	**2,521**
Transfers from constructions in progress	2,211	22	2	-	-	**2,235**
Sales/disposals	-	(30)	(429)	(42)	-	**(501)**
12/31/2018	12,951	1,107	7,018	479	5,294	**26,849**
Accumulated depreciation						
1/1/2018	2,648	421	4,160	278	210	**7,717**
Depreciation for the year	413	53	1,054	53	214	**1,787**
Eliminated on sales/disposals	-	(30)	(264)	(22)	-	**(316)**
12/31/2018	3,061	444	4,950	309	424	**9,188**
Net value						
1/1/2018	8,042	638	1,905	195	4,097	**14,877**
12/31/2018	9,890	663	2,068	170	4,870	**17,661**
Allowance for impairment losses						
1/1/2018	(3)	-	-	-	-	**(3)**
Charged for the year	-	-	-	-	-	**-**
Eliminated on sales/disposals	-	-	-	-	-	**-**
12/31/2018	(3)	-	-	-	-	**(3)**
Net carrying amount						
1/1/2018	8,039	638	1,905	195	4,097	**14,874**
12/31/2018	**9,887**	**663**	**2,068**	**170**	**4,870**	**17,658**

On 31 December 2018, the cost of fight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB5,294 million (31 December 2017: RMB4,307 million).

Buildings cost RMB1,325 million are in use but the legal ownership registrations were still in process as at 31 December 2018 (31 December 2017: RMB1,256 million).

UNIT: RMB Million

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
1/1/2018	10,655	1,059	5,812	437	**17,963**
Purchase	50	56	1,203	44	**1,353**
Transfers from constructions in progress	2,211	22	2	-	**2,235**
Sales/disposals	-	(30)	(282)	(37)	**(349)**
12/31/2018	12,916	1,107	6,735	444	**21,202**
Accumulated depreciation					
1/1/2018	2,637	421	4,031	264	**7,353**
Depreciation for the year	412	53	1,010	49	**1,524**
Sales/disposals	-	(30)	(252)	(20)	**(302)**
12/31/2018	3,049	444	4,789	293	**8,575**
Net value					
1/1/2018	8,018	638	1,781	173	**10,610**
12/31/2018	9,867	663	1,946	151	**12,627**
Allowance for impairment losses					
1/1/2018	(3)	-	-	-	**(3)**
Charge for the year	-	-	-	-	**-**
Sales/disposals	-	-	-	-	**-**
12/31/2018	(3)	-	-	-	**(3)**
Net carrying amount					
1/1/2018	8,015	638	1,781	173	**10,607**
12/31/2018	**9,864**	**663**	**1,946**	**151**	**12,624**

Buildings cost RMB1,325 million are in use but the legal ownership registrations were still in process as at 31 December 2018 (31 December 2017: RMB1,256 million).

14. CONSTRUCTION IN PROGRESS

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

UNIT: RMB Million

	The Group					
	12/31/2018			12/31/2017		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**4,194**	**-**	**4,194**	3,678	-	3,678
Operating building, Head office	**618**	**-**	**618**	546	-	546
Operating building, Jinan	**526**	**-**	**526**	457	-	457
Operating building, Changchun	**397**	**-**	**397**	2	-	2
Operating building, Guangzhou	**393**	**-**	**393**	365	-	365
Operating building, Zhangzhou	**321**	**-**	**321**	277	-	277
Others	**1,423**	**-**	**1,423**	1,799	-	1,799
Total	**7,872**	**-**	**7,872**	**7,124**	**-**	**7,124**

UNIT: RMB Million

	The Bank					
	12/31/2018			12/31/2017		
	Carrying amount	Allowance for impairment loss	Net carrying amount	Carrying amount	Allowance for impairment loss	Net carrying amount
Operating building, Lujiazui Shanghai	**4,194**	**-**	**4,194**	3,678	-	3,678
Operating building, Head office	**618**	**-**	**618**	546	-	546
Operating building, Jinan	**526**	**-**	**526**	457	-	457
Operating building, Changchun	**397**	**-**	**397**	2	-	2
Operating building, Guangzhou	**393**	**-**	**393**	365	-	365
Operating building, Zhangzhou	**321**	**-**	**321**	277	-	277
Others	**1,403**	**-**	**1,403**	1,797	-	1,797
Total	**7,852**	**-**	**7,852**	**7,122**	**-**	**7,122**

(2) Significant changes in construction in progress are as follows:

UNIT: RMB Million

	The Group				
	2018				
	1/1/2018	Additions (decrease)	Transfer to fixed assets	Transfer to long-term prepaid expenses	31/12/2018
Operating building, Lujiazui Shanghai	3,678	516	-	-	**4,194**
Operating building, Head office	546	72	-	-	**618**
Operating building, Jinan	457	69	-	-	**526**
Operating building, Changchun	2	395	-	-	**397**
Operating building, Guangzhou	365	28	-	-	**393**
Operating building, Zhangzhou	277	44	-	-	**321**
Others	1,799	2,364	2,235	505	**1,423**
Total	**7,124**	**3,488**	**2,235**	**505**	**7,872**

UNIT: RMB Million

	The Bank				
	2018				
	1/1/2018	Additions (decrease)	Transfer to fixed assets	Transfer to long-term prepaid expenses	31/12/2018
Operating building, Lujiazui Shanghai	3,678	516	-	-	**4,194**
Operating building, Head office	546	72	-	-	**618**
Operating building, Jinan	457	69	-	-	**526**
Operating building, Changchun	2	395	-	-	**397**
Operating building, Guangzhou	365	28	-	-	**393**
Operating building, Zhangzhou	277	44	-	-	**321**
Others	1,797	2,346	2,235	505	**1,403**
Total	**7,122**	**3,470**	**2,235**	**505**	**7,852**

15. GOODWILL

UNIT: RMB Million

	The Group				
Investee	1/1/2018	Additions	Deductions	31/12/2018	31/12/2018 Provision
China Industrial International Trust Limited	532	-	-	**532**	**-**

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

At the end of the year, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, applying appropriate discount rate, reflecting current time value of money and the risk of specific assets. No evidence shows that the recoverable amount of goodwill is less than the carrying amount as at December 2018, therefore no impairment is recognised.

16. DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY

Recognized deferred tax assets and liabilities

UNIT: RMB Million

	The Group				The Bank			
	31/12/2018		31/12/2017		31/12/2018		31/12/2017	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets								
Impairment losses on assets	116,896	29,224	92,601	23,150	112,580	28,145	89,601	22,400
Fair value changes of financial assets at fair value through profit or loss	1,160	290	643	161	1,160	290	643	161
Fair value changes of financial liability at fair value through profit or loss	10	2	20	5	3	1	2	1
Accrued but not paid employee benefits	13,093	3,273	12,014	3,004	11,897	2,974	10,977	2,744
Fair value changes of available-for-sale financial assets	740	185	2,558	640	-	-	2,446	612
Fair value changes of derivative financial instruments	-	-	1,277	319	-	-	1,277	319
Others	3,222	806	885	221	612	153	769	192
Deferred tax assets before offset	135,121	33,780	109,998	27,500	126,252	31,563	105,715	26,429
Deferred tax liabilities								
Fair value changes of derivative financial instruments	(2,312)	(578)	-	-	(2,312)	(578)	-	-
Fair value changes of financial assets at fair value through profit or loss	(10)	(2)	-	-	-	-	-	-
Difference of fixed asset impairment tax	(536)	(134)	(324)	(81)	(536)	(134)	(324)	(81)
Fair value changes of available-for-sale financial assets	(2,897)	(724)	(27)	(7)	(2,897)	(724)	-	-
Fair value changes of precious metals	(98)	(25)	(458)	(115)	(98)	(25)	(458)	(115)
Deferred tax liabilities before offset	(5,853)	(1,463)	(809)	(203)	(5,843)	(1,461)	(782)	(196)
Net amount after offset	129,268	32,317	109,189	27,297	120,409	30,102	104,933	26,233

The tax payment of various domestic branches of Bank can be aggregated, and the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; the overseas branches being individual taxable entity, the deferred tax assets and deferred tax liabilities of the respective entity can be presented at the net amount after offset. When there is net deferred tax/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank being individual taxable entity, the deferred tax assets and deferred tax liabilities of the respective entity can be presented at the net amount after offset.

UNIT: RMB Million

	The Group	The Bank
	2018	2018
Opening balance of net value	**27,297**	**26,233**
- Deferred tax assets	**27,500**	**26,429**
- Deferred tax liabilities	**(203)**	**(196)**
Net changes of deferred tax recognised in income tax expenses	**6,192**	**5,205**
Net changes of deferred tax recognised in other comprehensive income	**(1,172)**	**(1,336)**
Closing balance of net value	**32,317**	**30,102**
- Deferred tax assets	**33,780**	**31,563**
- Deferred tax liabilities	**(1,463)**	**(1,461)**

(2) According to the Group's future profit forecast, the Group believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the Group can recognize the deferred tax assets.

17. OTHER ASSETS

UNIT: RMB Million

		The Group		The Bank	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
Interest receivable	(1)	**34,463**	30,406	**33,328**	29,258
Other receivables	(2)	**16,507**	15,496	**7,352**	7,289
Prepaid purchase cost of finance lease assets		**1,438**	15,753	**-**	-
Foreclosed assets	(3)	**981**	463	**981**	463
Receivables to be settled and deposits		**4,256**	170	**4,256**	170
Assets with continuing involvement (Note XII, 3.1)		**7,641**	2,101	**7,641**	2,101
Long term prepaid expenses	(4)	**1,430**	1,463	**1,382**	1,409
Net assets of defined benefit plan (Note VIII, 47.2)		**1,088**	1,412	**1,088**	1,412
Total		**67,804**	**67,264**	**56,028**	**42,102**

(1) Interest receivable

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Interests of deposits with Central Bank and financial institutions	**457**	733	**433**	696
Interests of placements with banks and other financial institutions	**398**	93	**584**	155
Interests of financial assets purchased under resale agreements	**51**	49	**48**	45
Interests of loans and advances to customers	**8,202**	6,686	**7,970**	6,566
Interests of bonds and other investments	**25,244**	22,475	**24,258**	21,691
Other	**111**	370	**35**	105
Total	**34,463**	**30,406**	**33,328**	**29,258**

(2) Other receivables

Listed by aging:

UNIT: RMB Million

Account age	The Group				The Bank			
	31/12/2018		31/12/2017		31/12/2018		31/12/2017	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Within 1 year	**15,176**	**83.17**	14,035	82.39	**6,192**	**68.11**	5,849	66.26
1-2 years	**610**	**3.35**	421	2.47	**439**	**4.83**	400	4.53
2-3 years	**194**	**1.06**	2,169	12.73	**194**	**2.13**	2,169	24.57
Over 3 years	**2,266**	**12.42**	409	2.41	**2,266**	**24.93**	409	4.64
Subtotal	**18,246**	**100.00**	17,034	100.00	**9,091**	**100.00**	8,827	100.00
Less: Allowance for impairment losses	**(1,739)**		(1,538)		**(1,739)**		(1,538)	
Net value	**16,507**		**15,496**		**7,352**		**7,289**	

(3) Foreclosed assets

Analysed by category of the foreclosed assets:

UNIT: RMB Million

	The Group and the Bank	
	31/12/2018	31/12/2017
Buildings	**943**	392
Land use rights	**85**	85
Others	**1**	3
Subtotal	**1,029**	480
Less: Allowance for impairment losses	**(48)**	(17)
Net value	**981**	463

(4) Long term prepaid expenses

UNIT: RMB Million

	The Group				
	1/1/2018	Additions	Transferred from construction in progress	Amortization	31/12/2018
Leasehold improvements	1,370	123	502	(646)	**1,349**
Others	93	10	3	(25)	**81**
Total	**1,463**	**133**	**505**	**(671)**	**1,430**

UNIT: RMB Million

	The Bank				
	1/1/2018	Additions	Transferred from construction in progress	Amortization	31/12/2018
Leasehold improvements	1,316	97	502	(614)	**1,301**
Others	93	10	3	(25)	**81**
Total	**1,409**	**107**	**505**	**(639)**	**1,382**

18. ALLOWANCE FOR IMPAIRMENT LOSSES ON ASSETS

UNIT: RMB Million

	The Group					
	2018					
	1/1/2018	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	31/12/2018
Allowance for impairment losses on deposits with banks and other financial institutions	16	-	-	-	-	**16**
Allowance for impairment losses on placements with banks and other financial institutions	60	-	-	-	-	**60**
Allowance for impairment losses on financial assets purchased under resale agreements	-	333	-	-	-	**333**
Allowance for impairment losses on loans and advances to customers	81,864	38,067	3,722	(28,098)	82	**95,637**
Allowance for impairment losses on held-to-maturity investments	131	-	-	-	6	**137**
Allowance for impairment losses on for available-for-sale financial assets	2,168	648	1	(1,028)	3	**1,792**
Allowance for impairment losses on investments classified as receivables	16,966	5,409	332	(4,904)	-	**17,803**
Allowance for impairment losses on finance lease receivables	3,422	1,128	-	-	-	**4,550**
Allowance for impairment losses on fixed assets	3	-	-	-	-	**3**
Allowance for impairment losses on foreclosed assets	17	35	-	(4)	-	**48**
Allowance for impairment losses on prepaid purchase cost of finance lease assets	471	(462)	-	-	-	**9**
Allowance for impairment losses on other assets	1,538	1,246	73	(1,118)	-	**1,739**
Total	**106,656**	**46,404**	**4,128**	**(35,152)**	**91**	**122,127**

UNIT: RMB Million

	The Bank					
	2018					
	1/1/2018	Charge/ (Reversal)	Transfer in/(out)	Write-off	Exchange rate influence	31/12/2018
Allowance for impairment losses on deposits with banks and other financial institutions	16	-	-	-	-	**16**
Allowance for impairment losses on placements with banks and other financial institutions	60	-	-	-	-	**60**
Allowance for impairment losses on financial assets purchased under resale agreements	-	333	-	-	-	**333**
Allowance for impairment losses on loans and advances to customers	81,498	37,426	3,721	(27,910)	82	**94,817**
Allowance for impairment losses on held-to-maturity investments	131	-	-	-	6	**137**
Allowance for impairment losses on for available-for-sale financial assets	2,148	401	1	(1,005)	3	**1,548**
Allowance for impairment losses on investments classified as receivables	16,912	5,168	332	(4,904)	-	**17,508**
Allowance for impairment losses on fixed assets	3	-	-	-	-	**3**
Allowance for impairment losses on foreclosed assets	17	35	-	(4)	-	**48**
Allowance for impairment losses on other assets	1,538	1,246	73	(1,118)	-	**1,739**
Total	**102,323**	**44,609**	**4,127**	**(34,941)**	**91**	**116,209**

19. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Deposits from banks:				
Domestic banks	**318,725**	315,782	**318,748**	315,782
Foreign banks	**97,746**	80,864	**97,746**	80,864
Deposits from other financial institutions:				
Other domestic financial institutions	**928,389**	1,049,413	**934,890**	1,052,407
Other overseas financial institutions	**23**	-	**23**	-
Total	**1,344,883**	**1,446,059**	**1,351,407**	**1,449,053**

20. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Placements from:				
Domestic banks	**157,077**	139,711	**63,188**	39,100
Other domestic financial institutions	**4,648**	2,731	**4,648**	2,731
Overseas banks	**59,106**	45,487	**59,105**	43,318
Total	**220,831**	**187,929**	**126,941**	**85,149**

21. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Trading financial liabilities:				
Sold financing bonds	**-**	873	**-**	873
Others	**97**	123	**97**	123
Financial liabilities assigned as at fair value through profit or loss	**2,497**	5,567	**2,290**	4,729
Total	**2,594**	**6,563**	**2,387**	**5,725**

22. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Bonds	**181,969**	209,658	**170,674**	203,749
Bills	**48,600**	20,136	**48,600**	20,136
Total	**230,569**	**229,794**	**219,274**	**223,885**

23. DUE TO CUSTOMERS

UNIT: RMB Million

	The Group	
	31/12/2018	31/12/2017
Demand deposits		
Corporate	**1,001,358**	1,083,505
Personal	**253,500**	227,134
Subtotal	**1,254,858**	1,310,639
Term deposits (including call deposits)		
Corporate	**1,541,943**	1,373,402
Personal	**272,073**	194,172
Subtotal	**1,814,016**	1,567,574
Guaranteed and margin deposits	**231,867**	205,923
Others	**2,771**	2,757
Total	**3,303,512**	**3,086,893**

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

UNIT: RMB Million

	12/31/2018	12/31/2017
Bank acceptances	**123,699**	107,853
Letters of credit	**18,494**	14,486
Guarantee	**8,717**	14,124
Others	**80,957**	69,460
Total	**231,867**	**205,923**

UNIT: RMB Million

	The Bank	
	12/31/2018	12/31/2017
Demand deposits		
Corporate	**1,001,909**	1,084,291
Personal	**253,500**	227,134
Subtotal	**1,255,409**	1,311,425
Term deposits (including call deposits)		
Corporate	**1,541,943**	1,373,642
Personal	**272,073**	194,172
Subtotal	**1,814,016**	1,567,814
Guaranteed and margin deposits	**231,867**	205,923
Others	**2,771**	2,757
Total	**3,304,063**	**3,087,919**

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

UNIT: RMB Million

	12/31/2018	12/31/2017
Bank acceptances	**123,699**	107,853
Letters of credit	**18,494**	14,486
Guarantee	**8,717**	14,124
Others	**80,957**	69,460
Total	**231,867**	**205,923**

24. EMPLOYEE BENEFITS PAYABLE

UNIT: RMB Million

	The Group				The Bank			
	1/1/2018	Increase	Decrease	31/12/2018	1/1/2018	Increase	Decrease	31/12/2018
Salaries and bonus	12,207	19,629	(18,531)	**13,305**	10,941	17,693	(16,991)	**11,643**
Labor union expenditure and staff educational funds	1,575	744	(541)	**1,778**	1,530	709	(516)	**1,723**
Social insurance	104	2,259	(2,279)	**84**	82	2,107	(2,108)	**81**
Housing funds	44	986	(988)	**42**	40	938	(941)	**37**
Defined contribution plans	107	2,611	(2,586)	**132**	91	2,534	(2,540)	**85**
Total	**14,037**	**26,229**	**(24,925)**	**15,341**	**12,684**	**23,981**	**(23,096)**	**13,569**

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VIII, 47.1.

25. TAX PAYABLE

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Income tax	**7,959**	6,160	**7,125**	5,643
Value added tax	**2,733**	1,399	**2,404**	1,401
City maintenance and construction tax	**186**	82	**179**	72
Others	**419**	487	**337**	311
Total	**11,297**	**8,128**	**10,045**	**7,427**

26. DEBT SECURITIES ISSUED

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Long term subordinated bonds	**20,957**	20,953	**20,957**	20,953
Financial bonds	**150,244**	97,530	**134,424**	86,471
Secondary capital bonds	**51,935**	51,930	**49,935**	49,930
Non-negotiable certificates of deposit	**483,363**	471,058	**483,363**	471,058
Certificates of deposit	**9,757**	19,620	**9,757**	19,620
Asset-backed securities	**598**	1,867	**-**	-
Private placement (Note)	**1,000**	-	**-**	-
Total	**717,854**	**662,958**	**698,436**	**648,032**

Note: Debt securities issued by the Group include long-term subordinated bonds, financial bonds, secondary capital bonds, non-negotiable certificates of deposit, certificates of deposit, asset-backed securities and private placement note. The secondary capital bonds are issued by commercial banks to supply the secondary capital. The secondary capital bonds and the long term subordinated bonds are in the same liquidation sequence.

Detailed information for debt securities issued as follows:

UNIT: RMB Million

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	31/12/2018	31/12/2018
Long-term subordinate bonds				
09 CIB 02(1)	2009-09-09	Yearly	**7,995**	**7,995**
10 CIB debt(2)	2010-03-29	Yearly	**3,000**	**3,000**
11 CIB subordinated debt(3)	2011-06-28	Yearly	**10,000**	**10,000**
Less: Unamortized issuance cost			**(38)**	**(38)**
Subtotal			**20,957**	**20,957**
Financial bonds				
16 CIB green financial bond 01(4)	2016-01-28	Yearly	**10,000**	**10,000**
16 CIB green financial bond 02(4)	2016-07-14	Yearly	**20,000**	**20,000**
16 CIB green financial bond 03(4)	2016-11-15	Yearly	**20,000**	**20,000**
18 CIB green financial bond 01(5)	2018-11-01	Yearly	**30,000**	**30,000**
18 CIB green financial bond 02(5)	2018-11-22	Yearly	**30,000**	**30,000**
USD medium-term notes(6)	2016-09-21	Half-year	**4,804**	**4,804**
USD medium-term notes(6)	2016-09-21	Half-year	**2,059**	**2,059**
USD medium-term notes(6)	2018-03-05	Half-year	**4,118**	**4,118**
USD medium-term notes(6)	2018-03-05	Half-year	**1,716**	**1,716**
USD medium-term notes(6)	2018-03-05	Quarterly	**3,432**	**3,432**
EUR medium-term notes(6)	2018-03-05	Quarterly	**1,963**	**1,963**
USD green financial bond(6)	2018-11-13	Quarterly	**4,118**	**4,118**
EUR green financial bond(6)	2018-11-13	Quarterly	**2,356**	**2,356**
17 CIB leasing debt 01(7)	2017-03-08	Yearly	**400**	**-**
17 CIB leasing debt 02(7)	2017-05-19	Yearly	**2,000**	**-**
17 CIB leasing debt 03(7)	2017-08-10	Yearly	**3,580**	**-**
18 CIB leasing debt 01(8)	2018-06-05	Yearly	**3,340**	**-**
18 CIB leasing debt 02(8)	2018-11-16	Yearly	**3,500**	**-**
18 CIB leasing debt 03(8)	2018-11-30	Yearly	**3,000**	**-**
Less: Unamortized issuance cost			**(142)**	**(142)**
Subtotal			**150,244**	**134,424**

UNIT: RMB Million

Type-continued	Issuing date	Interest payment frequency	The Group 31/12/2018	The Bank 31/12/2018
Secondary capital bonds				
14 CIB secondary [9]	2014-06-18	Yearly	**20,000**	**20,000**
16 CIB secondary [10]	2016-04-11	Yearly	**30,000**	**30,000**
17 CIB leasing secondary [11]	2017-09-15	Yearly	**2,000**	**-**
Less: Unamortized issuance cost			**(65)**	**(65)**
Subtotal			**51,935**	**49,935**
Non-negotiable certificates of deposit				
Carrying value of non-negotiable certificate of deposit [12]			**490,200**	**490,200**
Less: Unamortized issuance cost			**(6,837)**	**(6,837)**
Subtotal			**483,363**	**483,363**
Certificate of deposit				
Carrying value of certificate of deposit [13]			**9,761**	**9,761**
Accrued interest			**50**	**50**
Less: Unamortized issuance cost			**(54)**	**(54)**
Subtotal			**9,757**	**9,757**
Asset-backed securities				
Jinxin 2017 Series 1 leasing asset-backed security [14]			**598**	**-**
Subtotal			**598**	**-**
Private placement note				
18 CIB assets PPN001(15)	2018-12-20	Yearly	**1,000**	**-**
Subtotal			**1,000**	**-**
Total			**717,854**	**698,436**

(1) In September 2009, the Group issued RMB7,995 million subordinated bonds with a 15-year maturity, a fixed interest rate and a redemption option in the end of the tenth year. The annual coupon rate in first ten interest-bearing years is 5.17%, and the rate in late five years is 8.17% if the issuer does not exercise the option of redemption.

(2) In March 2010, the Group issued RMB3,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate in first ten interest-bearing years is 4.80%, and the rate in late five years is 7.80% if the issuer does not exercise the option of redemption.

(3) In June 2011, the Group issued RMB10,000 million subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate is 5.75% consistently.

(4) In January 2016, July 2016 and November 2016, the Group respectively issued green financial bonds of 3-year bonds amounting RMB10,000 million, 3-year bonds amounting RMB20,000 million and 5-year bonds amounting RMB20 billion with fixed rate of 2.95%, 3.20% and 3.40%.

(5) In November 2018, the Group issued two kinds of green financial bonds of 3-year bonds amounting RMB30,000 million with fixed rates of 3.99% and 3.89%.

(6) In September 2016, the Group set the medium-term notes issuing plan with limit of USD5 billion at The Stock Exchange of Hong Kong Ltd. (the "SEHK"). According to the plan, the Hong Kong branch of the Bank initially issued 3-year medium-term notes amounting USD700 million and 5-year medium-term notes amounting USD300 million at fixed annual rates of 2.00% and 2.375% respectively. The annual rate kept constant during the existence of bonds; in March 2018, the Hong Kong branch of the Bank issued 3-year medium-term notes amounting USD600 million, 5-year medium-term notes amounting USD250 million, 5-year medium-term notes amounting USD500 million and 3-year medium-term notes amounting EUR250 million at fixed annual rates of 3.50%, 3.750%, 105 basis points over the 3-month London rate for interbank lending, and 75 basis points over the 3-month Europe rate for interbank lending; in November 2018, the Hong Kong branch of the Bank issued 3-year overseas green financial bonds amounting USD600 million and 3-year overseas green financial bonds amounting EUR300 million at annual rates of 85 basis points over the 3-month London rate for interbank lending and 85 basis points over the 3-month Europe rate for interbank lending.

(7) In March 2017, May 2017 and August 2017, the Group's subsidiary China Industrial Finance Leasing Limited issued RMB500 million, RMB2,000 million and RMB4,000 million three-year fixed interest rate financial bonds at the annual rate of 4.5%, 5% and 4.7% respectively. As at 31 December 2018, the Bank holds 17 CIB leasing debt 01 of RMB100 million and 17 CIB leasing debt 03 of RMB420 million issued by China Industrial Finance Leasing Limited in March 2017 and August 2017 respectively.

(8) In June 2018, November 2018 and November 2018, the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. issued three-year fixed interest rate financial bonds amounting RMB3,500 million, RMB3,500 million and RMB3,000 million at the annual rate of 4.88%, 3.98% and 3.95% respectively. As at 31 December 2018, the "18 CIB leasing debt 01" of RMB160 million issued by Industrial Bank Financial Leasing Co., Ltd. in June 2018 was held by the Bank.

(9) In June 2014, the Group issued RMB20,000 million subordinated bond with a 10-year maturity, a fixed interest rate and a redemption right in the end of the fifth year. The annual coupon rate is 6.15% consistently.

(10) In April 2016, the Group issued RMB30,000 million subordinated bond with a 10-year maturity, a fixed interest rate and a redemption right at the end of the fifth year. The annual coupon rate is 3.74% consistently.

(11) In September 2017, the Group's subsidiary China Industrial Finance Leasing Limited issued RMB2 billion 10-year secondary capital bonds with fixed interest rate and issuer's redemption right at the end of the 5th year. During the tenure of the bonds, the annual interest rate remains at 5.15%.

(12) As at 31 December 2018, the Group had 311 unpaid non-negotiable certificates of deposit with total amount of RMB490,200 million, including 12 USD non-negotiable certificates of deposit, of which the issued par value was USD820 million (RMB5,628 million) and the terms are within 1 year; 1 HKD non-negotiable certificates of deposit, of which the issued par value was HKD200 million, with RMB175 million due within 1 year;. 1 EUR non-negotiable certificates of deposit, of which the issued par value was EUR 85 million, with RMB67 million due within 1 year; and 297 non-negotiable certificates of deposit, of which the issued par value was RMB484,330 million, with RMB465,530 million due within 1 year and the rest due in 2 to 3 years. The annual rate ranged from 2.8% to 4.9%. Except for the 39 interest-bearing debts were paid quarterly, the interest of the rest debts were paid upon maturity.

(13) As at 31 December 2018, Hong Kong branch had 21 unpaid non-negotiable certificates of deposit, of which the amount was RMB9,761 million and the terms are all less than 1 year. The amount of 10 HKD certificates was HKD5,750 million (RMB5,039 million); the amount of 10 USD certificates of deposit was USD650 million (RMB4,461 million). 1 GBP certificates of deposit with issued par value of GBP30 million (RMB261 million). The annual interest rate ranged from 1.16% to 3.56%. The interest of all certificates is paid upon maturity.

(14) In May 2017, the Group's subsidiary, Industrial Bank Financial Leasing Co., Ltd. issued "Jin Xin 2017 Series 1 leasing asset-backed security" amounting RMB4,721 million. As at 31 December 2018, the existing amount of "Jin Xin 2017 Series 1 leasing asset-backed security" is RMB1,420 million, including RMB801 million held by the initiator and RMB21 million held by the Bank. The amount held by the initiator and the bank has been offset in the consolidated financial statements.

(15) In December 2018, the Group's subsidiary, China Industrial International Trust Limited issued a three-year placement note of RMB1,000 million with an annual fixed interest rate of 4.85%.

27. OTHER LIABILITIES

UNIT: RMB Million

		The Group		The Bank	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
Interest payable	(1)	**46,771**	41,293	**45,646**	39,945
Bank promissory notes		**848**	119	**848**	119
Items in the process of clearance and settlement		**5,304**	2,111	**5,304**	2,111
Dividend payables		**1**	1	**1**	1
Liabilities with continuing involvement		**7,641**	2,101	**7,641**	2,101
Wealth management and entrusted investment fund		**312**	74	**312**	74
Deferred income		**2,889**	3,488	**993**	1,348
Other payables		**21,103**	28,028	**5,678**	10,981
Total		**84,869**	**77,215**	**66,423**	**56,680**

(1) Interest payable

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Interest of borrowings from Central Bank	**4,312**	3,581	**4,312**	3,581
Interest of deposits from banks and other financial institutions	**6,719**	7,589	**6,743**	7,599
Interest of placements from banks and other financial institutions	**1,655**	1,416	**824**	356
Interest of debt securities issued	**3,512**	4,505	**3,200**	4,237
Interest of financial assets sold under repurchase agreements	**443**	386	**443**	386
Interest due to customers	**29,939**	23,352	**29,939**	23,352
Others	**191**	464	**185**	434
Total	**46,771**	**41,293**	**45,646**	**39,945**

28. SHARE CAPITAL

UNIT: RMB Million

	The Group and the Bank		
	1/1/2018	Change for the year	31/12/2018
Shares without limited sales restrictions RMB ordinary shares (A shares)	19,052	-	**19,052**
Shares with limited sales restrictions RMB ordinary shares (A shares)	1,722	-	**1,722**
Total shares	**20,774**	**-**	**20,774**

As at 31 December 2018, the share capital of the Bank is RMB20,774 million (31 December 2017: RMB20,774 million) with par value of RMB1 Yuan per share.

29. OTHER EQUITY INSTRUMENTS

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

Outstanding preference shares in the end of the year are as follows:

The Group and the Bank									
Outstanding financial instrument	Time	Classification	Rate	Price (RMB/ Share)	Quantity (RMB million shares)	Amount (RMB million)	Maturity date	Conversion requirement	Condition
Preference shares	12/2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 3	N/A
Preference shares	06/2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 3	N/A

Note 1: For the first issue of the preference shares, every five year is an interest-bearing cycle from the payment deadline 8 December 2014, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 6.00% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of preference shares of this issue is not higher than annual weighted average ROE of ordinary shareholders in the last two fiscal years. The dividend rate of preference shares of this issue is the sum of benchmark interest rate and basic interest rate, the benchmark interest rate of the first interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (i.e. 3.45%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 8 December 2014 which is the date of the deadline for payment of preference shares issued (excluding the day). The benchmark interest rate adjusts every 5 years from the deadline for payment of preference shares issued. The basic interest rate is the dividend rate of first cycle deducting the benchmark interest rate, which is 2.55%. The basic interest rate will no longer be adjusted since the issue of determining. The coupon interest rate of follow-up period is current dividend benchmark interest rate plus an interest margin, the benchmark interest rate of current interest-bearing cycle

is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published by China Bond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which is the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM of 5-year treasury bonds with 5-year maturity is not available on the benchmark interest adjustment day, the benchmark interest rate or determination principal will be determined under negotiations between the Bank and investors required by regulator.

Note 2: For the second issue of preference shares, every five year is an interest-bearing cycle from the payment deadline 24 June 2015, the dividend rate is the same in every interest-bearing cycle. The dividend rate of first cycle is determined to be 5.40% through inquiring, by the Board of Directors in according with the shareholders' meeting authorized combining with some factors such as national policy when issued, market conditions, specific circumstances of the Bank and requirements of investors. The dividend rate of preference shares of this issue is not higher than annual weighted average ROE of ordinary shareholders in the last two fiscal years. The dividend rate of preference shares of this issue is the sum of benchmark interest rate and basic interest rate, the benchmark interest rate of the first interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (i.e. 3.25%, rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before 24 June 2015 which is the date of the deadline for payment of preference shares issued (excluding the day). The benchmark interest rate adjusts every 5 years from the deadline for payment of preference shares issued. The basic interest rate is the dividend rate of first cycle deducting the benchmark interest rate, which is 2.15%. The basic interest rate will no longer be adjusted since the issue of determining. The coupon interest rate of follow-up period is current dividend benchmark interest rate plus an interest margin, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded off to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which is the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM of 5-year national debt with 5-year maturity is not available on the benchmark interest adjustment day, the benchmark interest rate or determination principal will be determined under negotiations between the Bank and investors required by regulator.

Note 3: (1) When the Bank's core tier one capital adequacy ratio fell to 5.125%, the preference shares of this issue will be examined and decided by the CBIRC in accordance with the relevant requirements of, in accordance with the full mandatory conversion price into ordinary shares of the Bank, when the preference shares converted into A shares of ordinary share, under any conditions no longer be restored to preference shares.

(2) When triggered event of the secondary capital instruments issued by the Bank occurs, the preference shares of this issue will be examined and decided by the CBIRC in accordance with the relevant requirements of, in accordance with the full mandatory conversion price into ordinary shares of the Bank, when the preference shares converted into A shares of ordinary share, under any conditions no longer be restored to preference shares. Among them, the secondary capital instruments triggering event is the earlier of the following two situations: ① the CBIRC identifies if it was not conversion or written down, the Bank will be unable to survive; ② Relevant departments identify if the public sectors don't inject or offer the same effect support, the Bank will not survive.

The principal terms of disclosure (applicable to first and second issue of domestic preference shares):

The Bank will pay preferred dividends in cash. The preference shares of this issue use a non-cumulative dividend payment, which means dividend that is not paid in full to preference shareholders do not accrue interest to next year. After the preference shareholders of this issue obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of profits remaining.

Under the premise of ensuring the capital adequacy ratio from the regulatory requirements, after the Bank covers losses, extracts mandatory reserve and other reserve, under the case of there still is retained earnings in the Bank's financial statements caliber, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders dividends is higher than ordinary shareholders, payment of preference shares dividends is neither linked to ratings of banks, nor adjusted with the rating changes. The Bank could cancel payment of dividend in any case, and it does not constitute an event of default. The Bank can freely cancel the dividends distribution without constituting a breach of contract. The Bank is entitled to arrange cancelled income as payment to other debts with maturity. Canceling paying dividend shall not constitute any further restrictions on the Bank except income distribution of ordinary shares. When the Bank exercises these rights, it will take full account into the interests of preference shareholders. If payment of dividend for preference shareholders is all or part canceled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issue belongs to the Bank, the Bank exercised the right of conditional redemption is under the premise of the CBIRC's approval, the Bank's preference shareholders do not have the right to request redemption of preference shares and should not form expectations that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issue is the Bank A shares of ordinary share trading price on the date of 20 days before consideration by the Board of Directors of this preference shares issued, which means that mandatory initial conversion price of preference shares of this issue is RMB9.86 / share. Since the day that the issuance of preference shares program is passed by the Bank's Board of Directors, when the Bank shares change with the delivery of the stock dividend, share capital, issuance of new shares (not including any increasing share capital from conversion of financing instruments with terms that could be converted to ordinary shares) or the allotment of shares, the preference shares will be cumulatively adjusted in turn the forced conversion price in accordance with the established formula , and disclose relevant information in accordance with the provisions.

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

As of 30 June 2015, the Bank's net proceeds of RMB25,905 million dollars have been all used to supplement the first level capital.

Changes of outstanding preference shares are as follows:

UNIT: RMB Million

	The Group and the Bank							
	1/1/2018		Addition		Less		31/12/2018	
	Quantity (Million)	Carrying value	Quantity (Million)	Carrying value	Quantity (Million)	Carrying value	Quantity (Million)	Carrying value
Preference shares	260	26,000	-	-	-	-	260	**26,000**
Fees		(95)		-		-		**(95)**
Total	260	25,905	-	-	-	-	260	**25,905**

Attributing to holders of equity instrument

UNIT: RMB Million

	The Group	
	31/12/2018	31/12/2017
Equities attributable to equity holders of parent company		
Equities attributable to ordinary shareholders of parent company	**440,048**	390,990
Equities attributable to other equity holders of parent company	**25,905**	25,905
Net profit	**1,482**	1,482
Total comprehensive income	**1,482**	1,482
Distributed dividend of the period	**(1,482)**	(1,482)
Accumulated retained dividend	**-**	-
Equities attributable to non-controlling interests in equity	**6,631**	5,857

30. CAPITAL RESERVE

UNIT: RMB Million

	The Group				The Bank			
	1/1/2018	Increase	Decrease	31/12/2018	1/1/2018	Increase	Decrease	31/12/2018
Share premium	74,978	-	-	**74,978**	75,227	-	-	**75,227**
Others	33	-	-	**33**	33	-	-	**33**
Total	**75,011**	**-**	**-**	**75,011**	**75,260**	**-**	**-**	**75,260**

31. SURPLUS RESERVE

UNIT: RMB Million

	The Group and the Bank	
	12/31/2018	12/31/2017
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2018, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them have reached 50% of the share capital of the Bank.

32. GENERAL AND REGULATION RESERVE

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
General and regulatory reserve	**73,422**	**70,611**	**69,996**	**67,888**

Pursuant to (CJ[2012] No. 20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general and regulatory reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets, include loans and advances to customers, available-for-sale financial assets, held-to-maturity investments, investments classified as receivables, long-term equity investments, deposits with banks and other financial institutions, placements with banks and other financial institutions, foreclosed assets and other receivables and so forth. As at 31 December 2018, the balance of the provision of general risk is 1.5% of the balance of risk-bearing assets at the end of the year. The subsidiaries of the Bank determine the general and regulatory reserve according to the regulation.

33. RETAINED EARNINGS

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Opening balance	**214,977**	173,524	**204,005**	165,156
Net profit for the year	**60,620**	57,200	**57,231**	54,007
Appropriations to statutory surplus reserve	**-**	(860)	**-**	(860)
Appropriations to general and regulatory reserve	**(2,811)**	(733)	**(2,108)**	(144)
Dividends distribution of ordinary shares	**(13,503)**	(12,672)	**(13,503)**	(12,672)
Dividends distribution of preference shares	**(1,482)**	(1,482)	**(1,482)**	(1,482)
Closing balance	**257,801**	**214,977**	**244,143**	**204,005**

(1) "2018 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 29 April 2019 and submitted for approval by the annual general meeting is as follows:

(i) Appropriation of RMB2,108 million to general and regulation reserve. As at 31 December 2018, the proposed appropriation of general and regulation reserve has been included in the general risk reserve.

(ii) Distribute a cash dividend of RMB6.90 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at issuance date of the financial statements.

(iii) The interest period of preference shares issued in 2014 is from 1 January 2018 to 31 December 2018 (the annual dividend rate is 6%), the interest period of preference shares issued in 2015 is from 1 January 2018 to 31 December 2018 (the annual dividend rate is 5.4%), the preferred dividends payable is RMB1,482 million in total.

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

(2) "2017 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 24 April 2018 and approved by the annual general meeting on 25 May 2018 is as follows:

(i) Appropriation of RMB860 million to statutory surplus reserve on the basis of the Bank's net profit for 2017 amounting to RMB54,007 million . As at 31 December 2017, the proposed appropriation to statutory surplus reserve has been included in the surplus reserve.

(ii) Appropriation of RMB144 million to general and regulation reserve. As at 31 December 2017, the proposed appropriation of general and regulation reserve has been included in the general risk reserve.

(iii) Distribute a cash dividend of RMB6.50 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at issuance date of the financial statements.

(iv) The interest period of preference shares issued in 2014 is from 1 January 2017 to 31 December 2017 (the annual dividend rate is 6%), the interest period of preference shares issued in 2015 is from 1 January 2017 to 31 December 2017(the annual dividend rate is 5.4%), the preferred dividends payable is RMB1,482 million in total.

As at 31 December 2018, the above-mentioned dividend distribution has been completed.

(3) Surplus reserve appropriated by subsidiaries

As at 31 December 2018, the balance of the Group's retained earnings include surplus reserve appropriated by subsidiaries amounting to RMB1,613 million (31 December 2017: RMB1,360 million).

34. NET INTEREST INCOME

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Interest income				
Balances with Central Bank	**6,545**	6,813	**6,545**	6,813
Deposits with banks and other financial institutions	**2,949**	1,991	**2,866**	1,809
Placements with banks and other financial institutions	**2,707**	1,337	**3,144**	1,545
Financial assets purchased under resale agreements	**2,824**	2,879	**2,714**	2,505
Loans and advances to customers	**124,819**	104,760	**122,165**	103,497
Including: Corporate	**75,480**	66,725	**75,696**	66,732
Personal	**45,786**	36,885	**42,916**	35,615
Discounted bills	**3,553**	1,150	**3,553**	1,150
Bonds and other investment	**123,781**	128,567	**121,390**	126,281
Finance lease	**5,717**	5,472	**-**	-
Others	**1,236**	825	**843**	825
Total	**270,578**	252,644	**259,667**	243,275
Interest expense				
Borrowing from Central Bank	**(8,639)**	(7,105)	**(8,639)**	(7,105)
Deposits from banks and other financial institutions	**(55,205)**	(64,123)	**(55,317)**	(64,189)
Placements from banks and other financial institutions	**(8,899)**	(6,185)	**(3,292)**	(1,696)
Financial assets sold under repurchase agreements	**(4,259)**	(3,358)	**(4,007)**	(3,255)
Due to customers	**(69,985)**	(54,891)	**(69,987)**	(54,903)
Debt securities issued	**(27,707)**	(28,390)	**(27,706)**	(27,933)
Others	**(227)**	(141)	**(83)**	(60)
Total	**(174,921)**	(164,193)	**(169,031)**	(159,141)
Net interest income	**95,657**	88,451	**90,636**	84,134
Including: Interest income accrued on impaired financial assets	**1,287**	1,173	**1,287**	1,173

35. NET FEE AND COMMISSION INCOME

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Fee and commission income				
Settlement and clearing fee	**1,682**	1,190	**1,682**	1,190
Bank card fee	**21,408**	13,228	**21,408**	13,228
Agency fee	**2,670**	3,059	**2,635**	3,032
Credit commitment fee	**1,526**	1,673	**1,526**	1,673
Transactional service fee	**942**	602	**942**	602
Custodian fee	**3,405**	4,063	**3,405**	4,063
Consultancy and advisory fee	**11,124**	14,416	**10,202**	13,458
Trust service fee	**2,118**	1,631	**-**	-
Lease service fee	**1,053**	1,060	**-**	-
Others	**1,134**	1,105	**575**	734
Subtotal	**47,062**	42,027	**42,375**	37,980
Fee and commission expense				
Settlement and clearing expenses	**(1,204)**	(810)	**(1,196)**	(803)
Bank card expenses	**(1,349)**	(1,454)	**(1,349)**	(1,454)
Service fee for bond underwriting	**(278)**	(109)	**(278)**	(109)
Others	**(1,253)**	(915)	**(798)**	(824)
Subtotal	**(4,084)**	(3,288)	**(3,621)**	(3,190)
Net fee and commission income	**42,978**	38,739	**38,754**	34,790

36. INVESTMENT INCOME

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Precious metal	**88**	(687)	**88**	(687)
Financial assets at fair value through profit of loss	**9,339**	9,565	**9,862**	10,242
Derivative financial instruments	**8,506**	(6,464)	**8,506**	(6,464)
Available-for-sale financial assets	**6,595**	1,580	**7,464**	2,037
Long-term equity investments (equity method)	**265**	292	**264**	272
Long-term equity investments (cost method)	**-**	-	**-**	20
Financial liabilities at fair value through profit of loss	**(12)**	(32)	**(12)**	(32)
Others	**1,701**	260	**809**	(115)
Total	**26,482**	**4,514**	**26,981**	**5,273**

37. GAINS (LOSSES) FROM CHANGES IN FAIR VALUE

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Precious metal	**(360)**	1,153	**(360)**	1,153
Financial assets at fair value through profit of loss	**(320)**	(763)	**(517)**	(231)
Derivative financial instruments	**3,589**	(990)	**3,589**	(990)
Financial liabilities at fair value through profit of loss	**10**	(22)	**(1)**	(2)
Total	**2,919**	**(622)**	**2,711**	**(70)**

38. BUSINESS TAXES AND SURCHARGES

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
City maintenance and construction tax	**674**	589	**632**	558
Education surcharge	**460**	409	**431**	387
Others	**274**	(23)	**253**	(59)
Total	**1,408**	**975**	**1,316**	**886**

39. GENERAL AND ADMINISTRATIVE EXPENSES

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Employee benefits	**26,229**	23,787	**23,981**	21,895
Depreciation and amortization	**2,423**	2,052	**2,263**	1,949
Lease expenses	**3,003**	2,889	**2,804**	2,719
R&D expenses	**630**	457	**564**	411
Others	**9,779**	8,945	**9,474**	8,759
Total	**42,064**	**38,130**	**39,086**	**35,733**

40. IMPAIRMENT LOSSES ON ASSETS

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Loans and advances to customers	**38,067**	28,621	**37,426**	28,429
Investments classified as receivables	**5,409**	6,290	**5,168**	6,236
Available-for-sale financial assets	**648**	(598)	**401**	(597)
Finance lease receivables	**1,128**	462	**-**	-
Others	**1,152**	732	**1,614**	699
Total	**46,404**	**35,507**	**44,609**	**34,767**

41. NON-OPERATING INCOME

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Penalties and fines received	**53**	29	**53**	29
Gains from dormant accounts	**15**	10	**15**	10
Government grants	**18**	105	**6**	36
Others	**249**	229	**211**	210
Total	**335**	**373**	**285**	**285**

42. NON-OPERATING EXPENSES

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Donation expenses	**37**	21	**31**	20
Penalties and fines paid	**86**	389	**86**	389
Others	**49**	23	**46**	22
Total	**172**	**433**	**163**	**431**

43. INCOME TAX EXPENSES

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Current income tax	**12,973**	9,915	**10,770**	8,531
Deferred income tax	**(6,192)**	(2,835)	**(5,205)**	(2,666)
Adjustment in respect of income tax of prior year	**51**	(62)	**50**	(71)
Total	**6,832**	**7,018**	**5,615**	**5,794**

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

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Accounting profit	**68,077**	64,753	**62,846**	59,801
Tax calculated at applicable statutory tax rate of 25%	**17,019**	16,188	**15,712**	14,950
Adjustments:				
Income not subject to tax	**(12,105)**	(9,511)	**(11,997)**	(9,399)
Items not deductible for tax purposes	**1,867**	403	**1,850**	314
Adjustment in respect of income tax of prior year	**51**	(62)	**50**	(71)
Total	**6,832**	**7,018**	**5,615**	**5,794**

44. EARNINGS PER SHARE

UNIT: RMB Million

	The Group	
	2018	2017
Current net profit attributable to ordinary shareholders of the Bank	**59,138**	55,718
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,344
Basic and diluted earnings per share (RMB)	**2.85**	2.74

The RMB26,000 million preference shares of the Bank approved in November 2014 were successfully issued in June 2015. When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends announced of insurance. In addition, it had no influence on basic earnings per share and diluted earnings per share in 2018 and 2017.

45. OTHER COMPREHENSIVE INCOME

UNIT: RMB Million

	The Group						
	2018						
	31/12/2017	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Belong to shareholders of the bank after tax	Belong to non-controlling interests after tax	31/12/2018
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial profits/losses on defined benefit plans	822	(188)	-	-	(188)	-	**634**
Subtotal	822	(188)	-	-	(188)	-	**634**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Profit and loss arising from changes in fair value of available-for-sale financial assets	(1,885)	(16,399)	21,087	(1,172)	3,587	(71)	**1,702**
Translation differences of financial statements denominated in foreign currencies	-	24	-	-	24	-	**24**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	-	-	-	-	**(4)**
Subtotal	(1,889)	(16,375)	21,087	(1,172)	3,611	(71)	**1,722**
Total	**(1,067)**	**(16,563)**	**21,087**	**(1,172)**	**3,423**	**(71)**	**2,356**

UNIT: RMB Million

	The Bank				
	2018				
	12/31/2017	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31/12/2018
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial profits/losses on defined benefit plans	822	(188)	-	-	**634**
Subtotal	822	(188)	-	-	**634**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Profit and loss arising from changes in fair value of available-for-sale financial assets	(1,835)	(15,769)	21,112	(1,336)	**2,172**
Shares of other comprehensive income of associates and joint ventures accounted for under equity method	(4)	-	-	-	**(4)**
Subtotal	(1,839)	(15,769)	21,112	(1,336)	**2,168**
Total	**(1,017)**	**(15,957)**	**21,112**	**(1,336)**	**2,802**

46. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

(1) Supplementary information to the cash flow statement

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	**61,245**	57,735	**57,231**	54,007
Add: Impairment losses on assets	**46,404**	35,507	**44,609**	34,767
Depreciation of fixed assets	**1,787**	1,551	**1,524**	1,181
Amortization of intangible assets	**116**	102	**100**	89
Amortization of long-term prepaid expenses	**671**	704	**639**	679
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(20)**	(70)	**(20)**	(29)
Interest income of bonds and other investments	**(123,781)**	(128,567)	**(121,390)**	(126,281)
Interest income of impairment financial assets	**(1,287)**	(1,173)	**(1,287)**	(1,173)
(Gains) Losses from changes in fair value	**(2,919)**	622	**(2,711)**	70
Investment income	**(26,482)**	(4,514)	**(26,981)**	(5,273)
Interest expense for debt securities issued	**27,707**	28,390	**27,706**	27,933
Increase in deferred tax assets	**(6,735)**	(2,943)	**(5,746)**	(2,775)
Increase in deferred tax liabilities	**543**	108	**541**	109
Increase in receivables of operating activities	**(515,206)**	(437,550)	**(514,854)**	(427,653)
Increase in payables of operating activities	**181,858**	287,456	**183,632**	272,388
Net cash flow from operating activities	**(356,099)**	(162,642)	**(357,007)**	(171,961)
2. Changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**549,177**	470,321	**543,622**	480,627
Less: Opening balance of cash and cash equivalents	**470,321**	433,063	**480,627**	465,783
Net increase of cash and cash equivalents	**78,856**	37,258	**62,995**	14,844

(2) Composition of cash and cash equivalents

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Cash on hand	**5,191**	5,535	**5,191**	5,535
Balances with Central Bank that can be withdrawn on demand	**77,820**	13,989	**77,820**	13,987
Deposits with banks and other financial institutions with original maturity less than three months	**36,216**	65,883	**32,456**	58,978
Placements with banks and other financial institutions with original maturity less than three months	**54,508**	20,921	**54,508**	20,921
Financial assets purchased under resale agreements with original maturity less than three months	**75,014**	88,202	**73,637**	85,362
Investment with original maturity less than three months	**300,428**	275,791	**300,010**	295,844
Closing balance of cash and cash equivalents	**549,177**	**470,321**	**543,622**	**480,627**

47. POST-EMPLOYMENT COMPENSATION

47.1 Defined contribution plans

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

Expense recognised in profit or loss for the period:

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Defined contribution plans	**2,611**	2,261	**2,534**	**2,179**

Amount of payable in the year-end:

UNIT: RMB Million

	The Group		The Bank	
	2018	2017	2018	2017
Defined contribution plans	**132**	107	**85**	91

47.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007. The Group invited Tower Watson Consulting Group (Shanghai) to estimate the present value. The project estimates the future cash flow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the national debt market income rate in which the period of defined benefit plans and currency on balance sheet date. Past service costs will be charged in profit and loss in the period of revising the plans. The net interest is recognized by the net liabilities or assets of defined benefit plans timing appropriate discount rate.

In the Current year, the effect of defined benefit plans recognized as expenses is RMB136 million; actuary losses included in other comprehensive income is RMB188 million. The closing balance of net assets of defined benefit plans amounting to RMB1,088 million, representing the fair value of the defined benefit plans assets net of the present value of defined benefit plans obligation, is charged to other assets. (Note VIII, 17).

As of 31 December 2018, the Group benefit plans set was in the period of the average benefit obligation for about 7-8 years (31 December 2017:10-11 years).

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

In determining the set of major actuarial present value using the benefit plan obligations assumed discount rate, mortality rate. The discount rate is 3.25% (2017: 4.00%) as at 31 December 2018. Mortality assumptions are based on the men and women pension service table released by Chinese Insurance Regulatory Commission (China experience life table of life insurance "2010-2013"). The men and women workers retire at the age of 60 and retired at the age of 55 on average expected residual life for 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the reasonably possible changes of corresponding hypothesis that occurring at the end of the reporting period (all other assumptions unchanged):

If the discount rate increase (decrease) by 25 basis points, then the present value of defined benefit plan duty will be reduced by RMB43 million (an increase of RMB45 million).

As part of hypothesis may have relevance, a hypothesis cannot be isolated to change, so the sensitivity analysis cannot reflect the actual changes in benefit obligations set value.

In the sensitivity analysis, the net debt of defined benefit plan and the related debt recognized in the statement of financial position share the same calculation method.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn’t change.

48. STRUCTURED ENTITIES

48.1 Consolidated structured entities

The consolidated structured entities of the Group are funds, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determine whether the consolidation is necessary based on the decision scope of asset manager, power of trust holder, reward from offering management service and the risk exposure of variable return. In 2018 and 2017, the Group didn't offer financial support to the consolidated structured entities.

48.2 Unconsolidated structured entities

48.2.1 Structured entities without the scope managed by the Group

The Group initiates and establishes structured entities which offer specific investment opportunities. Such structured entities conduct financing and investing through issuing products. The Group enjoys no control over such structured entities. Therefore, such structured entities are unconsolidated. Up to 31 December 2018 and 31 December 2017, the consolidated entities issued by the Group mainly include wealth management products, funds, asset-backed securities, trust plans and asset management plans. And the Group earns commission income mainly from offering management service to the investors of these structured entities.

In 2018 and 2017, the Group did not offer financial support to other structured entities excluded from the consolidation scope.

Up to 31 December 2018 and 31 December 2017, the information of unconsolidated structured entities initiated by the Group is listed below:

UNIT: RMB Million

	The Group		
	Scale	Scale	Type
	31/12/2018	31/12/2017	
Wealth management products	**1,215,684**	1,152,282	Commission income
Funds	**202,071**	283,388	Commission income
Asset-backed securities	**18,621**	29,081	Commission income
Trust plans	**724,056**	915,867	Commission income
Asset management plans	**296,715**	293,106	Commission income
Total	**2,457,147**	**2,673,724**	

In 2018, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB11,238 million (2017: RMB14,550 million).

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

To utilize the capital better, the equity enjoyed by the Group in structured entities without the scope in 31 December 2018 mainly includes wealth management products, funds, asset-backed securities, trust plans and asset management plans issued or managed by the Group or individual third parties. The Group earns interest income and investment income mainly through holding these structured entities equities. The Group does not consolidate these structured entities because the Group does not control them.

The Group did not offer financial support to the structured entities above in 2018.

Up to 31 December 2018 and 31 December 2017, the information of unconsolidated structured entities in which the Group enjoys equity is listed below:

UNIT: RMB Million

	The Group						
	31/12/2018						
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity investments	Investments classified as receivables	Carrying value	Max risk exposure (Note 1)	Type
Funds	271,755	142,333	-	-	414,088	414,088	Investment income
Wealth management products	1,914	2,972	-	1,088	5,974	5,974	Investment income, interest income
Trust plans	270	10,570	-	640,346	651,186	651,186	Investment income, interest income
Asset management plans	5,869	11,521	-	215,399	232,789	232,789	Investment income, interest income
Asset-backed securities	1,180	40,403	128	123,040	164,751	164,751	Investment income, interest income
Total	**280,988**	**207,799**	**128**	**979,873**	**1,468,788**	**1,468,788**	

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

UNIT: RMB Million

	The Group							
	31/12/2017							
	Financial assets held under resale agreement	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hold-to-maturity investments	Investments classified as receivables	Carrying value	Max risk exposure (Note 1)	Type
Funds	-	216,511	81,489	-	-	298,000	298,000	Investment income
Wealth management products	-	3	2,848	-	84,614	87,465	87,465	Investment income, interest income
Trust plans	800	162	9,832	-	805,441	816,235	816,235	Investment income, interest income
Asset management plans	3,302	3,784	14,541	-	315,458	337,085	337,085	Investment income, interest income
Asset-backed securities	-	2,635	29,335	4	242,125	274,099	274,099	Investment income, interest income
Total	**4,102**	**223,095**	**138,045**	**4**	**1,447,638**	**1,812,884**	**1,812,884**	

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

IX. SEGMENT REPORTING

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

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

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other region, western region, central region, a total of ten segments, of which branches within the northeast and other region, western region, central region are presented in a consolidated manner.

Among them, the northeast and other region includes: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

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

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

UNIT: RMB Million

	The Group											
	2018											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other region	Western region	Central region	Eliminations	Total
Operating income	62,453	19,892	7,089	6,340	9,943	3,825	5,988	14,243	14,486	14,028	-	**158,287**
Net interest income	18,638	13,982	6,422	5,508	8,716	3,171	5,274	9,200	13,016	11,730	-	**95,657**
Including: Net inter-segment interest income	(67,656)	6,579	11,729	9,726	11,878	1,596	1,148	5,874	10,546	8,580	-	**-**
Net fee and commission income	28,412	4,422	627	763	1,035	608	650	2,992	1,313	2,156	-	**42,978**
Other income	15,403	1,488	40	69	192	46	64	2,051	157	142	-	**19,652**
Operating expenses	(26,538)	(11,691)	(2,846)	(2,626)	(5,874)	(3,166)	(3,220)	(16,099)	(9,657)	(8,656)	-	**(90,373)**
Operating profit	35,915	8,201	4,243	3,714	4,069	659	2,768	(1,856)	4,829	5,372	-	**67,914**
Add: Non-operating income	64	68	7	27	62	10	13	48	13	23	-	**335**
Less: Non-operating expenses	(69)	(29)	(2)	(3)	(15)	(7)	(3)	(14)	(8)	(22)	-	**(172)**
Total profit	35,910	8,240	4,248	3,738	4,116	662	2,778	(1,822)	4,834	5,373	-	**68,077**
Less: Income tax expenses												**(6,832)**
Net profit												**61,245**
Segment assets	3,757,977	537,225	554,175	383,868	691,669	254,736	360,377	838,758	535,369	698,541	(1,933,355)	**6,679,340**
Including: Investment in an associate												**3,224**
Undistributed assets												**32,317**
Total assets												**6,711,657**
Segment liabilities	3,392,737	506,851	550,324	378,715	687,505	253,454	357,598	821,548	530,714	692,982	(1,933,355)	**6,239,073**
Undistributed liabilities												**-**
Total liabilities												**6,239,073**
Supplemental information												
Credit commitments	284,435	59,244	24,837	32,968	95,976	43,599	72,897	167,251	117,484	192,873	-	**1,091,564**
Depreciation and amortization	406	366	118	69	155	97	167	351	291	403	-	**2,423**
Capital expenditures	1,709	652	134	603	143	110	120	1,762	353	566	-	**6,152**

UNIT: RMB Million

	The Group - continued											
	2017											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other region	Western region	Central region	Eliminations	Total
Operating income	50,903	17,563	7,359	7,767	9,959	2,153	3,438	14,263	11,406	15,164	-	**139,975**
Net interest income	19,741	12,557	6,234	6,208	8,198	1,397	2,286	8,771	9,737	13,322	-	**88,451**
Including: Net inter-segment interest income	(67,542)	7,681	10,112	9,333	11,666	976	402	6,639	9,903	10,830	-	**-**
Net fee and commission income	21,997	4,025	1,073	1,514	1,675	736	1,119	3,215	1,603	1,782	-	**38,739**
Other income	9,165	981	52	45	86	20	33	2,277	66	60	-	**12,785**
Operating expenses	(17,683)	(10,899)	(1,475)	(1,908)	(4,492)	(3,481)	(3,310)	(10,775)	(11,528)	(9,611)	-	**(75,162)**
Operating profit	33,220	6,664	5,884	5,859	5,467	(1,328)	128	3,488	(122)	5,553	-	**64,813**
Add: Non-operating income	44	106	5	20	19	18	15	20	92	34	-	**373**
Less: Non-operating expenses	(4)	(12)	(12)	(7)	(5)	(4)	(1)	(239)	(10)	(139)	-	**(433)**
Total profit	33,260	6,758	5,877	5,872	5,481	(1,314)	142	3,269	(40)	5,448	-	**64,753**
Less: Income tax expenses												**(7,018)**
Net profit												**57,735**
Segment assets	3,727,907	506,940	487,656	386,217	686,749	221,858	328,015	805,371	555,336	691,504	(2,008,008)	**6,389,545**
Including: Investment in an associate												**3,008**
Undistributed assets												**27,297**
Total assets												**6,416,842**
Segment liabilities	3,391,827	485,306	481,603	379,602	681,332	223,153	327,873	790,017	555,497	685,888	(2,008,008)	**5,994,090**
Undistributed liabilities												**-**
Total liabilities												**5,994,090**
Supplemental information												
Credit commitments	208,127	59,613	20,943	11,970	57,504	31,820	46,409	148,086	96,080	158,725	-	**839,277**
Depreciation and amortization	357	281	102	62	154	78	151	279	240	348	-	**2,052**
Capital expenditures	511	546	21	36	481	71	117	4,021	535	369	-	**6,708**

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Related Party Relationship

The Group

Related parties with no controlling interest

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

Name	Economic nature	Place of registration	Registered capital (RMB 100 Million)	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Yu Jun
PICC Property and Casualty Company Limited (1)	Incorporated Company	Beijing	222.43	Insurance services	Miao Jianmin
PICC Life Insurance Company Limited (1)	Incorporated Company	Beijing	257.61	Insurance services	Miao Jianmin
China National Tobacco Corporation(1)	Owned by the whole people	Beijing	570	Production, and sales of tobacco products	Zhang Jianmin
Fujian Tobacco Haisheng Investment Management Co., Ltd. (1)	Limited Company	Xiamen	26.47	Investment management	Lu Xiaodong
China Tobacco Hunan Investment Management Co., Ltd. (1)	Limited Company	Changsha	2	Investment management	Deng Yongzhi
The People's Insurance Company (Group) of China Limited (1)	Incorporated Company	Beijing	424.24	Investment management and insurance services	Miao Jianmin
Fujian Company of China National Tobacco Corporation (1)	Owned by the whole people	Fuzhou	1.37	Sales of tobacco products	Zhang Yongjun
Guangdong Company of China national Tobacco Corporation (1)	Owned by the whole people	Guangzhou	1.40	Production and sales of tobacco products	Liu Yiping

Details of shareholders holding more than 5% (inclusive) of the Bank's shares:

	31/12/2018		31/12/2017	
Name of shareholders	Shares (Million shares)	Proportion (%)	Shares (Million shares)	Proportion (%)
The Finance Bureau of Fujian Province	3,902	18.78	3,902	18.78
PICC Life Insurance Company Limited [(1)]	1,276	6.14	1,276	6.14
PICC Property and Casualty Company Limited [(1)]	1,229	5.91	1,229	5.91
China National Tobacco Corporation [(1)]	1,110	5.34	1,110	5.34
Fujian Tobacco Haisheng Investment Management Co., Ltd. [(1)]	441	2.13	441	2.13
China Tobacco Hunan Investment Management Co., Ltd. [(1)]	226	1.09	226	1.09
The People's Insurance Company (Group) of China Limited [(1)]	174	0.84	174	0.84
Fujian Company of China National Tobacco Corporation [(1)]	132	0.64	132	0.64
Guangdong Company of China National Tobacco Corporation [(1)]	99	0.48	99	0.48
Total	**8,589**	**41.35**	**8,589**	**41.35**

Note: (1) Relationship between related parties: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are both subsidiaries of The People's Insurance Company (Group) of China Limited through shareholding. The aggregate proportion of shareholding is 12.89%. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation are subsidiaries of China National Tobacco Corporation. The aggregate proportion of shareholding is 9.68%.

(2) Associates

For basic information and related information of associates refer to Note VIII, 12.

(3) Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or significant influence.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

UNIT: RMB Million

Related party	2018	2017
The People's Insurance Company (Group) of China Limited and its related parties	**84**	128
China Tobacco and its related parties	**-**	25
Associates	**137**	87
Fujian Yango Holdings Group and its related parties	**474**	152
Fujian I&D Group Co., Ltd. and its related parties	**30**	29
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	-
Xiamen International Bank Co., Ltd.	**1**	3
Xiamen Air	**-**	12
Others	**55**	1
Total	**782**	**437**

2.2 Interest expense

UNIT: RMB Million

Related party	2018	2017
The Finance Bureau of Fujian Province and its subsidiaries	**325**	296
The People's Insurance Company (Group) of China Limited and its related parties	**369**	463
China Tobacco and its related parties	**1,619**	947
Associates	**12**	4
Fujian Yango Holdings Group and its related parties	**50**	59
Fujian I&D Group Co., Ltd. and its related parties	**44**	8
Zhejiang Energy Group Co., Ltd. and its related parties	**26**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**11**	-
Xiamen International Bank Co., Ltd.	**1**	10
Others	**40**	16
Total	**2,497**	**1,803**

2.3 Fee and commission income

UNIT: RMB Million

Related party	2018	2017
The Finance Bureau of Fujian Province and its subsidiaries	1	13
The People's Insurance Company (Group) of China Limited and its related parties	10	14
Associates	1	-
Fujian Yango Holdings Group and its related parties	71	37
Fujian I&D Group Co., Ltd. and its related parties	4	3
Others	20	-
Total	107	**67**

2.4 Fees and commission expense

UNIT: RMB Million

Related party	2018	2017
The People's Insurance Company (Group) of China Limited and its related parties	**11**	40
Others	**4**	-
Total	**15**	**40**

2.5 General and administrative expenses-insurance

UNIT: RMB Million

Related party	2018	2017
The People's Insurance Company (Group) of China Limited and its related parties	**458**	**423**

In 2018, the Bank was received compensation of RMB8 million from The People's Insurance Company (Group) of China Limited and its subsidiaries (2017: RMB11 million).

2.6 General and administrative expenses- rental expense

UNIT: RMB Million

Related party	2018	2017
China Tobacco and its related parties	**26**	**24**

3. Unsettled amount of related party transactions

3.1 Deposits with banks

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
Associates	**6**	-
Fujian Yango Holdings Group and its related parties	**400**	307
Total	**406**	**307**

3.2 Funds lent out

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
Associates	**734**	**-**

3.3 Derivative financial instruments

UNIT: RMB Million

Related party	Transaction Type	31/12/2018		31/12/2017	
		Nominal amount	Assets/ Liabilities	Nominal amount	Assets/ Liabilities
The People's Insurance Company (Group) of China Limited and its related parties	Interest Rate Derivative	**-**	**-**	730	-
Xiamen International Bank Co., Ltd.	Interest Rate Derivative	**50**	**-**	-	-
Xiamen International Bank Co., Ltd.	Exchange Rate Derivative	**94**	**(2)**	4,988	41
Total		**144**	**(2)**	**5,718**	**41**

3.4 Interest receivable

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
The People's Insurance Company (Group) of China Limited and its related parties	**7**	52
Associates	**63**	26
Fujian Yango Holdings Group and its related parties	**63**	62
Fujian I&D Group Co., Ltd. and its related parties	**2**	7
Xiamen International Bank Co., Ltd.	**1**	-
Others	**2**	-
Total	**138**	**147**

3.5 Available-for-sale financial assets

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
Fujian Yango Holdings Group and its related parties	**-**	112
Fujian I&D Group Co., Ltd. and its related parties	**-**	120
Xiamen International Bank Co., Ltd.	**400**	147
Others	**30**	-
Total	**430**	**379**

3.6 Investments classified as receivables

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
The People's Insurance Company (Group) of China Limited and its related parties	**600**	2,400
Associates	**4,949**	5,330
Fujian Yango Holdings Group and its related parties	**5,781**	4,488
Others	**1,552**	-
Total	**12,882**	**12,218**

3.7 Held-for-trading financial assets

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
Fujian Yango Holdings Group and its related parties	**441**	513
Fujian I&D Group Co., Ltd. and its related parties	**-**	460
Xiamen International Bank Co., Ltd.	**2,840**	393
Total	**3,281**	**1,366**

3.8 Loans and advances to customers

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
The People's Insurance Company (Group) of China Limited and its related parties	**50**	-
Fujian Yango Holdings Group and its related parties	**4,187**	3,068
Fujian I&D Group Co., Ltd. and its related parties	**3,151**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**250**	-
Others	**45**	16
Total	**7,683**	**3,084**

3.9 Deposits from banks and other financial institution

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
Associates	**31**	213
Fujian Yango Holdings Group and its related parties	**15**	83
Xiamen International Bank Co., Ltd.	**2**	82
Others	**100**	369
Total	**148**	**747**

3.10 Due to customers

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
The Finance Bureau of Fujian Province and its subsidiaries	**15,196**	13,409
The People's Insurance Company (Group) of China Limited and its related parties	**23,405**	11,286
China Tobacco and its related parties	**55,132**	35,512
Associates	**1**	246
Fujian Yango Holdings Group and its related parties	**4,566**	4,991
Fujian I&D Group Co., Ltd. and its related parties	**3,582**	687
Zhejiang Energy Group Co., Ltd. and its related parties	**1,024**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**541**	29
Xiamen Air	**21**	1
Others	**1,051**	355
Total	**104,519**	**66,516**

3.11 Interest payable

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
The Finance Bureau of Fujian Province and its subsidiaries	**465**	201
The People's Insurance Company (Group) of China Limited and its related parties	**311**	470
China Tobacco and its related parties	**1,830**	589
Fujian Yango Holdings Group and its related parties	**7**	18
Fujian I&D Group Co., Ltd. and its related parties	**1**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	-
Longyan Huijin Development Group Co., Ltd.and its related parties	**8**	-
Others	**1**	3
Total	**2,624**	**1,281**

3.12 Credit line

UNIT: RMB Million

Related party	31/12/2018	31/12/2017
The People's Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
China Tobacco and its related parties	**15,000**	15,000
Fujian Yango Holdings Group and its related parties	**18,000**	12,500
Fujian I&D Group Co., Ltd. and its related parties	**10,000**	5,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,000**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**1,000**	-
Xiamen International Bank Co., Ltd.	**12,300**	12,000
Xiamen Air	**4,000**	-
Total	**122,300**	**98,500**

3.13 Off-balance sheet items

At the end of the year, the amount of letter of credit and Bank acceptance held by the subsidiaries of China National Tobacco Corporation is nil and RMB101 million (2017: RMB2,501 million and RMB500 million) respectively; the balance of bank acceptances and letters of guarantee held by Fujian Yango Holdings Group and its related parties is RMB441 million and RMB197 million respectively (2017: RMB270 million and RMB725 million); the balance of bank acceptances and letters of guarantee held by Fujian I&D Group Co., Ltd. and its related parties is RMB10 million and RMB35 million respectively (2017: Nil for both).

4. Key management personnel remuneration

UNIT: RMB Million

	2018	2017
Salary and welfare	**18**	**17**

XI. CONTINGENCIES AND COMMITMENTS

1. Pending Litigations

As of the balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements that needs to be disclosed.

2. Off-balance sheet items

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	31/12/2018	31/12/2017
Credit card commitments	**284,430**	208,127
Letter of credit	**112,002**	85,144
Letters of guarantee	**123,668**	120,259
Bank acceptances	**532,919**	384,247
Loan commitments non-cancellable	**38,545**	41,500
Total	**1,091,564**	**839,277**

In addition, the Group also provides credit facilities to specific customers. According to the management's opinion, since such credit facilities are conditional and can be canceled, the Group is not committed to these customers for the credit risk of the unused facilities.

3. Capital commitments

UNIT: RMB Million

	Contractual amount of the Group		Contractual amount of the Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Authorized but not contracted for	**187**	1	**187**	1
Contracted but not paid for	**353**	258	**349**	243
Total	**540**	**259**	**536**	**244**

4. Operating lease commitments

As a tenant, according to the non-cancellable lease contracts, the required minimum lease payments by the Group and the Bank are as follows:

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Within one year	**2,023**	1,945	**1,939**	1,826
One to five years	**4,759**	4,727	**4,595**	4,591
Over five years	**1,602**	1,076	**1,601**	1,066
Total	**8,384**	**7,748**	**8,135**	**7,483**

5. Collateral

5.1 Assets pledged

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

UNIT: RMB Million

	The Group		The Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Bonds	**191,189**	214,353	**179,894**	208,444
Bills	**48,600**	20,136	**48,600**	20,136
Total	**239,789**	**234,489**	**228,494**	**228,580**

As at 31 December 2018 and 31 December 2017, included in Group's and the Bank's notes purchased under resale agreement, there was no note used for carrying out business of sale under repurchase agreement.

(ii) At 31 December 2018, the Group and the Bank pledged RMB1,390 million bonds to credit derivative transaction (31 December 2017: RMB2,031 million).

5.2 Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. At 31 December 2018, the fair value of pledged assets available for sale or convertible is RMB998 million (31 December 2017: nil).

6. Redemption commitment of certificate treasury bonds and saving treasury bonds

(1) The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2018 and 31 December 2017, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

UNIT: RMB Million

	The Group and the Bank	
	Contractual amount	
	31/12/2018	31/12/2017
Certificate treasury bonds and saving treasury bonds	**2,884**	**3,180**

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

(2) At 31 December 2018, The Group has announced but unissued bonds underwriting amount of RMB2,658 million (31 December 2017: RMB500 million).

7. Fiduciary Business

UNIT: RMB Million

	The Group and the Bank	
	12/31/2018	12/31/2017
Fiduciary deposits and loans	**420,046**	564,990
Fiduciary wealth management products	**1,215,684**	1,152,282
Fiduciary investments	**10,131**	**4,123**

Fiduciary deposits and loans are deposits and loans that depositor designated specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management products refer to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustee.

Fiduciary investments refers to a kind of service that the entrusted Group engaged in capital operation, investment management, investment advisory and other investment services based on the principal-agent relationship. The investment risk of fiduciary investment is borne by the trustee.

XII. OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

UNIT: RMB Million

	The Group				
	2018				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing Balance
Financial assets at fair value through profit or loss	362,072	(320)	-	-	**459,598**
Derivative financial assets	28,396	13,696	-	-	**42,092**
Available-for-sale financial assets	502,381	-	2,157	(648)	**644,886**
Total financial assets	**892,849**	**13,376**	**2,157**	**(648)**	**1,146,576**
Financial liabilities (1)	**(36,077)**	**(10,097)**	**-**	**-**	**(41,417)**

UNIT: RMB Million

	The Bank				
	2018				
	Opening Balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing Balance
Financial assets at fair value through profit or loss	337,965	(517)	-	-	**413,015**
Derivative financial assets	28,396	13,696	-	-	**42,092**
Available-for-sale financial assets	515,712	-	2,897	(401)	**664,881**
Total financial assets	**882,073**	**13,179**	**2,897**	**(401)**	**1,119,988**
Financial liabilities (1)	**(35,239)**	**(10,108)**	**-**	**-**	**(41,210)**

(1) Financial liabilities include financial liabilities at fair value through profit or loss and derivative financial liabilities.

(2) The movement of assets and liabilities listed above has no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

UNIT: RMB Million

	The Group				
	2018				
	Opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing balance
Cash and balances with Central Bank	17,104	-	-	-	**12,608**
Deposits with banks and other financial institutions	15,632	-	-	-	**24,217**
Placements with banks and other financial institutions	13,789	-	-	-	**36,549**
Financial assets at fair value through profit or loss	41,418	(2,027)	-	-	**24,582**
Derivative financial assets	1,502	2,468	-	-	**3,970**
Financial assets purchased under resale agreement	-	-	-	-	**13**
Loans and advances to customers	145,478	-	-	(308)	**161,836**
Available-for-sale financial assets	105,884	-	(1,782)	(62)	**111,726**
Investments classified as receivables	23,708	-	-	2	**23,807**
Held-to-maturity investments	12,047	-	-	-	**14,041**
Finance lease receivable	1,227	-	-	-	**1,109**
Other financial assets	2,295	-	-	-	**4,688**
Total of financial assets	**380,084**	**441**	**(1,782)**	**(368)**	**419,146**
Financial liabilities (1)	**463,562**	**3,405**	**-**	**-**	**523,566**

UNIT: RMB Million

	The Bank				
	2018				
	Opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognised in equity	Impairment losses charged in the current period	Closing balance
Cash and balances with Central Bank	17,104	-	-	-	**12,608**
Deposits with banks and other financial institutions	15,632	-	-	-	**24,217**
Placements with banks and other financial institutions	14,351	-	-	-	**37,235**
Financial assets at fair value through profit or loss	41,418	(2,027)	-	-	**24,582**
Derivative financial assets	1,502	2,468	-	-	**3,970**
Financial assets purchased under resale agreement	-	-	-	-	**13**
Loans and advances to customers	145,478	-	-	(308)	**161,836**
Available-for-sale financial assets	105,884	-	(1,782)	(62)	**111,726**
Investments classified as receivables	23,708	-	-	2	**23,807**
Held-to-maturity investments	12,047	-	-	-	**14,041**
Other financial assets	2,295	-	-	-	**4,688**
Total of financial assets	**379,419**	**441**	**(1,782)**	**(368)**	**418,723**
Financial liabilities (1)	**463,562**	**3,405**	**-**	**-**	**523,566**

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

(2) The movement of assets and liabilities listed above has no inevitable relationship.

3. Transfer of Financial Assets

3.1 Assets securitization

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trusts established by the Group as an originating institution and then the special purpose trusts issues asset-backed securities to investors. The Group determines whether it combines the special purpose trusts based on whether it has power over such special purpose trusts and whether it is involved in related activities of the special purpose trusts to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. According to the relevant transaction documents, the trust property is not a liquidation property when the Group dissolves or is liquidated according to law, or is declared bankrupt.

In the course of the transfer of the aforesaid financial assets, the Group has not recognized the gains or losses since the consideration of transfer is same as the carrying value of the transferred financial assets. Subsequently, the Group as a financial asset service institution will charge a certain service fee.

The Group analyzes and judges whether to derecognize the financial assets that have been transferred based on the extent of transferring risk and rewards:

In the process of transferring relevant financial assets, the Group transfers substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership of financial assets to other investors, and derecognizes such transferred financial assets. In 2018, the book value of the Group's financial assets that have been securitized is RMB15,179 million (2017: RMB32,903 million). Meanwhile, the Group subscribes certain proportion of asset-backed securities. At 31 December 2018, the Group holds the aforesaid asset-backed securities of RMB7,817 million (31 December 2017: RMB17,565 million).

In the process of transferring relevant financial assets, the Group does not transfer substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership of financial assets to other investors, and does not derecognize such transferred financial assets. In 2018, the Group has no the aforesaid financial assets that have not been derecognized (2017: RMB4,721 million). At 31 December 2018, the Group holds the aforesaid finance lease receivable and investment in receivables that are not derecognized of RMB1,420 million (31 December 2017: RMB2,939 million) and RMB400 million (31 December 2017: RMB924 million) respectively. The consideration received by transferring financial assets of RMB598 million (31 December 2017: RMB1,867 million) is presented as "bonds payable".

In 2018, the Group's transferred assets include financial assets with carrying amount of RMB46,320 million (31 December 2017: RMB14,600 million), where the Group neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. At 31 December 2018, the Group continued to recognize the financial assets with carrying amount of RMB7,641 million (31 December 2017: RMB2,101 million) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group with the counter-parities that financial assets (or financial assets that share the same substance) are settled a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group takes almost all the credit and market risks and benefit of the assets. The sold financial assets (cannot be used within the period) should not be derecognized in the financial statements of the Group, but should be regarded as guarantees because the Group retains all the risks and benefits. Besides, the Group recognizes the financial liabilities by the price received. In these trading, the counter-parties' right to the Group is not limited within the transferred financial assets.

At 31 December 2018 and 2017, the Group conducted trading of the bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VIII, 22).

Included in the repurchase agreement, the carrying value of the financial assets which had been transferred but continued to be recognized by the Group and relevant liabilities are as follows:

UNIT: RMB Million

	The Group			
	31/12/2018		31/12/2017	
	Bond	Bill	Bond	Bill
Assets carrying value	**191,189**	**48,600**	214,353	20,136
Liabilities carrying value	**181,969**	**48,600**	209,658	20,136

3.3 Transfer of Non-performing Loans

In 2018, the Group disposed non-performing loans of the carrying amount amounting to RMB10,941 million (2017: RMB5,851 million) by way of transfer to third parties. The Group has transferred substantially all the risks and rewards of ownership of the above non-performing loans, and the loans are therefore derecognized.

XIII. FINANCIAL RISK MANAGEMENT

1. Overview

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

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

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focusing on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; taking credit risk, market risk, liquidity risk, operational risk and other risks undertaken in or by various business and customers into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group’s business sector, risk management department and internal audit department build up the “three defences”; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business line management sector form the first line of defences to conduct risk management. Operation institutions take precautions against all the business and operating risk, while business line management sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defences, which is responsible for constituting the Group’s risk management regulation and policy, analysing overall risk management situation, inspecting, evaluating and supervising the compliance and effectiveness of risk management conducted by all the sectors and departments, conducting overall risk reporting, continuously improving risk management modules and instruments and strengthening independency. The internal audit department is the third line of defences. It is responsible for all process audits, continuously providing independent and prospective audit and supervision with emphasis.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty’s failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group’s major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including creditors’ investment) and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post- lending loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the Group, it is also responsible for making basic rules for the Group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The Group set up risk management departments for finance, retail, and investment bank and financial markets. Each of the risk departments is responsible for the credit management in its own line, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post lending monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

The Group set up credit granting policy under the principle of “controllable risks, aggregated resources and sustainable development” to promote reasonable layout and balanced development in respect of credit resources in industries, regions, clients and products etc. In line with the access conditions and effective control of risks, the Group has intensified its support to green financial business and accelerate the pace of development of small and medium-sized enterprises and small and medium-sized industries; and to support credit financing demands from entities within advanced manufacturing, domestic consumption and livelihood sectors and national strategic emerging industries of the state. Meanwhile, the Group cut down and exit projects with outdated production capacity so as to further promote structure optimization and adjustment of credit asset.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and relevant guides of the CBIRC, the Group developed and established customer internal rating system, and continued to implement the comprehensive verification of internal rating. In 2018, in connection with the economic environment and the Company's actual demand of application etc., the Group optimized comprehensively the non-retail rating model, established a stereoscopic rating structure for different clients and multi-dimension indexes, and promoted the ability to identify risks comprehensively. Since January 2014 when the credit risk weighted assets ("CRWA") measurement system was completed and launched, the Group had the capacity to measure CRWA using internal rating junior method. The related results of internal rating continuously entered into various risk management areas including clients entrance, authority management, limit management, credit approval, economic capital measurement, provision for impairment on assets and performance assessment, etc. As the new capital accords related projects were completed successively, the Group got promotion in capacity of identification, measurement and control of credit risk.

The Group developed risk warning system, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generating by level of warning indicator can be achieved and the timeliness and accuracy of risk warning can be improved effectively. The risk warning system realized the online posting of warning information and carried out system hard control over processes including warning adjustment, cancellation etc. and provided basic guarantee for credit management.

The Group accurately identified risks conditions of credit asset, reasonably reflected the income after risk adjustment to guide capital allocation optimization in operation institutions and allocation of credit resources to strengthen risk awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation Method and Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by the CBIRC, the

Group has classified its credit asset risks into nine levels as level one (normal), level 2 (normal), level 3 (normal), level 4 (attention), level 5 (attention), level 6 (attention), sublevel, doubtful and loss. The Group has various management policies to each level.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-lending management and pledge and guarantees are the same with those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy in nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VIII, 7.

3.2 Maximum exposure to credit risk

Without considering any usable collaterals, and other credit enhancement measures, the max credit risk exposure of the Group and the Bank at balance sheet date is the sum of the carrying amounts of related financial assets (including derivative instrument and deducted equity instrument) in the balance sheet and the off-balance sheet items in Note XI, 2. As at 31 December 2018, the max credit risk exposures of the Group and the Bank are RMB7,265,112 million (31 December 2017: RMB6,815,370 million) and RMB7,066,978 million (31 December 2017: RMB6,609,727 million) respectively.

3.3 Analysis of exposure to credit risk of the Group and the Bank about loans and advances to customers, inter-bank placements, investments and finance lease receivables

UNIT: RMB Million

	The Group				
	31/12/2018				
	Loans and advances to customers	Inter-bank placements(1)	Investments(2)	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	38,648	409	16,085	2,300	**57,442**
Allowance for impairment losses	(20,798)	(409)	(8,248)	(1,476)	**(30,931)**
Net value of assets	17,850	-	7,837	824	**26,511**
Collective assessment					
Total assets	7,492	-	-	-	**7,492**
Allowance for impairment losses	(5,310)	-	-	-	**(5,310)**
Net value of assets	2,182	-	-	-	**2,182**
Past due but not impaired:					
Total assets	20,022	-	4,838	2,104	**26,964**
Including:					
Within 90 days	20,022	-	4,768	829	**25,619**
90 to 360 days	-	-	70	-	**70**
360 days to 3 years	-	-	-	1,275	**1,275**
Collectively assessed allowance for impairment losses	(4,533)	-	(196)	(764)	**(5,493)**
Net value of assets	15,489	-	4,642	1,340	**21,471**
Neither past due nor impaired:					
Total assets	2,867,920	228,735	2,462,224	104,399	**5,663,278**
Collectively assessed allowance for impairment losses	(64,996)	-	(11,288)	(2,310)	**(78,594)**
Net value of assets	2,802,924	228,735	2,450,936	102,089	**5,584,684**
Total of net value of assets	**2,838,445**	**228,735**	**2,463,415**	**104,253**	**5,634,848**

UNIT: RMB Million

	The Group				
	31/12/2017				
	Loans and advances to customers	Inter-bank placements[1]	Investments[2]	Finance lease receivables	Total
Impaired:					
Individual assessment					
Total assets	31,346	76	15,268	1,573	**48,263**
Allowance for impairment losses	(16,378)	(76)	(8,083)	(355)	**(24,892)**
Net value of assets	14,968	-	7,185	1,218	**23,371**
Collective assessment					
Total assets	7,308	-	-	-	**7,308**
Allowance for impairment losses	(5,154)	-	-	-	**(5,154)**
Net value of assets	2,154	-	-	-	**2,154**
Past due but not impaired:					
Total assets	9,031	1,133	1,913	3,303	**15,380**
Including:					
Within 90 days	8,951	-	1,328	789	**11,068**
90 to 360 days	80	-	480	1,239	**1,799**
360 days to 3 years	-	1,133	105	1,275	**2,513**
Collectively assessed allowance for impairment losses	(1,805)	-	(126)	(365)	**(2,296)**
Net value of assets	7,226	1,133	1,787	2,938	**13,084**
Neither past due nor impaired:					
Total assets	2,383,010	200,723	2,810,890	102,041	**5,496,664**
Collectively assessed allowance for impairment losses	(58,527)	-	(11,054)	(2,702)	**(72,283)**
Net value of assets	2,324,483	200,723	2,799,836	99,339	**5,424,381**
Total of net value of assets	**2,348,831**	**201,856**	**2,808,808**	**103,495**	**5,462,990**

UNIT: RMB Million

	The Bank			
	31/12/2018			
	Loans and advances to customers	Inter-bank placement[(1)]	Investment[(2)]	Total
Impaired:				
Individual assessment				
Total assets	38,648	409	15,901	**54,958**
Allowance for impairment losses	(20,798)	(409)	(8,138)	**(29,345)**
Net value of assets	17,850	-	7,763	**25,613**
Collective assessment				
Total assets	7,020	-	-	**7,020**
Allowance for impairment losses	(5,036)	-	-	**(5,036)**
Net value of assets	1,984	-	-	**1,984**
Past due but not impaired:				
Total assets	19,732	-	4,838	**24,570**
including:				
Within 90 days	19,732	-	4,768	**24,500**
90 to 360 days	-	-	70	**70**
360 days to 3 years	-	-	-	**-**
Collectively assessed allowance for impairment losses	(4,504)	-	(196)	**(4,700)**
Net value of assets	15,228	-	4,642	**19,870**
Neither past due nor impaired:				
Total assets	2,851,492	232,902	2,391,095	**5,475,489**
Collectively assessed allowance for impairment losses	(64,479)	-	(10,859)	**(75,338)**
Net value of assets	2,787,013	232,902	2,380,236	**5,400,151**
Total of net value of assets	**2,822,075**	**232,902**	**2,392,641**	**5,447,618**

UNIT: RMB Million

	The Bank			
	31/12/2017			
	Loans and advances to customers	Inter-bank placement[1]	Investment[2]	Total
Impaired:				
Individual assessment				
Total assets	31,346	76	15,238	**46,660**
Allowance for impairment losses	(16,378)	(76)	(8,065)	**(24,519)**
Net value of assets	14,968	-	7,173	**22,141**
Collective assessment				
Total assets	7,084	-	-	**7,084**
Allowance for impairment losses	(4,996)	-	-	**(4,996)**
Net value of assets	2,088	-	-	**2,088**
Past due but not impaired:				
Total assets	8,836	1,133	1,913	**11,882**
Including:				
Within 90 days	8,756	-	1,328	**10,084**
90 to 360 days	80	-	480	**560**
360 days to 3 years	-	1,133	105	**1,238**
Collectively assessed allowance for impairment losses	(1,786)	-	(126)	**(1,912)**
Net value of assets	7,050	1,133	1,787	**9,970**
Neither past due nor impaired:				
Total assets	2,375,629	192,221	2,749,819	**5,317,669**
Collectively assessed allowance for impairment losses	(58,338)	-	(11,000)	**(69,338)**
Net value of assets	2,317,291	192,221	2,738,819	**5,248,331**
Total of net value of assets	**2,341,397**	**193,354**	**2,747,779**	**5,282,530**

(1) Inter-bank placements include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

(2) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt investments of investments classified as receivables.

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

• For reverse repurchase agreements, collateral mainly includes bills or securities

• For commercial loans, collateral mainly includes land, properties, equipment and shares, etc.

• For retail loans, collateral mainly includes properties

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the change in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Analysis of collateral value

3.5.1 The Group evaluates the fair value of collateral periodically

As at 31 December 2018, the fair value of collateral that related to loans past due but not impaired amounted to RMB27,026 million (31 December 2017: RMB12,139 million). The collateral includes land, properties, equipment and shares assets etc.

As at 31 December 2018, the fair value of collateral that related to loans individually assessed to be impaired amounted to RMB31,440 million (31 December 2017: RMB26,517 million). The collateral includes land, properties, equipment and shares assets.

3.5.2 The carrying value of foreclosed assets the Group obtained during 2018 amounted to RMB656 million (2017: RMB115 million).

3.6 Rescheduled loans

Rescheduled loans refer to the loans rescheduled by the Group for the borrower who fails to repay the loans on schedule due to the terrible situation in finance. If it is possible, the Group will seek to reschedule the loans rather than to acquire the ownership of the collateral. Upon the time of being rescheduled, the loans are assessed as the loans that have been impaired on an individual basis by the Group. On 31 December 2018, the book value of the Group's rescheduled loans is RMB5,851 million.

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability and interest rate management policy, analyzing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes gap risk, benchmark risk and optional risk, among which gap risk is the main risk, i.e., the risk due to different repricing periods for different financial instruments. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of the statement of financial position through repricing gap structure for assets and liabilities and duration structure. The Group dynamically monitors and controls the interest rate sensitive gap of the statement of financial position through information systems like assets-liabilities management system together with client models, and calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and liabilities are as follows:

UNIT: RMB Million

	The Group					
	31/12/2018					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	459,676	-	-	-	16,105	**475,781**
Deposits with banks and other financial institutions	44,140	9,163	-	-	-	**53,303**
Placements with banks and other financial institutions	62,753	35,596	-	-	-	**98,349**
Financial assets at fair value through profit or loss	13,662	92,920	67,873	11,215	273,928	**459,598**
Derivative financial assets	-	-	-	-	42,092	**42,092**
Financial assets purchased under resale agreements	76,503	-	580	-	-	**77,083**
Loans and advances to customers	2,283,450	522,598	27,244	5,153	-	**2,838,445**
Available-for-sale financial assets	60,488	111,814	266,812	56,339	151,649	**647,102**
Investments classified as receivables	458,751	196,285	504,249	227,865	-	**1,387,150**
Finance lease receivables	101,639	2,024	590	-	-	**104,253**
Held-to-maturity investments	15,694	42,773	141,257	195,418	-	**395,142**
Other assets	5,286	1,653	-	-	49,924	**56,863**
Total financial assets	**3,582,042**	**1,014,826**	**1,008,605**	**495,990**	**533,698**	**6,635,161**
Financial liabilities:						
Borrowing from Central Bank	56,500	212,000	-	-	-	**268,500**
Deposits from banks and other financial institutions	1,145,772	199,111	-	-	-	**1,344,883**
Placements from banks and other financial institutions	134,333	76,074	10,424	-	-	**220,831**
Financial liabilities at fair value through profit or loss	1,004	1,251	132	-	207	**2,594**
Derivative financial liabilities	-	-	-	-	38,823	**38,823**
Financial assets sold under repurchase agreements	215,203	15,366	-	-	-	**230,569**
Due to customers	2,071,938	689,821	505,589	33,708	2,456	**3,303,512**
Debt securities issued	215,333	325,047	105,263	72,211	-	**717,854**
Other liabilities	590	1,758	400	-	71,591	**74,339**
Total financial liabilities	**3,840,673**	**1,520,428**	**621,808**	**105,919**	**113,077**	**6,201,905**
Net position	(258,631)	(505,602)	386,797	390,071	420,621	**433,256**

UNIT: RMB Million

	The Group					
	31/12/2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	444,872	-	-	-	21,531	**466,403**
Deposits with banks and other financial institutions	71,995	5,564	-	-	-	**77,559**
Placements with banks and other financial institutions	24,238	6,940	-	-	-	**31,178**
Financial assets at fair value through profit or loss	34,292	36,186	64,385	10,170	217,039	**362,072**
Derivative financial assets	-	-	-	-	28,396	**28,396**
Financial assets purchased under resale agreements	89,817	3,302	-	-	-	**93,119**
Loans and advances to customers	1,809,718	488,679	43,072	7,362	-	**2,348,831**
Available-for-sale financial assets	56,731	120,365	190,414	45,400	91,311	**504,221**
Investments classifiedas receivables	459,926	581,934	602,819	268,703	-	**1,913,382**
Finance lease receivables	100,370	2,395	593	137	-	**103,495**
Held-to-maturity investments	10,681	27,181	161,432	138,189	-	**337,483**
Other assets	17,540	1,890	166	321	43,320	**63,237**
Total financial assets	**3,120,180**	**1,274,436**	**1,062,881**	**470,282**	**401,597**	**6,329,376**
Financial liabilities:						
Borrowing from Central Bank	35,500	209,500	-	-	-	**245,000**
Deposits from banks and other financial institutions	1,140,642	305,417	-	-	-	**1,446,059**
Placements from banks and other financial institutions	171,287	16,642	-	-	-	**187,929**
Financial liabilities at fair value through profit or loss	3,685	2,040	-	-	838	**6,563**
Derivative financial liabilities	-	-	-	-	29,514	**29,514**
Financial assets sold under repurchase agreements	220,845	8,949	-	-	-	**229,794**
Due to customers	2,168,179	560,115	356,148	6	2,445	**3,086,893**
Debt securities issued	316,718	209,369	63,988	72,883	-	**662,958**
Other liabilities	-	-	-	-	71,626	**71,626**
Total financial liabilities	**4,056,856**	**1,312,032**	**420,136**	**72,889**	**104,423**	**5,966,336**
Net position	(936,676)	(37,596)	642,745	397,393	297,174	**363,040**

UNIT: RMB Million

	The Bank					
	31/12/2018					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	459,670	-	-	-	16,105	**475,775**
Deposits with banks and other financial institutions	39,519	8,350	-	-	-	**47,869**
Placements with banks and other financial institutions	67,939	43,196	103	-	-	**111,238**
Financial assets at fair value through profit or loss	7,819	75,838	39,548	6,007	283,803	**413,015**
Derivative financial assets	-	-	-	-	42,092	**42,092**
Financial assets purchased under resale agreements	73,795	-	-	-	-	**73,795**
Loans and advances to customers	2,283,026	513,953	19,943	5,153	-	**2,822,075**
Available-for-sale financial assets	59,064	111,271	267,359	56,338	171,653	**665,685**
Investments classified as receivables	452,899	192,692	502,413	227,836	-	**1,375,840**
Held-to-maturity investments	15,694	42,694	141,251	193,918	-	**393,557**
Other assets	-	-	-	-	45,145	**45,145**
Total financial assets	**3,459,425**	**987,994**	**970,617**	**489,252**	**558,798**	**6,466,086**
Financial liabilities:						
Borrowing from Central Bank	56,500	212,000	-	-	-	**268,500**
Deposits from banks and other financial institutions	1,152,046	199,361	-	-	-	**1,351,407**
Placements from banks other financial institutions	110,726	16,215	-	-	-	**126,941**
Financial liabilities at fair value through profit or loss	1,004	1,251	132	-	-	**2,387**
Derivative financial liabilities	-	-	-	-	38,823	**38,823**
Financial assets sold under repurchase agreements	203,908	15,366	-	-	-	**219,274**
Due to customers	2,072,489	689,821	505,589	33,708	2,456	**3,304,063**
Debt securities issued	215,333	324,449	87,763	70,891	-	**698,436**
Other liabilities	-	-	-	-	57,789	**57,789**
Total financial liabilities	**3,812,006**	**1,458,463**	**593,484**	**104,599**	**99,068**	**6,067,620**
Net position	(352,581)	(470,469)	377,133	384,653	459,730	**398,466**

UNIT: RMB Million

	The Bank					
	31/12/2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	444,861	-	-	-	21,531	**466,392**
Deposits with banks and other financial institutions	62,080	5,398	-	-	-	**67,478**
Placements with banks and other financial institutions	24,382	12,030	-	-	-	**36,412**
Financial assets at fair value through profit or loss	25,316	29,988	37,943	7,462	237,256	**337,965**
Derivative financial assets	-	-	-	-	28,396	**28,396**
Financial assets purchased under resale agreements	86,162	3,302	-	-	-	**89,464**
Loans and advances to customers	1,812,517	485,679	35,839	7,362	-	**2,341,397**
Available-for-sale financial assets	54,033	120,120	190,066	45,399	106,398	**516,016**
Investments classified as receivables	449,532	581,270	600,514	268,653	-	**1,899,969**
Held-to-maturity investments	10,681	27,181	161,432	138,189	-	**337,483**
Other assets	-	-	-	-	38,129	**38,129**
Total financial assets	**2,969,564**	**1,264,968**	**1,025,794**	**467,065**	**431,710**	**6,159,101**
Financial liabilities:						
Borrowing from Central Bank	35,500	209,500	-	-	-	**245,000**
Deposits from banks and other financial institutions	1,143,516	305,537	-	-	-	**1,449,053**
Placements from banks other financial institutions	68,507	16,642	-	-	-	**85,149**
Financial liabilities at fair value through profit or loss	3,685	2,040	-	-	-	**5,725**
Derivative financial liabilities	-	-	-	-	29,514	**29,514**
Financial assets sold under repurchase agreements	217,269	6,616	-	-	-	**223,885**
Due to customers	2,168,964	560,356	356,148	6	2,445	**3,087,919**
Debt securities issued	316,701	203,974	56,474	70,883	-	**648,032**
Other liabilities	-	-	-	-	53,231	**53,231**
Total financial liabilities	**3,954,142**	**1,304,665**	**412,622**	**70,889**	**85,190**	**5,827,508**
Net position	(984,578)	(39,697)	613,172	396,176	346,520	**331,593**

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the net interest income and other comprehensive income, based on the positions of financial assets and liabilities at the balance sheet date.

UNIT: RMB Million

	The Group			
	31/12/2018		31/12/2017	
	Net interest income increase (decrease)	Other comprehensive income increase (decrease)	Net interest income increase (decrease)	Other comprehensive income increase (decrease)
+100 basis points	**6,821**	**(18,228)**	2,446	(5,244)
- 100 basis points	**(6,821)**	**19,281**	(2,446)	5,522

UNIT: RMB Million

	The Bank			
	31/12/2018		31/12/2017	
	Net interest income increase (decrease)	Other comprehensive income increase (decrease)	Net interest income increase (decrease)	Other comprehensive income increase (decrease)
+100 basis points	**6,136**	**(18,227)**	2,711	(5,239)
- 100 basis points	**(6,136)**	**19,280**	(2,711)	5,517

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate available-for-sale financial assets at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallel. Therefore it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation. And such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD and other currencies. RMB is the functional currency. The foreign exchange rate is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “day time self-trading positions”. The positions are centralized to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group’s asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and liabilities by currency.

UNIT: RMB Million

	The Group			
	31/12/2018			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	463,173	12,113	495	**475,781**
Deposits with banks and other financial institutions	29,086	18,427	5,790	**53,303**
Placements with banks and other financial institutions	61,800	22,294	14,255	**98,349**
Financial assets at fair value through profit or loss	435,016	23,272	1,310	**459,598**
Derivative financial assets	38,122	3,910	60	**42,092**
Financial assets purchased under resale agreements	77,070	13	-	**77,083**
Loans and advances to customers	2,676,609	91,019	70,817	**2,838,445**
Available-for-sale financial assets	535,376	109,339	2,387	**647,102**
Investments classified as receivables	1,363,343	22,901	906	**1,387,150**
Finance lease receivables	103,144	1,109	-	**104,253**
Held-to-maturity investments	381,101	9,888	4,153	**395,142**
Other assets	52,175	4,430	258	**56,863**
Total financial assets	**6,216,015**	**318,715**	**100,431**	**6,635,161**
Financial liabilities:				
Borrowing from Central Bank	268,500	-	-	**268,500**
Deposits from banks and other financial institutions	1,230,612	95,251	19,020	**1,344,883**
Placements from banks and other financial institutions	129,738	78,250	12,843	**220,831**
Financial liabilities at fair value through profit or loss	304	2,290	-	**2,594**
Derivative financial liabilities	35,045	3,751	27	**38,823**
Financial assets sold under repurchase agreements	199,094	31,014	461	**230,569**
Due to customers	3,067,627	171,422	64,463	**3,303,512**
Debt securities issued	677,698	30,278	9,878	**717,854**
Other liabilities	69,721	4,066	552	**74,339**
Total financial liabilities	**5,678,339**	**416,322**	**107,244**	**6,201,905**
Net position	537,676	(97,607)	(6,813)	**433,256**

UNIT: RMB Million

	The Group			
	31/12/2017			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	449,299	16,716	388	**466,403**
Deposits with banks and other financial institutions	61,927	11,686	3,946	**77,559**
Placements with banks and other financial institutions	17,389	10,551	3,238	**31,178**
Financial assets at fair value through profit or lo ss	320,654	40,282	1,136	**362,072**
Derivative financial assets	26,894	980	522	**28,396**
Financial assets purchased under resale agreements	93,119	-	-	**93,119**
Loans and advances to customers	2,203,353	145,224	254	**2,348,831**
Available-for-sale financial assets	398,337	99,562	6,322	**504,221**
Investments classified as receivables	1,889,674	19,354	4,354	**1,913,382**
Finance lease receivables	102,268	1,227	-	**103,495**
Held-to-maturity investments	325,436	7,679	4,368	**337,483**
Other assets	60,942	2,049	246	**63,237**
Total financial assets	**5,949,292**	**355,310**	**24,774**	**6,329,376**
Financial liabilities:				
Borrowing from Central Bank	245,000	-	-	**245,000**
Deposits from banks and other financial institutions	1,360,795	74,865	10,399	**1,446,059**
Placements from banks and other financial institutions	117,683	59,913	10,333	**187,929**
Financial liabilities at fair value through profit or loss	1,834	4,729	-	**6,563**
Derivative financial liabilities	5,938	23,224	352	**29,514**
Financial assets sold under repurchase agreements	210,219	18,743	832	**229,794**
Due to customers	2,853,772	183,614	49,507	**3,086,893**
Debt securities issued	638,985	16,759	7,214	**662,958**
Other liabilities	68,548	2,757	321	**71,626**
Total financial liabilities	**5,502,774**	**384,604**	**78,958**	**5,966,336**
Net position	446,518	(29,294)	(54,184)	**363,040**

UNIT: RMB Million

	The Bank			
	31/12/2018			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	463,167	12,113	495	475,775
Deposits with banks and other financial institutions	23,652	18,427	5,790	47,869
Placements with banks and other financial institutions	74,003	22,980	14,255	111,238
Financial assets at fair value through profit or loss	388,433	23,272	1,310	413,015
Derivative financial assets	38,122	3,910	60	42,092
Financial assets purchased under resale agreements	73,782	13	-	73,795
Loans and advances to customers	2,660,239	91,019	70,817	2,822,075
Available-for-sale financial assets	553,959	109,339	2,387	665,685
Investments classified as receivables	1,352,033	22,901	906	1,375,840
Held-to-maturity investments	379,516	9,888	4,153	393,557
Other assets	40,457	4,430	258	45,145
Total financial assets	**6,047,363**	**318,292**	**100,431**	6,466,086
Financial liabilities:				
Borrowing from Central Bank	268,500	-	-	268,500
Deposits from banks and other financial institutions	1,237,136	95,251	19,020	1,351,407
Placements from banks and other financial institutions	35,848	78,250	12,843	126,941
Financial liabilities at fair value through profit or loss	97	2,290	-	2,387
Derivative financial liabilities	35,045	3,751	27	38,823
Financial assets sold under repurchase agreements	187,799	31,014	461	219,274
Due to customers	3,068,178	171,422	64,463	3,304,063
Debt securities issued	658,280	30,278	9,878	698,436
Other liabilities	53,171	4,066	552	57,789
Total financial liabilities	**5,544,054**	**416,322**	**107,244**	**6,067,620**
Net position	503,309	(98,030)	(6,813)	398,466

UNIT: RMB Million

	The Bank			
	31/12/2017			
	RMB	USD RMB equivalent	Other currencies RMB equivalent	Total
Financial assets:				
Cash and balances with Central Bank	449,288	16,716	388	**466,392**
Deposits with banks and other financial institutions	51,846	11,686	3,946	**67,478**
Placements with banks and other financial institutions	22,061	11,113	3,238	**36,412**
Financial assets at fair value through profit or loss	296,547	40,282	1,136	**337,965**
Derivative financial assets	26,894	980	522	**28,396**
Financial assets purchased under resale agreements	89,464	-	-	**89,464**
Loans and advances to customers	2,195,919	145,224	254	**2,341,397**
Available-for-sale financial assets	410,132	99,562	6,322	**516,016**
Investments classified as receivables	1,876,261	19,354	4,354	**1,899,969**
Held-to-maturity investments	325,436	7,679	4,368	**337,483**
Other assets	35,834	2,049	246	**38,129**
Total financial assets	**5,779,682**	**354,645**	**24,774**	**6,159,101**
Financial liabilities:				
Borrowing from Central Bank	245,000	-	-	**245,000**
Deposits from banks and other financial institutions	1,363,789	74,865	10,399	**1,449,053**
Placements from banks and other financial institutions	14,903	59,913	10,333	**85,149**
Financial liabilities at fair value through profit or loss	996	4,729	-	**5,725**
Derivative financial liabilities	5,938	23,224	352	**29,514**
Financial assets sold under repurchase agreements	204,310	18,743	832	**223,885**
Due to customers	2,854,798	183,614	49,507	**3,087,919**
Debt securities issued	624,059	16,759	7,214	**648,032**
Other liabilities	50,153	2,757	321	**53,231**
Total financial liabilities	**5,363,946**	**384,604**	**78,958**	**5,827,508**
Net position	415,736	(29,959)	(54,184)	**331,593**

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses.

UNIT: RMB Million

	The Group	
	2018	2017
	Foreign exchange increase/ (decrease)	Foreign exchange increase/ (decrease)
5% appreciation	**(1,685)**	(235)
5% depreciation	**1,685**	235

UNIT: RMB Million

	The Bank	
	2018	2017
	Foreign exchange increase/ (decrease)	Foreign exchange increase/ (decrease)
5% appreciation	**(1,664)**	(201)
5% depreciation	**1,664**	201

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investments, held-for-trading precious metals investments and other bonds and derivatives linked to commodity price.

The Group believes that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group. The committee will determine the liquidity risk regularity and management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The planning and financial department is responsible for: (1) drafting liquidity risk management policies and measures; (2) monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets' and liabilities' structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly; (3) analysing the liquidity risk and reporting to the assets and liability management committee regularly; and (4) daily operation of liquidity management, establishment of a cash position forecast system at the Group level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, liquidity coverage ratio and net stable funding ratio, and sets alarming and security limits for each ratio. The Group also prepares general and comprehensive liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, interest rate risk and operation risk to the risk management committee of the Board of Directors for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 A maturity analysis of financial assets and liabilities of the Group as follows

The following tables are the structure analysis of non-derivative financial assets and liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group							
	31/12/2018							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	84,644	-	-	-	-	-	391,341	**475,985**
Deposits with banks and other financial institutions	35,119	6,366	2,853	9,452	-	-	16	**53,806**
Placements with banks and other financial institutions	-	50,367	13,034	36,296	-	-	60	**99,757**
Financial assets at fair value through profit or loss	211,114	66,959	8,821	101,584	77,468	18,751	865	**485,562**
Financial assets purchased under resale agreements	-	76,517	-	-	660	-	333	**77,510**
Loans and advances to customers	-	390,197	199,339	901,223	787,204	1,394,579	59,779	**3,732,321**
Available-for-sale financial assets	45,118	8,936	39,910	217,684	313,201	87,927	7,420	**720,196**
Investments classified as receivables	-	52,473	112,331	275,828	816,809	503,973	17,968	**1,779,382**
Financial lease receivables	-	2,712	6,506	26,875	70,947	11,742	3,373	**122,155**
Held-to-maturity investments	-	3,303	14,177	54,645	186,241	236,972	137	**495,475**
Other non-derivative financial assets	7,431	4,506	3,735	2,515	3,547	175	491	**22,400**
Total non-derivative financial assets	**383,426**	**662,336**	**400,706**	**1,626,102**	**2,256,077**	**2,254,119**	**481,783**	**8,064,549**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	12,395	45,969	219,103	-	-	-	**277,467**
Deposits from banks and other financial institutions	541,782	352,397	258,691	205,016	-	-	-	**1,357,886**
Placements from banks and other financial institutions	-	91,367	46,835	77,090	10,954	-	-	**226,246**
Financial liabilities at fair value through profit or loss	171	527	501	1,289	173	-	-	**2,661**
Financial assets sold under repurchase agreements	-	196,640	19,162	15,535	-	-	-	**231,337**
Due to customers	1,366,645	359,331	293,036	768,361	592,053	33,846	-	**3,413,272**
Debt securities issued	-	62,845	119,967	360,875	143,339	80,458	-	**767,484**
Other non-derivative financial liabilities	16,124	1,775	779	2,886	4,886	507	611	**27,568**
Total non-derivative financial liabilities	**1,924,722**	**1,077,277**	**784,940**	**1,650,155**	**751,405**	**114,811**	**611**	**6,303,921**
Net position	(1,541,296)	(414,941)	(384,234)	(24,053)	1,504,672	2,139,308	481,172	**1,760,628**

UNIT: RMB Million

	The Group							
	31/12/2017							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	22,311	-	-	-	-	-	444,313	**466,624**
Deposits with banks and other financial institutions	53,703	17,504	907	6,708	-	-	16	**78,838**
Placements with banks and other financial institutions	-	18,207	6,202	7,113	-	-	60	**31,582**
Financial assets at fair value through profit or loss	216,630	13,293	16,055	38,291	80,958	25,664	986	**391,877**
Financial assets purchased under resale agreements	-	88,494	315	3,430	-	-	1,133	**93,372**
Loans and advances to customers	-	246,365	168,339	789,211	668,488	1,088,414	38,930	**2,999,747**
Available-for-sale financial assets	82,210	14,135	19,701	134,007	240,051	76,121	4,689	**570,914**
Investments classified as receivables	-	59,411	141,161	540,040	1,040,426	434,119	13,891	**2,229,048**
Financial lease receivables	-	2,290	6,409	26,036	71,470	10,419	3,446	**120,070**
Held-to-maturity investments	-	243	12,477	37,529	199,430	178,594	131	**428,404**
Other non-derivative financial assets	8,654	2,430	1,890	2,406	15,015	2,112	324	**32,831**
Total non-derivative financial assets	**383,508**	**462,372**	**373,456**	**1,584,771**	**2,315,838**	**1,815,443**	**507,919**	**7,443,307**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	5,154	31,476	216,322	-	-	-	**252,952**
Deposits from banks and other financial institutions	464,357	431,095	253,602	314,982	-	-	-	**1,464,036**
Placements from banks and other financial institutions	-	139,203	32,445	16,992	-	-	-	**188,640**
Financial liabilities at fair value through profit or loss	756	1,673	2,066	2,082	81	-	-	**6,658**
Financial assets sold under repurchase agreements	-	208,957	12,841	9,026	-	-	-	**230,824**
Due to customers	1,436,517	453,409	295,874	576,424	406,982	7	-	**3,169,213**
Debt securities issued	-	112,841	186,118	224,346	101,603	84,060	-	**708,968**
Other non-derivative financial liabilities	19,981	563	749	2,379	4,332	1,890	439	**30,333**
Total non-derivative financial liabilities	**1,921,611**	**1,352,895**	**815,171**	**1,362,553**	**512,998**	**85,957**	**439**	**6,051,624**
Net position	(1,538,103)	(890,523)	(441,715)	222,218	1,802,840	1,729,486	507,480	**1,391,683**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances with Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets purchased under resale agreements and financial assets at fair value through profit or loss, etc.. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition, the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

UNIT: RMB Million

	The Bank							
	31/12/2018							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	84,644	-	-	-	-	-	391,335	**475,979**
Deposits with banks and other financial institutions	32,012	4,911	2,787	8,628	-	-	16	**48,354**
Placements with banks and other financial institutions	-	53,374	15,364	43,982	108	-	60	**112,888**
Financial assets at fair value through profit or loss	217,156	65,280	5,115	83,966	49,837	13,284	600	**435,238**
Financial assets purchased under resale agreements	-	73,804	-	-	-	-	333	**74,137**
Loans and advances to customers	-	388,647	196,903	891,578	774,416	1,394,579	59,022	**3,705,145**
Available-for-sale financial assets	50,613	6,174	39,158	235,401	314,868	87,926	4,844	**738,984**
Investments classified as receivables	-	48,050	110,689	272,535	815,310	503,933	17,894	**1,768,411**
Held-to-maturity investments	-	3,298	14,166	54,528	186,035	235,387	137	**493,551**
Other non-derivative financial assets	4,301	3,506	395	803	2,670	142	-	**11,817**
Total non-derivative financial assets	**388,726**	**647,044**	**384,577**	**1,591,421**	**2,143,244**	**2,235,251**	**474,241**	**7,864,504**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	12,395	45,969	219,103	-	-	-	**277,467**
Deposits from banks and other financial institutions	548,057	352,397	258,691	205,273	-	-	-	**1,364,418**
Placements from banks and other financial institutions	-	80,507	31,008	16,680	-	-	-	**128,195**
Financial liabilities at fair value through profit or loss	-	527	501	1,289	136	-	-	**2,453**
Financial assets sold under repurchase agreements	-	185,324	19,162	15,535	-	-	-	**220,021**
Due to customers	1,367,197	359,331	293,036	768,361	592,053	33,846	-	**3,413,824**
Debt securities issued	-	62,845	119,930	358,637	125,363	78,046	-	**744,821**
Other non-derivative financial liabilities	7,649	1,580	666	1,372	781	95	-	**12,143**
Total non-derivative financial liabilities	**1,922,903**	**1,054,906**	**768,963**	**1,586,250**	**718,333**	**111,987**	**-**	**6,163,342**
Net position	(1,534,177)	(407,862)	(384,386)	5,171	1,424,911	2,123,264	474,241	**1,701,162**

UNIT: RMB Million

	The Bank							
	31/12/2017							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	22,311	-	-	-	-	-	444,302	**466,613**
Deposits with banks and other financial institutions	45,336	16,800	-	6,529	-	-	16	**68,681**
Placements with banks and other financial institutions	-	18,922	5,643	12,378	-	-	60	**37,003**
Financial assets at fair value through profit or loss	237,256	7,246	12,695	30,631	47,519	22,089	600	**358,036**
Financial assets purchased under resale agreements	-	85,104	13	3,430	-	-	1,133	**89,680**
Loans and advances to customers	-	245,587	166,947	783,227	668,380	1,088,414	38,519	**2,991,074**
Available-for-sale financial assets	106,094	8,710	18,306	130,830	233,466	76,048	3,124	**576,578**
Investments classified as receivables	-	54,953	139,896	536,113	1,036,281	434,063	13,891	**2,215,197**
Held-to-maturity investments	-	243	12,477	37,529	199,430	178,594	131	**428,404**
Other non-derivative financial assets	1,903	1,836	1,281	598	2,957	296	-	**8,871**
Total non-derivative financial assets	**412,900**	**439,401**	**357,258**	**1,541,265**	**2,188,033**	**1,799,504**	**501,776**	**7,240,137**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	5,154	31,476	216,322	-	-	-	**252,952**
Deposits from banks and other financial institutions	466,413	431,209	254,317	315,108	-	-	-	**1,467,047**
Placements from banks and other financial institutions	-	36,423	32,445	16,992	-	-	-	**85,860**
Financial liabilities at fair value through profit or loss	-	1,673	2,066	2,082	-	-	-	**5,821**
Financial assets sold under repurchase agreements	-	205,857	11,943	6,688	-	-	-	**224,488**
Due to customers	1,437,302	306,623	295,874	712,887	406,983	7	-	**3,159,676**
Debt securities issued	-	112,841	186,001	218,405	93,134	81,545	-	**691,926**
Other non-derivative financial liabilities	10,565	450	558	1,119	510	84	-	**13,286**
Total non-derivative financial liabilities	**1,914,280**	**1,100,230**	**814,680**	**1,489,603**	**500,627**	**81,636**	**-**	**5,901,056**
Net position	(1,501,380)	(660,829)	(457,422)	51,662	1,687,406	1,717,868	501,776	**1,339,081**

5.2 Liquidity risk analysis of derivative instruments

(i) Derivative settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives and credit derivatives, etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	31/12/2018					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	1	127	248	257	42	**675**
Exchange rate derivatives	704	539	2,004	38	-	**3,285**
Other derivatives	(64)	(27)	329	(4)	-	**234**
Total	**641**	**639**	**2,581**	**291**	**42**	**4,194**

UNIT: RMB Million

	31/12/2017					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	23	30	209	591	3	**856**
Exchange rate derivatives	(661)	(1,217)	(1,744)	16	-	**(3,606)**
Other derivatives	-	223	17	31	(2)	**269**
Total	**(638)**	**(964)**	**(1,518)**	**638**	**1**	**(2,481)**

(ii) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives and precious metals forward with delivery precious metals. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

UNIT: RMB Million

	The Group and the Bank					
	31/12/2018					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	321,874	160,506	382,350	49,239	-	**913,969**
- Cash outflow	(322,060)	(160,123)	(382,573)	(49,411)	-	**(914,167)**
Other derivatives						
- Cash inflow	2,642	850	3,952	175	-	**7,619**
- Cash outflow	(486)	-	(4,767)	-	-	**(5,253)**
Total	**1,970**	**1,233**	**(1,038)**	**3**	**-**	**2,168**

UNIT: RMB Million

	31/12/2017					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	327,630	226,750	378,064	19,935	-	**952,379**
- Cash outflow	(327,003)	(225,744)	(377,231)	(20,122)	-	**(950,100)**
Other derivatives						
- Cash inflow	3,659	18,053	26,794	726	-	**49,232**
- Cash outflow	(2,995)	(14,428)	(6,204)	-	-	**(23,627)**
Total	**1,291**	**4,631**	**21,423**	**539**	**-**	**27,884**

5.3 Off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitment, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

UNIT: RMB Million

	The Group and the Bank							
	31/12/2018				31/12/2017			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	284,430	-	-	**284,430**	208,127	-	-	**208,127**
Letter of credit	111,867	135	-	**112,002**	85,048	96	-	**85,144**
Letter of guarantee	51,365	46,477	25,826	**123,668**	42,822	44,408	33,029	**120,259**
Bank acceptances	532,919	-	-	**532,919**	384,247	-	-	**384,247**
Loan commitments non-cancellable	32	4,721	33,792	**38,545**	2,193	3,941	35,366	**41,500**
Total	**980,613**	**51,333**	**59,618**	**1,091,564**	**722,437**	**48,445**	**68,395**	**839,277**

6. Capital Management

During the year, the Group had conscientiously implemented the capital management policy according to the regulations of CBIRC Administrative Measures for the Capital of Commercial Banks (for Trial Implementation). As per "2016-2020 Group Development Strategy Plan" and "2018-2020 Capital Adequacy Standards Planning of Transition Period", the Group will achieve healthy and sustainable development as well as make sure capital adequacy ratio meet requirements by well performing capital management policies.

In 2018, the Group has realized the endogenous balanced development in capital entirely without external capital support. The Group fully demonstrated the necessity and feasibility of external capital from the aspect of satisfying the Group's actual demand for future business development in accordance with the regulatory policies for external capital. Meanwhile, the annual general meeting and the board of directors approved the plan to issue the preferred shares of RMB30 billion and the secondary capital debt of RMB50 billion, and the issuance of preferred shares of RMB30 billion has been approved by supervision department. If the aforesaid plan of capital support is implemented on schedule, the Group's capital strength will be further enhanced, and its ability to resist risks and serve the real economy will be further improved.

In 2018, the Group implements capital intensive operation and management, and properly arrange and control the size of the total risk weighted assets of the whole bank, and on the basis of the annual business operation plan, capital retention capacity and assets and liabilities management strategies. Optimize risk-weighted asset amount allocation and governing system on a continuous basis, and improve the evaluation on economic capital yield of each branch and subsidiary, and reasonably adjust the asset business structure, and promote harmonious development of in and off balance sheet activities. More emphasis is placed on the effective use of capital and the value creation of unit risk-weighted asset inputs to promote a stable return on capital.

According to related guidelines of the CBIRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group promotes the implementation of new capital agreement, establishes the nearly completed first support work system and seriously implements various works, and monitors the capital adequacy of the Group and its legal person and capital application in real time. As at 31 December 2018, the net book value of the Group's core tier one capital, tier one capital and capital are RMB440,365 million, RMB466,335 million and RMB577,582 million respectively.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair value are measured through appropriate method and parameters, and regularly reviewed by the board of directors to keep its applicability.

When recognizing the fair value of the financial instrument, to those financial instruments which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognizes the fair value and classifies it to level 1.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. The Group uses internal or external professionals to estimate the value with techniques including Black-Scholes option pricing model for option derivative financial instrument and discounted cash flow model for non-derivative financial instrument and part of the derivative financial instrument (including interest swaps, forward foreign exchange etc.) which cannot obtain prices in the active market. The main parameters used in the discounted cash flow model include the recent trading price, the relevant yield curve, and exchange rates, etc. The main parameters of Black-Scholes option pricing model used include relevant yield curve, exchange rates and fluctuations level, etc.

To loans and advances to customers and part of investments classified as receivables, their fair value is based on discounted cash flow model, and confirmed by unobservable discount rate which reflects credit risk. Such financial instruments are classified to level 3.

To unlisted equity (private equity) owned by the Group, the measure of fair value may adopt the unobservable input parameters which have significant influence over the estimation. Therefore, such financial instruments are classified to level 3. The management estimates the fair value of level 3 financial instruments by a series of method, including unobservable parameters such as net value of assets and discount rate which lacks market liquidity. If one or more unobservable parameters change based on reasonably possible alternative hypothesis, the fair value of such financial instruments will changed accordingly. The Group has established related internal control process in order to supervise the exposure of the financial instrument.

7.2 Financial assets and financial liabilities at fair value on recurring basis

For financial assets and financial liabilities at fair value on recurring basis, three levels of fair value measurement are analysed as follows:

UNIT: RMB Million

	The Group							
	31/12/2018				31/12/2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Financial assets at fair value through profit or loss	211,075	242,680	5,843	**459,598**	216,627	141,880	3,565	**362,072**
Derivative financial assets	-	42,092	-	**42,092**	-	28,396	-	**28,396**
Available-for-sale financial assets	44,834	575,220	24,832	**644,886**	82,287	398,742	21,352	**502,381**
Total	**255,909**	**859,992**	**30,675**	**1,146,576**	**298,914**	**569,018**	**24,917**	**892,849**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	171	2,423	-	**2,594**	756	5,807	-	**6,563**
Derivative financial liabilities	-	38,823	-	**38,823**	-	29,514	-	**29,514**
Total	**171**	**41,246**	**-**	**41,417**	**756**	**35,321**	**-**	**36,077**

UNIT: RMB Million

	The Bank							
	31/12/2018				31/12/2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Financial assets at fair value through profit or loss	217,156	195,859	-	**413,015**	237,256	100,709	-	**337,965**
Derivative financial assets	-	42,092	-	**42,092**	-	28,396	-	**28,396**
Available-for-sale financial assets	50,613	592,577	21,691	**664,881**	106,094	392,490	17,128	**515,712**
Total	**267,769**	**830,528**	**21,691**	**1,119,988**	**343,350**	**521,595**	**17,128**	**882,073**
Financial liabilities:								
Financial liabilities at fair value through profit or loss	-	2,387	-	**2,387**	-	5,725	-	**5,725**
Derivative financial liabilities	-	38,823	-	**38,823**	-	29,514	-	**29,514**
Total	**-**	**41,210**	**-**	**41,210**	**-**	**35,239**	**-**	**35,239**

There is no significant transfer in levels for fair value of the Group's financial instruments in 2018 and in 2017.

Information of Level 2:

UNIT: RMB Million

	The Group			
	Fair value in 31/12/2018	Fair value in 31/12/2017	Valuation Tech	Inputs
Financial assets:				
Debt instrument investments	654,726	537,026	Discounted cash flow method	Yield rate of bonds
Equity instrument investments	163,174	3,596	Net asset value method	Net asset value
Derivative financial instruments	42,092	28,396	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**859,992**	**569,018**		
Financial liabilities:				
Debt instrument investments	2,423	5,807	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	38,823	29,514	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**41,246**	**35,321**		

UNIT: RMB Million

	The Bank			
	Fair value in 31/12/2018	Fair value in 31/12/2017	Valuation Tech	Inputs
Financial assets:				
Debt instrument investments	603,578	493,199	Discounted cash flow method	Yield rate of bonds
Equity instrument investments	184,858	-	Net asset value method	Net asset value
Derivative financial instruments	42,092	28,396	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**830,528**	**521,595**		
Financial liabilities:				
Debt instrument investments	2,387	5,725	Discounted cash flow method	Yield rate of bonds
Derivative financial instruments	38,823	29,514	Discounted cash flow method Option pricing model	Credit of counter-party Credit premium, volatility
Total	**41,210**	**35,239**		

Information of Level 3:

UNIT: RMB Million

	The Group		
	Fair value in 31/12/2018	Fair value in 31/12/2017	Value Tech
Debt instrument investment	**26,397**	20,917	Discounted cash flow method
Equity instrument investments	**4,278**	4,000	Net asset value method
Total	**30,675**	**24,917**	

UNIT: RMB Million

	The Bank		
	Fair value in	Fair value in	
	31/12/2018	31/12/2017	Value Tech
Debt instrument investment	**19,666**	17,128	Discounted cash flow method
Equity instrument investments	**2,025**	-	Net asset value method
Total	**21,691**	**17,128**	

As for these debt instruments, using the discounted cash flow model for evaluating, the main significant unobservable inputs is the discount rate, the weighted average of 4.60%, and the significant unobservable inputs are inversely proportional to the fair value.

The fair value of aforesaid equity instruments investment is recognized by net asset value method. The main significant unobservable inputs are net asset value. On 31 December 2018, the asset-weighted average unit net value is 0.96, and the significant unobservable inputs are positively related to the fair value.

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

UNIT: RMB Million

	The Group			
	Financial assets at fair value through profit or loss		Available-for-sale financial assets	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Opening	**3,565**	599	**21,352**	157,458
Profit or loss				
-Recognized in other comprehensive income	**-**	-	**1,507**	-
Bought/(Sold)	**2,278**	2,966	**5,864**	(36,802)
Settle	**-**	-	**(3,891)**	(99,304)
Closing	**5,843**	3,565	**24,832**	21,352
Unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**(68)**	-	**-**	-

UNIT: RMB Million

Available-for-sale financial assets	The Bank	
	12/31/2018	12/31/2017
Opening	**17,128**	157,259
Profit or loss		
-Recognized in other comprehensive income	**1,670**	-
Bought/Sold	**6,780**	(40,829)
Settle	**(3,887)**	(99,302)
Closing	**21,691**	**17,128**
Unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**-**	**-**

7.3 Financial assets and liabilities measured not by fair value

The table below shows the carrying value of financial assets and financial liabilities at non-fair value and the corresponding fair value on the balance sheet date. The carrying value approximates the fair value of financial assets and financial liabilities, such as balance with Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets purchased under resale agreements, borrowing from the Central Bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements not included in the table below.

UNIT: RMB Million

	The Group			
	31/12/2018		31/12/2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to customers	**2,838,445**	**2,838,534**	2,348,831	2,349,228
Held-to-maturity investments	**395,142**	**406,992**	337,483	335,885
Investments classified as receivables	**1,387,150**	**1,385,763**	1,913,382	1,899,068
Total	**4,620,737**	**4,631,289**	**4,599,696**	**4,584,181**
Financial liabilities:				
Due to customers	**3,303,512**	**3,323,302**	3,086,893	3,099,828
Debt securities issued	**717,854**	**713,469**	662,958	655,928
Total	**4,021,366**	**4,036,771**	**3,749,851**	**3,755,756**

UNIT: RMB Million

	The Bank			
	31/12/2018		31/12/2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to customers	**2,822,075**	**2,822,166**	2,341,397	2,341,794
Held-to-maturity investments	**393,557**	**405,408**	337,483	335,885
Investments classified as receivables	**1,375,840**	**1,374,453**	1,899,969	1,885,655
Total	**4,591,472**	**4,602,027**	**4,578,849**	**4,563,334**
Financial liabilities:				
Due to customers	**3,304,063**	**3,323,853**	3,087,919	3,100,854
Debt securities issued	**698,436**	**694,725**	648,032	641,002
Total	**4,002,499**	**4,018,578**	**3,735,951**	**3,741,856**

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

UNIT: RMB Million

	The Group			
	31/12/2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,838,534	**2,838,534**
Held-to-maturity investments	-	406,992	-	**406,992**
Investments classified as receivables	-	416,236	969,527	**1,385,763**
Total	**-**	**823,228**	**3,808,061**	**4,631,289**
Financial liabilities:				
Due to customers	-	3,323,302	-	**3,323,302**
Debt securities issued	-	713,469	-	**713,469**
Total	**-**	**4,036,771**	**-**	**4,036,771**

UNIT: RMB Million

	The Group			
	31/12/2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,349,228	**2,349,228**
Held-to-maturity investments	-	335,885	-	**335,885**
Investments classified as receivables	-	468,806	1,430,262	**1,899,068**
Total	**-**	**804,691**	**3,779,490**	**4,584,181**
Financial liabilities:				
Due to customers	-	3,099,828	-	**3,099,828**
Debt securities issued	-	655,928	-	**655,928**
Total	**-**	**3,755,756**	**-**	**3,755,756**

UNIT: RMB Million

	The Bank			
	31/12/2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,822,166	**2,822,166**
Held-to-maturity investments	-	405,408	-	**405,408**
Investments classified as receivables	-	416,496	957,957	**1,374,453**
Total	**-**	**821,904**	**3,780,123**	**4,602,027**
Financial liabilities:				
Due to customers	-	3,323,853	-	**3,323,853**
Debt securities issued	-	694,725	-	**694,725**
Total	**-**	**4,018,578**	**-**	**4,018,578**

UNIT: RMB Million

	The Bank			
	31/12/2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans and advances to customers	-	-	2,341,794	**2,341,794**
Held-to-maturity investments	-	335,885	-	**335,885**
Investments classified as receivables	-	469,316	1,416,339	**1,885,655**
Total	**-**	**805,201**	**3,758,133**	**4,563,334**
Financial liabilities:				
Due to customers	-	3,100,854	-	**3,100,854**
Debt securities issued	-	641,002	-	**641,002**
Total	**-**	**3,741,856**	**-**	**3,741,856**

Quantitative information of level 2, 3 at fair value:

UNIT: RMB Million

	The Group			
	Fair value at 31/12/2018	Fair value at 31/12/2017	Valuation Technique	Inputs
Loans and advances to customers	**2,838,534**	2,349,228	Discounted cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	**406,992**	335,885	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**1,385,763**	1,899,068	Discounted cash flow method	Default rate, loss given default, discount rate
Due to customers	**3,323,302**	3,099,828	Discounted cash flow method	Market deposit rate
Debt securities issued	**713,469**	655,928	Discounted cash flow method	Yield rate of bonds
Total	**8,668,060**	**8,339,937**		

UNIT: RMB Million

	The Bank			
	Fair value at 31/12/2018	Fair value at 31/12/2017	Valuation Technique	Inputs
Loans and advances to customers	**2,822,166**	2,341,794	Discounted cash flow method	Default rate, loss given default, discount rate
Held-to-maturity investments	**405,408**	335,885	Discounted cash flow method	Yield rate of bonds
Investments classified as receivables	**1,374,453**	1,885,655	Discounted cash flow method	Default rate, loss given default, discount rate
Due to customers	**3,323,853**	3,100,854	Discounted cash flow method	Market deposit rate
Debt securities issued	**694,725**	641,002	Discounted cash flow method	Yield rate of bonds
Total	**8,620,605**	**8,305,190**		

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

XIV. Comparative figures

In order to comply with the presentation of the financial statements for the year, the Group re-presented certain comparative figures.

XV. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

As approved by the CBIRC and the China Securities Regulatory Commission, the Bank issued non-cumulative preferred stocks in a non-public manner domestically in April 2019, with a total issued amount of 300 million shares and a par value of RMB100 per share amounting to RMB30 ,000 million. The dividend rate of the first interest cycle is 4.90%.

In January 2019, the Bank increased its capital by RMB198 million to its holding subsidiary, Industrial Consumer Finance Co., Ltd., and the registered capital of Industrial Consumer Finance Co., Ltd. was RMB1,500 million after the capital increase.

XVI. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors of the Bank on 29 April 2019.

SUPPLEMENTARY INFORMATION

YEAR 2018

1. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss (2008) (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

UNIT: RMB Million

	The Group	
	2018	2017
Gains and losses on the disposal of non-current assets	**20**	70
Government grants recognised in profit or loss	**655**	362
Recovery of assets written-off in previous years	**5,342**	3,544
Net non-operating income and expenses in addition to the above	**144**	(166)
Subtotal	**6,161**	3,810
Impact on income tax expenses	**(1,566)**	(1,053)
Total	**4,595**	**2,757**
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**4,579**	2,736
Total non-recurring profit or loss attributable to non-controlling interests	**16**	21
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**54,559**	52,982

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") does not include "investment income from financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets" in non-recurring profit or loss.

2. Return on net assets and earnings per share ("EPS")

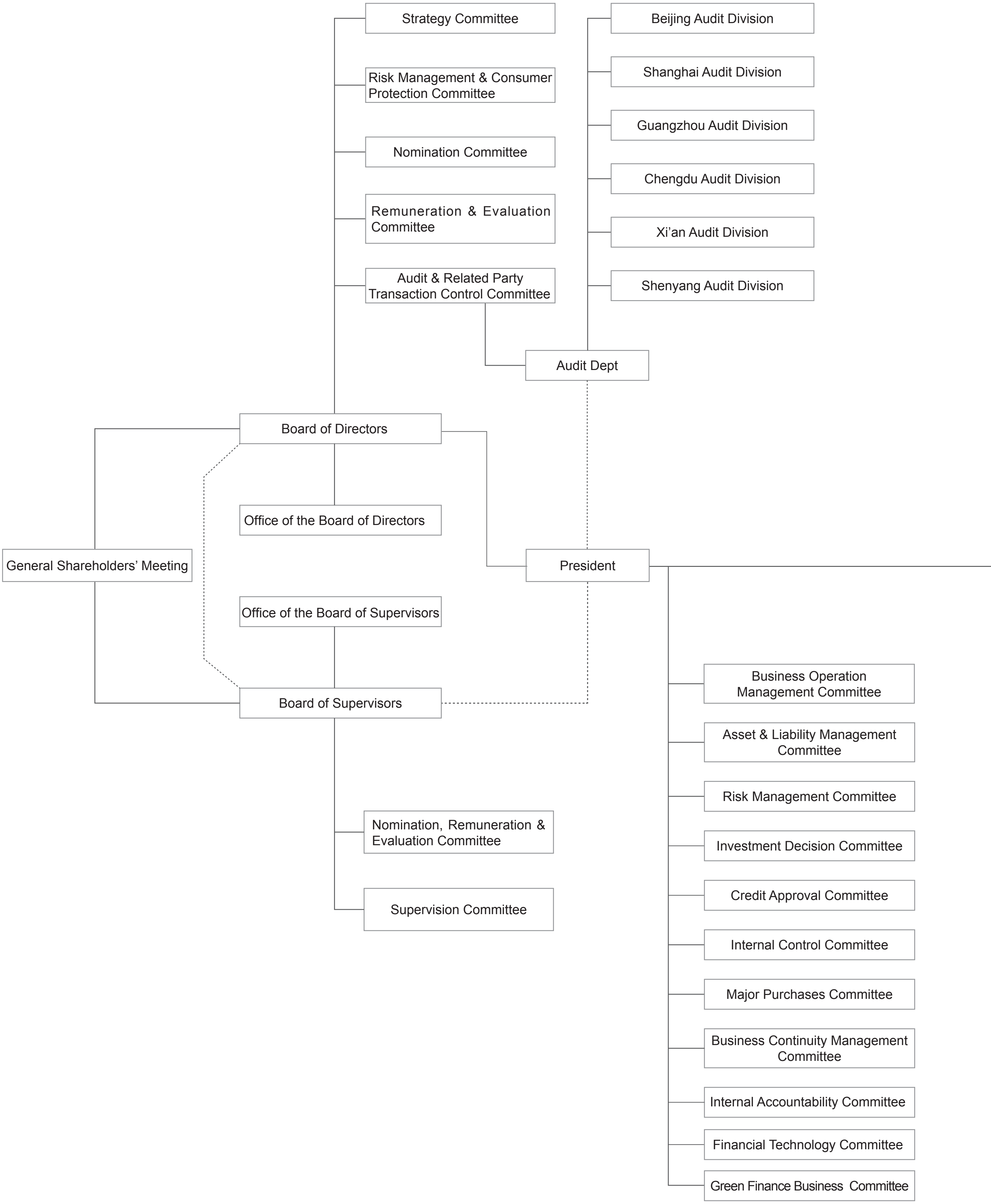
The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued

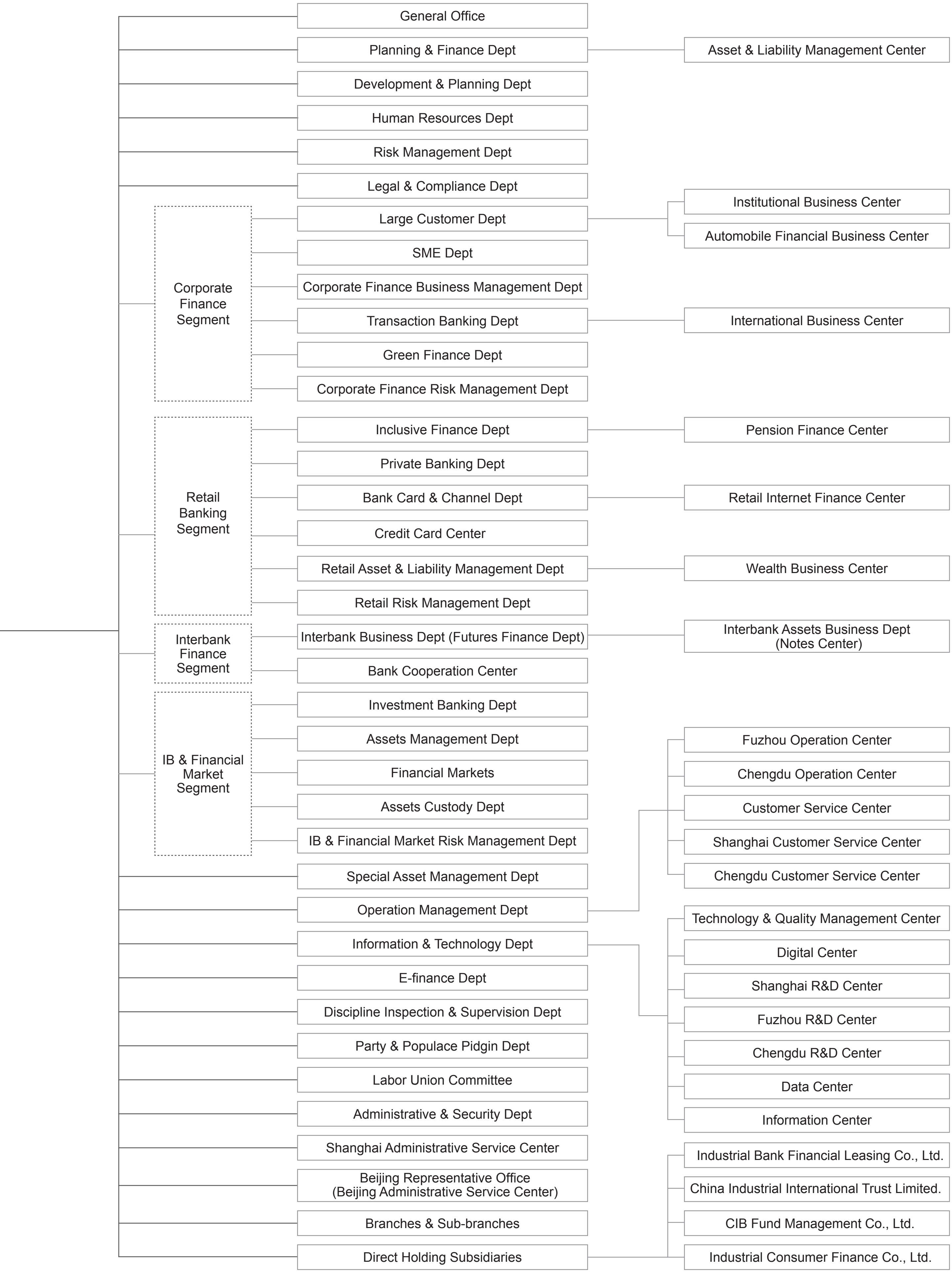
	The Group	
2018	Weighted average ROE (%)	Basic EPS (Yuan/share)
Net profit attributable to ordinary shareholders of the Bank	14.27	2.85
Net profit attributable to s ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	13.17	2.63

2017	Weighted average ROE (%)	Basic EPS (Yuan/share)
Net profit attributable to ordinary shareholders of the Bank	15.35	2.74
Net profit attributable to s ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	14.59	2.60

The RMB26,000 million domestic preference shares of the Bank as approved in November 2014 were successfully issued in June 2015. When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends declared for distribution. Besides, it had no further influence on basic earnings per share and diluted earnings per share in 2018 and 2017.

The Company's Organizational Structure




General Office
Planning & Finance Dept
Asset & Liability Management Center
Development & Planning Dept
Human Resources Dept
Risk Management Dept
Legal & Compliance Dept
Corporate Finance Segment
Large Customer Dept
Institutional Business Center
Automobile Financial Business Center
SME Dept
Corporate Finance Business Management Dept
Transaction Banking Dept
International Business Center
Green Finance Dept
Corporate Finance Risk Management Dept
Retail Banking Segment
Inclusive Finance Dept
Pension Finance Center
Private Banking Dept
Bank Card & Channel Dept
Retail Internet Finance Center
Credit Card Center
Retail Asset & Liability Management Dept
Wealth Business Center
Retail Risk Management Dept
Interbank Finance Segment
Interbank Business Dept (Futures Finance Dept)
Interbank Assets Business Dept (Notes Center)
Bank Cooperation Center
IB & Financial Market Segment
Investment Banking Dept
Assets Management Dept
Financial Markets
Assets Custody Dept
IB & Financial Market Risk Management Dept
Special Asset Management Dept
Operation Management Dept
Fuzhou Operation Center
Chengdu Operation Center
Customer Service Center
Shanghai Customer Service Center
Chengdu Customer Service Center
Information & Technology Dept
Technology & Quality Management Center
Digital Center
Shanghai R&D Center
Fuzhou R&D Center
Chengdu R&D Center
Data Center
Information Center
E-finance Dept
Discipline Inspection & Supervision Dept
Party & Populace Pidgin Dept
Labor Union Committee
Administrative & Security Dept
Shanghai Administrative Service Center
Beijing Representative Office (Beijing Administrative Service Center)
Branches & Sub-branches
Direct Holding Subsidiaries
Industrial Bank Financial Leasing Co., Ltd.
China Industrial International Trust Limited.
CIB Fund Management Co., Ltd.
Industrial Consumer Finance Co., Ltd.

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